

# Material matters

*These are factors that have the potential to significantly impact our financial sustainability, ability to deliver long-term investment outperformance for our clients and create value for our stakeholders.*

	Material matters and alignment to strategy	Risk	Opportunity/Response
<b>Investment performance</b> 	<p>We are a long-term active manager. Our 30-year track record and single investment philosophy have proven our ability to deliver alpha over the long term. This is at the centre of our promise to deliver value to our clients and other stakeholders</p>	<ul style="list-style-type: none"> <li>▶ Unprecedented global economic and geopolitical factors impacting markets and eroding the efficacy of our investment approach to add value over medium- and long-term measurement periods</li> </ul>	<ul style="list-style-type: none"> <li>▶ Challenging environment presents an opportunity to acquire undervalued assets with excellent growth prospects and sow the seeds for future outperformance</li> <li>▶ Our long-term track record and our in-depth proprietary research present a compelling opportunity for potential clients</li> </ul>
<b>ESG</b> 	<p>Sustainability founded on the pillars of ESG is a critical cornerstone of our investment philosophy and our corporate operations</p>	<ul style="list-style-type: none"> <li>▶ Misinterpretation of our integrated ESG investment approach that is founded on engagement before exclusion</li> <li>▶ Many ESG factors manifest in the long term and are subjectively integrated into valuation models. There is a risk that other market participants price these risks differently, which could impact market prices</li> <li>▶ The ESG regulatory environment is rapidly changing from voluntary to mandatory disclosures. This results in increased demands on businesses and the risk of lagging best-practice disclosure</li> </ul>	<ul style="list-style-type: none"> <li>▶ Our fundamental bottom-up research process ensures that ESG analysis and engagement are fully integrated into the analysis and execution of each investment case by the responsible analyst, rather than outsourcing the function. This leads to a holistic understanding of the impact of ESG factors on specific shares and the overall portfolio</li> <li>▶ Value creation and responsible corporate citizenship can be achieved through increased engagement and collaboration on material ESG issues</li> <li>▶ We continue to deepen our stewardship activities across key E&amp;S issues, and to ensure that investee companies have appropriate governance structures in place to manage material ESG risks and opportunities</li> </ul>
<b>Talent</b> 	<p>Our people are our key resource and we are challenged by a competitive and skills-scarce environment that has been further impacted by the globalisation of the workforce</p>	<ul style="list-style-type: none"> <li>▶ Achieving transformation in a scarce-skills environment</li> <li>▶ Significant scarcity of skills across functions, including IT and IS resources</li> <li>▶ Emigration</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to invest in employee development and wellness, with a sharp focus on young talent</li> <li>▶ Post-pandemic embedding of greater flexibility for employees</li> </ul>

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<b>South African environment</b> 	<p>The SA savings pool is shrinking, impacted by low economic growth, ailing SOEs, failing infrastructure and low confidence in SA Inc., which has an impact on us as a large player in the market</p>	<ul style="list-style-type: none"> <li>▶ Outsized impact of shrinking savings pool as a larger player in the market</li> </ul>	<ul style="list-style-type: none"> <li>▶ Buying opportunity for undervalued SA stocks</li> <li>▶ To actively engage with policymakers, regulators and industry peers to lobby for policy implementation to support stronger and sustainable economic growth</li> </ul>
<b>Client changing requirements</b> 	<p>A shift in consumer and client trends, including the request for alternative products, greater access to global markets, ESG-focused products and client engagement technology</p>	<ul style="list-style-type: none"> <li>▶ Inability to meet evolving client needs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Launch of new products</li> <li>▶ Continued focus on client engagement with a return to in-person events</li> <li>▶ Regular client engagements to understand their evolving needs</li> </ul>
<b>Regulatory environment</b> 	<p>Significant changes in the regulatory environment, as well as the increased pace and volume of regulations</p>	<ul style="list-style-type: none"> <li>▶ Non-compliance due to pace and volume of regulatory change</li> <li>▶ Increased cost of doing business</li> </ul>	<ul style="list-style-type: none"> <li>▶ Greater engagement with policymakers</li> <li>▶ Engagement with peers and broader SA Inc. to avoid unintended consequences and strive for best outcomes</li> </ul>
<b>Transformation</b> 	<p>Coronation continues to focus on diversity and inclusion, the demand for which has gained momentum globally. Clients, regulators, and industry bodies require a clear demonstration that we are a transformed and inclusive business</p>	<ul style="list-style-type: none"> <li>▶ Loss of clients if not perceived to be a transformed and inclusive business</li> </ul>	<ul style="list-style-type: none"> <li>▶ Continue to champion inclusivity and transformation</li> <li>▶ Introduce and maintain robust transformation programmes, internally and externally</li> <li>▶ Increase in black ownership with additional Imvula II allocations made to employees</li> </ul>