



ARC
INVESTMENTS



MATERIAL

















MATERIAL MATTERS







DETERMINING MATERIALITY

Material matters refer to elements that could significantly impact the Company’s ability to create value in the short-, medium- and long-term. The process to determine materiality takes cognisance of relevant financial and non-financial risks, opportunities and factors that could affect strategy implementation, performance, growth prospects and governance of the Company and its related entities.













OUR MATERIAL MATTERS

-  **Capital allocation** should be targeted at investments where returns on capital employed exceed our required return rate
 -  Enhancing stand-alone investee company performance by **exploiting synergistic opportunities**
 -  **Growth** in assets under management
 -  Maintaining and leveraging **good stakeholder relations** and networks
 -  **Global societal issues** which impact our businesses
 -  **Liquidity management** within the fund
- B-BBEE Maintaining our **Black ownership status** is a key competitive advantage














OUR STRATEGY	OUR CAPITALS IMPACTED	OUR KEY RISKS
 BUILD  OPTIMISE  GROW	 FINANCIAL CAPITAL  HUMAN CAPITAL  SOCIAL AND RELATIONAL CAPITAL  INTELLECTUAL CAPITAL  MANUFACTURED CAPITAL  NATURAL CAPITAL	 COUNTRY/GEOGRAPHICAL/GLOBAL  INVESTMENT  FINANCIAL  REPUTATIONAL  HUMAN CAPITAL

CAPITAL ALLOCATION				
Material matter	Risks and opportunities	Our response	Strategic impact	Capitals impacted and the outcome
 <p>The investment strategy prioritises achieving strategic goals and exceeding the minimum acceptable rate of return.</p> <p>We target a 16% return on all investments, adjusted to reflect the risk profile of each opportunity.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> • Investee companies • Shareholders • Funders 	 INVESTMENT  FINANCIAL <p>Risks</p> <ul style="list-style-type: none"> • Failure of major investments • Partnership risks • Non-adherence to the investment framework • Inability to raise capital • Interest rate increases <p>Opportunities</p> <ul style="list-style-type: none"> • Optimising financial returns through an optimal capital allocation model • Exit framework based on the following elements: <ul style="list-style-type: none"> -portfolio assets that contribute less than 2% of the total Fund value -are no longer a strategic fit -are likely not to meet the required hurdle rate and are ex-growth -where some cash can be freed up to fund priority future opportunities over the medium term 	<ul style="list-style-type: none"> • Implementation of the investment policy that guides the capital allocation • Monitoring of outcomes and considering adjustments to the investment portfolio, where relevant 	 BUILD <ul style="list-style-type: none"> • Optimal use of capital underpins sustainable growth • Judicious capital allocation enhances ARC Investments’ ability to raise capital from investors and/or funders 	 FINANCIAL CAPITAL  SOCIAL AND RELATIONAL CAPITAL <ul style="list-style-type: none"> • Enhances the investment case and sustainability of the business • Inspires stakeholder confidence in the leadership of the business
















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GROWTH IN ASSETS UNDER MANAGEMENT (AUM)				
Material matter	Risks and opportunities	Our response	Strategic impact	Capitals impacted and the outcome
 <p>Growth in existing assets demonstrates effective capital allocation and improves the financial viability of acquiring new assets.</p> <p>This is a key indicator of value creation and supports share price movement as well as the Company's ability to raise capital.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> Investee companies Shareholders Funders 	 INVESTMENT  FINANCIAL  REPUTATIONAL <p>Risks</p> <ul style="list-style-type: none"> Failure of major investments Partnership risks Non-performance of the assets Liquidity risk Poor economic growth Market risk, this relates to the possible value decline of our assets due to changes of macroeconomic factors i.e interest rates, exchange rates and other prices <p>Opportunities</p> <ul style="list-style-type: none"> Disposing of portfolio assets will bolster our cash position, which would support investments in new growth assets Driving synergies between relevant businesses will increase AuM As ARC Investments builds its reputation as a leading investment holding company, it creates the possibility of forming new partnerships to grow AUM 	<ul style="list-style-type: none"> Our investment philosophy favours a balance of late-stage new and disruptive enterprises and established businesses, backing good investee company leadership Engaging investee company leadership through regular management meetings and/or Board meetings 	 OPTIMISE  GROW <ul style="list-style-type: none"> Enhances our investment case and ability to attract capital for new investments 	 FINANCIAL CAPITAL  SOCIAL AND RELATIONAL CAPITAL <ul style="list-style-type: none"> Proof that the Group's value proposition is relevant to all stakeholders Supports the ARC Fund's growth ambitions Supports an increase in the share price and capital appreciation for shareholders
MAINTAINING BLACK OWNERSHIP IS A KEY COMPETITIVE ADVANTAGE				
<p>B-BBEE</p> <p>Maintaining the B-BBEE status of the ARC Fund is key to the value proposition offered to investee companies.</p> <p>Long-term share price appreciation and returns ensure that the broad base of Black shareholders in UBI (individuals and groups) continues to benefit through this relationship.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> Shareholders Investee companies Communities 	 REPUTATIONAL <p>Risks</p> <ul style="list-style-type: none"> Adverse changes to BEE codes Regulatory changes, the changes in regulations that may render BEE obsolete will affect ARC's competitiveness. <p>Opportunities</p> <ul style="list-style-type: none"> Information sharing roadshows to stakeholders, in particular Black shareholders, to ensure that they remain invested 	<ul style="list-style-type: none"> Proactively engaging with the BEE Commissioner to keep the Company abreast of any potential changes to legislation The Group pro-actively communicates with its empowerment shareholders on an ongoing basis and provides updates on the financial health of the UBI Group 	 GROW <ul style="list-style-type: none"> Our solid empowerment credentials allow us to continue offering value to both investee companies and shareholders 	 FINANCIAL CAPITAL  SOCIAL AND RELATIONAL CAPITAL <ul style="list-style-type: none"> Access to lucrative investment opportunities Delivering on our value proposition to investee companies Better informed shareholders, keeping the broad-base structure intact

MATERIAL MATTERS

ENHANCING STAND-ALONE INVESTEE COMPANY PERFORMANCE BY EXPLOITING SYNERGISTIC OPPORTUNITIES				
Material matter	Risks and opportunities	Our response	Strategic impact	Capitals impacted and the outcome
 <p>Investment decisions consider both the strength of the stand-alone business and potential synergy opportunities.</p> <p>Synergy opportunities lead to enhanced value creation at the investee company level and further strengthen ARC Investments' business case.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> Shareholders Investee companies 	 INVESTMENT  FINANCIAL <p>Risks</p> <ul style="list-style-type: none"> Non-performance of investee companies Investee company leaders failing to exploit significant synergy opportunities <p>Opportunities</p> <ul style="list-style-type: none"> Introducing relevant investee company leaders to explore specific synergy opportunities which carry significant commercial prospects Within the Financial Services part of the investment portfolio, opportunities exist to encourage interaction between leaders in the same sector (e.g. asset management) 	<ul style="list-style-type: none"> ARC hosts a Business Partner Conference to create a platform where interaction among investee company leadership is facilitated It provides the opportunity for the investee company leaders to engage and explore synergy opportunities 	 OPTIMISE  GROW <ul style="list-style-type: none"> Opportunity to explore joint corporate activity, partnerships or alliances among relevant investee companies, which could result in a reduced number of companies in the portfolio Where synergy opportunities make sense, the possibility of close collaboration or corporate activity may arise Synergies may enhance the growth potential of the investee companies 	 INTELLECTUAL CAPITAL  MANUFACTURED CAPITAL  FINANCIAL CAPITAL <ul style="list-style-type: none"> Improved investor confidence Enhances ARC Investments' value and the value of the Company's brand
MAINTAINING AND LEVERAGING GOOD STAKEHOLDER RELATIONS AND NETWORKS				
 <p>Good stakeholder relations are imperative for sustainable success.</p> <p>The Company is likely to succeed where it offers value to stakeholders and realises value from them.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> Investee companies Funders Shareholders Sanlam Regulatory bodies Investors Media Communities 	 REPUTATIONAL <p>Risks</p> <ul style="list-style-type: none"> Shareholders <ul style="list-style-type: none"> Widening discount to net asset value Non-performance of major investments Investment partners <ul style="list-style-type: none"> Investment partners who are embroiled in governance issues Politically exposed people Adverse changes to BEE codes Human capital <ul style="list-style-type: none"> Leadership and key management risks Staff incentives and retention Skills and resourcing capacity <p>Opportunities</p> <ul style="list-style-type: none"> Deriving value from the relationship requires the Company to clarify expectations with stakeholders Ongoing opportunities to facilitate interaction between key stakeholders, i.e., investee company leaders or senior representatives to identify value-unlock opportunities that could be mutually beneficial 	<ul style="list-style-type: none"> Stakeholder relations are managed at an executive level to prioritise engagements with stakeholders Management is considering specific initiatives to deepen its stakeholder relations offering 	 GROW <ul style="list-style-type: none"> Stakeholder relations will be directed to support Company strategy implementation 	 SOCIAL AND RELATIONAL CAPITAL  INTELLECTUAL CAPITAL <ul style="list-style-type: none"> Enhances the Company brand Strengthens relations with key partners Supports employee morale

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GLOBAL SOCIETAL ISSUES WHICH IMPACT OUR BUSINESS				
Material matter	Risks and opportunities	Our response	Strategic impact	Capitals impacted and the outcome
 <p>Our aim of adding value to the lives of stakeholders becomes even more pertinent in times of turmoil and hardship.</p> <p>Societal and global issues may impact the performance of our investee companies and their ability to achieve performance targets.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> • Communities • Investee companies 	 COUNTRY/GEOGRAPHICAL/GLOBAL  HUMAN CAPITAL  FINANCIAL <p>Risks</p> <ul style="list-style-type: none"> • Disruption to societal order which adversely impacts worker productivity • Heightened challenges to maintain adequate levels of cyber security <p>Opportunities</p> <ul style="list-style-type: none"> • The Group's broad partner network to respond appropriately in times of crises 	<ul style="list-style-type: none"> • Prioritise cash management, review capex programmes and support investee companies, as needed • Maintaining a well-diversified portfolio to minimise the adverse impact of major global and societal events • Stronger focus on ESG to assist with managing any adverse impact on the portfolio 	 BUILD <ul style="list-style-type: none"> • The investment case for adequate portfolio diversification has once again been demonstrated 	 SOCIAL AND RELATIONAL CAPITAL  INTELLECTUAL CAPITAL  FINANCIAL CAPITAL  HUMAN CAPITAL <ul style="list-style-type: none"> • Employee productivity maintained • Investee company performance is maintained
LIQUIDITY MANAGEMENT WITHIN THE FUND				
 <p>Management of the liquidity in the fund enables sustainability of the Fund.</p> <p>Stakeholders affected:</p> <ul style="list-style-type: none"> • Funders • Shareholders • Investee companies 	 INVESTMENT  FINANCIAL <p>Risks</p> <ul style="list-style-type: none"> • Failure to honour commitments made to investees' companies • Failure to meet funding obligations <p>Opportunities</p> <ul style="list-style-type: none"> • Effective liquidity management improves the financial health of the Company and increases its ability to raise funding. 	<ul style="list-style-type: none"> • Obtain capital from various sources (shareholders and funders) • Disposal of investments • Compliance with funding obligations including covenants. 	 BUILD <ul style="list-style-type: none"> • Capital enables accelerated business growth. 	 SOCIAL AND RELATIONAL CAPITAL  FINANCIAL CAPITAL <ul style="list-style-type: none"> • Enhances the investment case and sustainability of the business