Sygnia

Sygnia Stewardship Report

2023/2024

For All

Contents

Executive summary

Sygnia Asset Management is a leading multi-manager committed to responsible investing and sustainable transformation. As an influential financial services group, Sygnia provides investment management and administration solutions to institutional and retail clients. Our expertise spans multi-manager products, index-tracking investments and custom-designed strategies.

As a South African company, Sygnia prioritises gender equality and social upliftment while maintaining a strong focus on stewardship. Our sustainability approach integrates industry best practices, including Regulation 28, the Code for Responsible Investing in South Africa and the United Nations' Principles of Responsible Investment. We actively participate in industry initiatives such as committees and working groups of the Association for Savings and Investment South Africa (ASISA).

Sygnia offers a range of products that aim to deliver market-related returns while making a positive impact. We are committed to transparency, integrity, and community outreach in all our endeavours.

Transformation is a cornerstone of our business. We have made significant strides in gender equality and diversity, with women holding key leadership positions and black representation increasing annually. Our commitment to preferential procurement and small business support further strengthens our transformation efforts.

Inclusivity is another priority. We have been recognised for our efforts to employ individuals with disabilities, contributing to a more equitable and inclusive workplace.

Sygnia acknowledges the importance of responsible investing and sustainable practices. Through our creative and forward thinking we believe we can create long-term value for our clients and contribute to a more sustainable future.

Christel House, Cape Town

Introduction

As a leading multi-manager, Sygnia Asset Management takes its corporate and stewardship responsibilities seriously. The Sygnia Stewardship Report outlines how this is achieved at a corporate level and at a fund level. As a proudly South African company, transformation and gender equality strategies are a priority.

On the fund side, Sygnia has developed a sustainability approach that offers products focused on having a positive impact while giving the investor market-related returns. Industry frameworks and codes that guide our approach include the principles embodied in Regulation 28 of the Pension Funds Act; the Code for Responsible Investing in South Africa ("CRISA2"); and the United Nations' Principles of Responsible Investment.

Sygnia has always been forward thinking and acknowledges the magnitude and essence of the environmental, social and governance (ESG) pillars. We will continue to creatively embody ways to make a positive difference – be it through our product offering and partnership with our external managers, through community outreach or through the transparency and integrity with which we conduct our business.

Who is Sygnia?

Sygnia Limited and its subsidiaries ("the Group") is an innovative financial services group based in South Africa and listed on the main board of the Johannesburg Stock Exchange (JSE) and A2X markets.

The Group focuses on the provision of investment management and administration solutions to institutional and retail clients predominantly located in South Africa. The main services provided by the Group include multi-manager investment products, index-tracking investment products, custom-designed investment strategy management, transition management, institutional investment administration services, retail investment administration services, employee benefit administration services, stockbroking, securities lending and treasury services.

Sygnia is the largest international equity exchange traded fund (ETF) provider in South Africa (and the second-largest overall). It offers investors the widest range of ETFs that track international equity markets and manages over R45.2bn in ETF investments. As at 31 March 2024, Sygnia has approximately R341.3bn assets under management and administration and is 61.5% staff- and management-owned.

Transformation at Sygnia

As a proudly South African company, Sygnia remains committed to sustainable transformation in all its spheres of operation. Transformation and gender equality strategies are a priority, with black and women staff percentages increasing annually.
Gender equality is strongly promoted, with significant focus on the promotion of women to key management positions.
That commitment is reflected in the following statistics as at 30 September 2024:

- The Chief Executive Officer is a woman.
- 28.7% of the Board of Directors are women.
- 54.3% of staff are women.
- 72.1% of employees are black.
- 7 staff members are disabled.

Many senior management positions are held by women, including Head: Institutional Business; Head: Retail Business; Head Institutional Administration; Head: Retail Administration; Head: Employee Benefit Operations; Head: Special Projects; Head: Legal & Compliance; Head: Marketing; and Head: Human Resources.

Preferential procurement has been an important aspect of the Group's transformation strategy, with an active approach being taken to ensure that procurement explicitly targets Broad-Based Black Economic Empowerment (B-BBEE) as a criterion for service provider selection. Sygnia has actively switched providers to those compliant with its objectives. Support for small, entrepreneurial businesses is also a feature of the strategy.

Sygnia Asset Management is a level 1 B-B-BEE contributor

Sygnia takes a holistic approach to transformation, implementing strategies across the Group, and takes a long-term view on compliance with the new Financial Sector Code. The ownership aspect was partially addressed through the formation of the vendor-financed Ulundi Staff Trust for black staff and management in 2013 and its successful value creation for eligible beneficiaries on its unwinding in the 2021 financial year.

Sygnia Asset Management (Pty) Ltd is a Level 1 contributor in terms of the Financial Sector Charter B-BBEE scorecard.

Inclusivity at Sygnia

Sygnia is proud to have received awards honouring its commitment to employing individuals with disabilities. These accolades celebrate the Group's efforts to build a diverse, equitable and inclusive workforce that provides opportunities for all.

In collaboration with Integrated Reporting and Assurance Services, the National Council for Person's with Disabilities awarded Sygnia, as a JSE-listed company, for employing persons with disabilities.

For the 2024 year, Sygnia's disability ratio was 2.53%.

Awards Ceremony for 2024

Our company

Sygnia believes that making a positive impact extends beyond our business practices. We strive to create a company that not only supports the community but also nurtures the well-being of our employees.

To foster a vibrant and inclusive culture, we invest in our people as much as we do in our investments. We encourage a healthy work–balance through social clubs, sporting events and community initiatives. From book clubs and running clubs to dragon boat races and trail runs, we provide opportunities for our staff to connect, recharge and contribute to a more meaningful work environment.

OUTsurance Gun Run

Merrell Night Series Trail Run

Sygnia cares

As a company, we also participate in various initiatives.

Green Bays: Save fuel, save money, save parking bays – save the planet!
Requires the driver and a minimum of two passengers to sign up for a **GREEN** bay for the month.

- Sygnia rewards the registered driver with R1 500 of fuel (roughly a tank) at the end of the month.

Movember: An annual November event for growing moustaches to raise awareness about men's health issues, such as prostate cancer, testicular cancer and men's suicide.

- Monetary prizes are awarded for the winners to donate to a charity of their choice.

Casual Day: Sygnia supports Casual Day, which raises funds to support persons with autism. Casual Day stickers are purchased and given to all staff members, and staff members are invited to make voluntary cash donations.

Sygnia staff's commitment to community extends beyond the workplace. Last year, we were privileged to participate in several initiatives that supported local organisations. Sygnia staff assembled and gifted 100 Santa's Shoeboxes to underprivileged children in Cape Town and donated over 100 dignity packs to the Won Life NGO in honour of Nelson Mandela. To celebrate Women's Day, Sygnia held a "Dress it Forward" campaign, collecting 32 evening gowns for matric girls and donating clothing to Chic Mamas.

> "On behalf of our high school learners attending our Education Centre, I want to convey a HUGE, MASSIVE, ENORMOUS 'THANK YOU' to the whole Sygnia team for their extremely generous donation of much needed dignity/toiletry packs. We are deeply grateful, as the timing of these items is just as we needed them."

Lance Turner
WonLife Director

Dignity packs for Mandela Day

Corporate social responsibility (CSR)

Sygnia embodies the spirit of entrepreneurship. We strive to empower other businesses to grow by supporting preferential procurement policies. Our corporate social investment programme allows our staff to become involved and to contribute personally to all that we do.

We contribute to the development of our staff and the communities around us. Skilled individuals are key to our future success, and as such we focus on education and training in all our business initiatives.

Won Life, Cape Town

Social investment focus

Sygnia considers social challenges facing the country when identifying projects, collaborating with sustainable organisations and projects that focus on empowerment through education and helping previously disadvantaged individuals actively participate in the South African economy.

Sygnia's values and business objectives ensure that it continues to implement good business practices and do good work. Sygnia recognises that the future of South Africa rests in its youth, and it is determined to empower them to be the beneficiaries of a better future.

Sygnia's key corporate social investment focus is on education, investing in initiatives from early childhood development through to tertiary education programmes. Sygnia provides bursaries to scholars and supports outreach education initiatives in under-resourced schools.

Sygnia is proud to support organisations that:

- Are registered public benefit organisations with projects in education/educational support;
- Have a proven track record of successful outcomes;
- Raise funds from a variety of different donors to meet their objectives, rather than being dependent on one or two donors.

Organisations that Sygnia supports align with the following social objectives:

Ensure that children have access to basic human rights	Elkana Homestead
Develop numeracy science knowledge and English literacy	Andrew Murray Christel House LEAP School Won Life
Build a sustainable future through the development of social and environmental awareness	Impact Trust
Build active communities through movement and sport	VUSA
Develop a fully equipped future workforce and entrepreneurship base	O Grace Land Ray Mhlaba Regional Educare Council Taking Care of Business

In the 2023/2024 funding period, Sygnia's corporate social initiative contributed a total of **R1 802 646**, providing direct support to **11 organisations** working to enrich the lives of over **7 500** beneficiaries.

9 Miles	R200 000
Andrew Murray House	R100 000
Basic Concepts	R125 000
Christel House	R60 000
Elkana	R200 000
Five Trails (Impact Trust)	R200 000
LEAP School	R100 000
O Grace Land	R120 000
Ray Mhlaba	R100 000
Regional Educare	R125 000
Taking Care of Business	R100 000
The Homestead	R150 000
VUSA	R100 000
Won Life	R122 646

Sygnia is excited to have expanded its network of partners to include two new organisations:
9 Miles Project and Taking Care of Business

9 Miles Project

9 Miles Project is a community-based nonprofit organisation founded in Cape Town in 2013.

Using surfing as a form of engagement and empowerment, 9 Miles provides safe spaces and structured afterschool programmes for at-risk children and youth in coastal communities and offers mentorship, job creation, skills development and holistic support to marginalised youth and communities in South Africa.

> "We are so excited and humbled, and we look forward to partnering with Sygnia this year to strengthen our educational program and impact."

Nigel Savel
Founder

Taking Care of Business

The Taking Care of Business social enterprise supports marginalised women in South Africa.

They support the Remake programme, which empowers women seamstresses to start or grow their small businesses through their creativity, design and sewing skills. They also learn how to create a product, access new markets, grow a customer base and increase the financial sustainability of their sewing businesses.

"We appreciate and are excited to partner with Sygnia in our efforts to empower local communities and create sustainable business opportunities. This collaboration enables us to support the growth of small businesses and contribute to a more inclusive and equitable economy in South Africa."

Tracy Gilmore
Chief Operating Officer & co-founder

Sygnia continues to support:

House Andrew Murray (funding recipient 2021/2022/2023)

House Andrew Murray is a registered child and youth care centre (children's home) that provides residential care to more than 150 children (1–18 years old) outside their family environment, in accordance with a residential care program developed for the children in the centre.

Highlights from 2024:

- 100% pass rate of matriculants for the past three years.
- 102 children have access to educational programs suited to their capacity, circumstances and developmental needs.
- Five school-leavers are given as much opportunity as possible to prepare and equip them for the disengagement process and their immediate future.

"We are honoured to be in partnership with Sygnia for the past few years to enhance the development of each child physically, mentally, psychologically, emotionally, morally, culturally and socially to make an impact in our children's lives."

Karen Peterson
Funding Manager

Taking Care of Business, Cape Town

Christel House, Cape Town

Christel House (funding recipient 2022/2023)

Christel House is a global non-profit organisation that operates nine schools around the world, with 800+ learners enrolled. Established in 2001, they focus on quality character-based and career-focused education, psychosocial care and support and an award-winning College & Careers program.

Highlights from 2024:

- 100% matric pass rate, with 84% bachelors passes and 32 (9.6%) distinctions.
- English pass rates across grades 3, 6 and 9 well above the 90% mark.
- Mathematics pass rates were excellent for Grade 3 (81%) and Grade 6 (98%) classes. Grade 9s improved their pass mark from 54% to 63%.

Elkana (funding recipient 2021/2022/2023)

Elkana transforms the lives of children between age 6 and 18 in severely adverse situations that could negatively impact their development and future. Elkana provides meaningful support to protect against the infringement of their basic human rights and to give them the opportunity to lead happier and more balanced lives.

Highlight from 2024:

- The focus this year was on equipping classrooms with materials like whiteboards, notebooks, bulk stationery, recreational games and puzzles to enhance learning, thinking skills, leadership and teamwork in a fun way.

Homestead (funding recipient 2021/2022/2023)

Homestead cares for children from disadvantaged homes and helps them develop life skills and coping mechanisms, anger management skills, emotional intelligence and healthy trauma responses.

Highlights from 2024:

- Bridge Child & Youth Care Centre (residential home in Khayelitsha for boys aged 7–17)
  - Developmental intervention has been very successful, particularly for school placements and life skills.
  - At its highest rate, 90% of their children were at school. Some at schools of skills who received completion certificates in Life – a qualification that will enable them to apply for jobs in the future.

- LaunchPad Child & Youth Care Centre (residential home in Observatory for youth aged 15–21)
  - 100% Grade 12 pass rate at the end of 2023.
  - Job shadowing has enabled youth to learn experientially in a work environment, gaining an idea of what career they can follow and what work life really entails.

Impact Trust (funding recipient 2021/2022/2023)

The Impact Trust provides an immersive journey in nature for over 1 000 learners, providing opportunities to experience systems thinking and complexity theory in action and to learn from ecosystems, circular economies and transition towns to develop familiarity with the natural environment and social and economic systems.

Highlights from 2024:

- Face-to-face immersive workshops.
- Real-life experience of building initiatives (incubation and support).

"Sygnia has provided ongoing support that has enabled us to reach more students and ready our platforms and programs for future scaling."

Chris Meintjies
Director

Leap School (funding recipient 2021/2022/2023)

The LEAP Movement works with a range of partners to effect broader systemic change in education in South Africa. The LEAP Network of Schools comprises the LEAP schools and their respective partner schools; the South African Extraordinary Schools Coalition; and LEAP's international school. More than 1 600 learners are currently enrolled.

Highlight from 2024:

- One of the most significant milestones for LEAP 3 this year was the completion of its new hall. This space is now a central hub for the school's activities, providing a venue for assemblies, events and various programs that enhance the school community's cohesion and spirit. LEAP 3 is situated in Linbro Park, with students enrolling from the nearby community of Alexandra.

O Grace Land (funding recipient 2021/2022/2023)

O Grace Land is a temporary safe haven where up to 20 young women over the age of 18 can grow and prepare to enter adult life. The temporary home offers life skills and a safe place to stay while they complete their education and prepare for the working world.

Ray Mhlaba (funding recipient 2021/2022/2023)

Ray Mhlaba's primary objective is to positively impact the lives of others via the empowerment of unemployed, underprivileged youth aged from 18 to 25. Vocational skills and social development programs equip them with the knowledge and ability to obtain formal employment or become entrepreneurs. Ray Mhlaba offers a variety of Sector Education and Training Authority (SETA)-accredited entrepreneurial training programs.

Highlights from 2024:

- To date, 22 227 students have completed their vocational and social skills development training programs.
- 81% of their graduates have gained formal employment post program completion or have become successful entrepreneurs.
- Three students previously funded by Sygnia are making strides in their careers: one is employed in the formal sector, another is working at a daycare centre and the third is pursuing further studies in electrical engineering.

9 Miles, Cape Town

Regional Educare (funding recipient 2021/2022/2023)

The Regional Educare Council has been helping children in the rural Eastern Cape for 15 years. It specialises in early childhood development (ECD) programs and has a passion for the holistic improvement of the quality of children's education. It provides training programmes for ECD practitioners to grow the field.

Highlights from 2024:

- Parent imbizos were designed to improve communication between ECD practitioners and parents and highlight the importance of a three-way partnership among parents, community and schools for children's development. This has been useful in addressing parents' reluctance to share home situation information with practitioners.
- By consistently partnering with Regional Educare, Sygnia has contributed to improving the lives of over 200 ECD practitioners, most of whom are now in full-time employment.

VUSA (funding recipient 2021/2022/2023)

The VUSA Academy creates social upliftment for children from underprivileged communities through structured academic, sporting and recreational programs.

"Our collaboration with Sygnia has greatly enhanced our ability to deliver impactful educational and support services to primary school children in Langa. Together, we've provided a nurturing environment where hundreds of young minds can thrive, laying a foundation for their future success. Sygnia's commitment to our mission enables us to continue breaking down barriers for the next generation."

Nikki Matthews
Chief Operating Officer

Won Life (funding recipient 2021/2022/2023)

Won Life provides excellent education and educational support to the underprivileged community of Fisantekraal. It has carefully and purposefully developed its approach with the community context in mind to address the shortfalls that exist within the community's education system. Won Life's programs deliver a level of education that fulfils the Education Department's requirements and gives children hope for a brighter future.

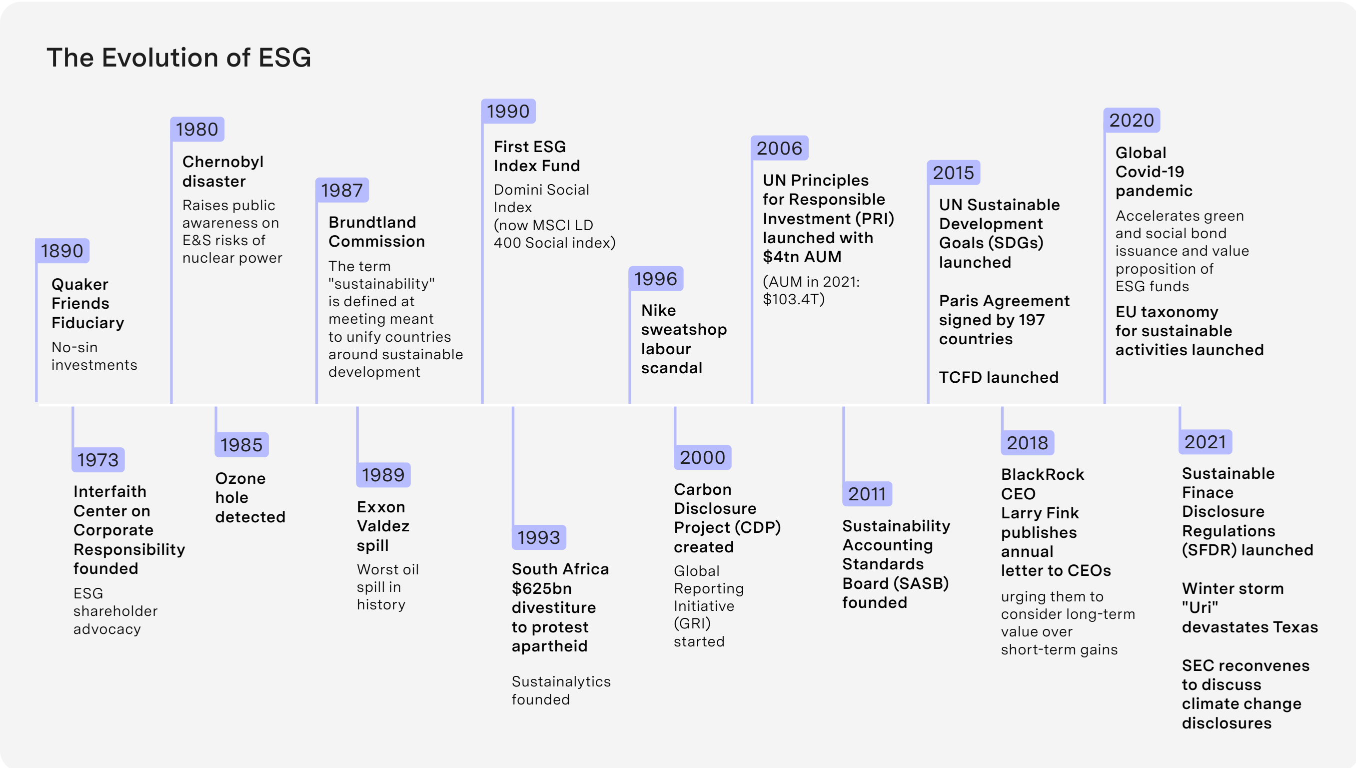
Highlight from 2024:

- Sygnia's support has provided sustainability and continuity towards the employment of a competent teaching team that provide a quality education to 180 Grade R learners, as well as a full-time cook who will produce approximately 72 000 meals this year.

Won Life, Cape Town

Environmental, social and governance (ESG) integration at Sygnia

ESG investing has evolved from the socially responsible investing (SRI) of the early 1960s, when portfolios excluded certain industries based on their involvement in particular business activities. SRI was initially a response to the Vietnam War, but other events – such as the civil rights movement and the detection of the hole in the ozone layer – have accelerated the growth of ESG.
Various guidelines and legislations have been developed to aid the evaluation of ESG investment factors.



Source: Dun & Bradstreet

Many approaches can be adopted to integrate ESG in the asset management industry. The table below provides a brief guide to typical ESG approaches used by the asset management industry across the globe.

Best-in-class	Exclusions/Screening	Thematic
Invests only in companies that lead their peer groups in ESG performance; excludes companies based on ESG criteria.	Applies filters to lists of potential investments.	Targets a specific environmental or social outcome; includes impact investing. Invests in themes or assets specifically related to sustainability.
Positive tilt	**Investing for impact**	**Integration**
Tilted towards sectors, companies or projects with positive ESG characteristics; excludes companies based on ESG criteria.	Invests with the primary goal of achieving specific, positive environmental/social benefits while delivering a financial return.	Explicitly and systematically includes ESG issues in investment analysis and decisions.

The size of the South African market is challenging for pure ESG portfolios. Exclusion criteria can create large active positions in an ESG portfolio. Sygnia has developed a sustainability approach that offers products focused on having a positive impact while giving the investor market-related returns.

The following industry frameworks and codes currently guide our approach:

- Compliance with the principles embodied in Regulation 28 of the Pension Funds Act (“Regulation 28”), insofar as it requires ESG considerations to be taken into account when devising investment strategies for retirement funds;
- The principles embodied in CRISA 2;
- The principles embodied in the United Nations’ Principles of Responsible Investment.

Sygnia reviews available research and industry best practices to ensure its approach remains relevant. ESG integration at Sygnia can be broken down into multi-manager, passive and fixed income investments. Products with ESG mandates fall into any of these categories and are overarched by ongoing shareholder activism. Sygnia also offers investment products with specific ESG mandates.

Multi-manager	Passive/Equity	Fixed income and infrastructure
• Documented ESG policy in place • Evidence to adherence of ESG policy • Proxy voting records • Engagement with corporates	• Proxy voting in collaboration with active managers in our multi-manager solutions • Low fees and accessibility to savings products for all	• ESG issues increasingly form part of credit review as an assessment of non-financial risk • Engagement in the industry around social, green and transition bonds
Products with ESG mandates		
Shareholder activism		

Collaboration and industry involvement

Code for Responsible Investing in South Africa (CRISA 2)

Sygnia uses the CRISA 2 principles to guide its responsible investing and business practices.

Developed from CRISA 1, CRISA 2 revises the initial five principles to encourage stewardship and responsible investing. It came into effect for reporting on 1 February 2023.

CRISA 2 can be applied by any organisation in the investment industry or by related parties involved in or providing investment services.

The five principles are relevant but completely voluntary and can be flexibly and proportionately applied should companies choose to align with them.

The five principles of CRISA 2

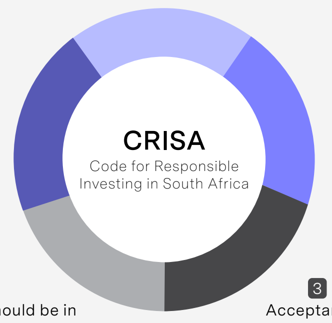
1 **ESG integration**
Investment arrangements and activities should reflect a systematic approach to integrating material ESG factors.

2 **Stewardship**
Investment arrangements and activities should demonstrate the acceptance of ownership rights and responsibilities diligently enabling effective stewardship.

3 **Capacity building & Collaboration**
Acceptance and implementation of the principles of CRISA 2 and other applicable codes and standards should be promoted through collaborative approaches (as appropriate) and targeted capacity building throughout the investment industry.

4 **Governance**
Sound governance structures and processes should be in place (including at all levels of the organisation) to enable investment arrangements and activities that reflect and promote responsible investment and diligent stewardship, including proactively managing conflicts of interest.

5 **Transparency**
Investment organisations should ensure disclosures are meaningful, timeous and accessible to enable stakeholders to make informed assessments of progress towards the achievement of positive outcomes.



Outcomes and applications

By moving to an outcome-based approach, the code intends for companies to have a positive impact and be more inclusive, innovative and resilient. Principle implementation to achieve these outcomes is not measured using metrics or targets. Companies can apply the principles proportionately as best suits them, motivating the concept of "apply and explain", whereby companies explain their interpretation of the principles and their execution by the organisation.

Principle:	Application
1. Integrating material ESG factors into investment arrangements and activities.	Sygnia's fixed income portfolios: • ESG issues increasingly form part of credit review as an assessment of non-financial risk. • Frequent engagement within debt instruments via debt arrangers and at investor roadshows. • Support local infrastructure development through a series of infrastructure investments and state-owned entities. Sygnia's equity portfolios: • Consider ESG factors when evaluating potential investments/products Sygnia's multi-manager portfolios: • Ensure external managers have a documented ESG policy in place. • Provide evidence of adherence to ESG policy.
2. Enabling diligent and effective stewardship by demonstrating acceptance of ownership rights and responsibilities.	Sygnia's equity portfolios: • Proxy voting in collaboration with active managers in our multi-manager solutions. Sygnia's multi-manager portfolios: • Proxy voting records • Engagement with corporates.
3. Contributing to capacity building and collaboration of other applicable codes in addition to CRISA 2.	• Compliance with the principles embodied in Regulation 28. • The principles embodied in the United Nations' Principles of Responsible Investment also guide our investment approach.

4. Governance should be implemented in an accountable manner by having sound governance practices in place.	Sygnia is committed to rendering financial services honestly, fairly, with due skill, care and diligence and in the interests of clients and the integrity of the financial services industry.
	
	• Regulatory licenses:
	  ◦ Sygnia Asset Management is an authorised financial services provider (FSP number 873) in terms of the Financial Advisory and Intermediary Services (FAIS) Act, 2002.
	  ◦ Sygnia Life Limited is an authorised financial services provider (FSP 2935) under the FAIS Act and licensed linked insurer (I197) under the Insurance Act, 2017.
	  ◦ Sygnia Financial Services is an authorised financial services provider (FSP number 44426) in terms of the FAIS Act, 2002 and is an approved benefit administrator in terms of Section 13B of the Pension Funds Act, 1956.
	  ◦ Sygnia Securities (Pty) Ltd is an authorised financial services provider (FSP number 45818) in terms of the FAIS Act, 2002. Sygnia Securities is an execution-only stockbroker and an authorised member of the JSE.
	  ◦ Sygnia Benefit Administrators is an authorised financial services provider (FSP number 5538) in terms of the FAIS Act, 2002 and is an approved benefit administrator in terms of Section 13B of the Pension Funds Act, 1956.
	  ◦ Sygnia Consultants (Pty) Ltd is an authorised financial services provider (FSP number 5667) in terms of the FAIS Act, 2002.
	  ◦ Sygnia Collective Investments (RF) (Pty) Ltd is an approved collective investment scheme manager registered with the Financial Services Conduct Authority (FSCA) in terms of the Collective Investment Schemes Control Act, 2002.
	  ◦ Sygnia Itrix RF (Pty) Ltd is an approved collective investment scheme manager registered with the FSCA in terms of the Collective Investment Schemes Control Act, 2002.
	  ◦ WealthFoundry (Pty) Ltd is a registered financial services provider (FSP number 49421) in terms of the FAIS Act, 2002.
	
	• Adhere to POPIA and PAIA Manual.
	• The authorised financial service providers in the Sygnia Group are accountable institutions in terms of the Financial Intelligence Centre Act (FICA).
	• Clear and transparent complaints policy and process in place to handle complaints promptly and fairly.
	• Whistleblowing policy in place applicable to all directors and employees.

5. Transparency should be promoted through meaningful disclosure to the attainment of positive outcomes.	Unqualified audit reports: • External auditors: Mazars • Internal auditors: PwC • Insurance advisors: Marsh Financial Services

Association for Savings and Investments South Africa (ASISA)

ASISA represents the collective interests of the country's asset managers, collective investment scheme management companies, linked investment service providers, multi-managers and life insurance companies.

Sygnia has a representative member on several ASISA committees, including working groups that focus on ESG-related issues. Its aim is to implement a strategy that enhances the uptake of responsible investments in the South African market. The committees work closely with the UN Principles for Responsible Investment to integrate ESG factors into investment processes.

The year in review

2023/2024 has been a whirlwind of activity, with numerous events reverberating across both local and international landscapes. A closer look at these events and highlights is set out below.

The recent elections in South Africa culminated in the establishment of a government of national unity (GNU) comprising the ANC, DA, PA, IFP and other smaller parties, aiming to address the challenges of high unemployment and economic stagnation. While the coalition represents a desire for collaborative governance, it faces challenges in power-sharing and historical scepticism regarding coalition success. President Ramaphosa has emphasised the importance of unity and shared governance to address pressing national issues.

Following the South African elections in May, there was a notable shift in monetary policy as central banks around the world began to ease interest rates. The US Federal Reserve cut rates by 0.5% in September, reflecting growing confidence in the economy's ability to maintain moderate growth as inflation gradually declines.

The South African Reserve Bank (SARB) joined this global trend, reducing its repo rate by 0.25% in September. This marked a significant departure from the prolonged period of high rates implemented to combat inflation.

Analysts predict that the SARB will continue to lower interest rates, reflecting a global trend to monetary easing. The South African government views these rate cuts positively, anticipating that they will stimulate economic activity and provide relief to households struggling with rising costs. The decision to reduce interest rates is a strategic move aimed at improving economic conditions and creating a favourable environment for future growth.

Prior to the rate cut, South Africans were introduced to the two-pot retirement system, marking a significant shift in retirement savings. Implemented on 1 September 2024, the system divides retirement contributions into a savings pot for emergency withdrawals (one-third of contributions) and a retirement pot for long-term savings (two-thirds of contributions). By allowing limited access to a portion of retirement funds while preserving the majority for retirement, the two-pot system aims to enhance financial security for South Africans and encourage better retirement planning.

The South African Revenue Service (SARS) has announced that over 1.2 million tax directives for savings withdrawals from the two-pot retirement system have been received since its implementation. A significant portion of the applications for savings withdrawals has been granted, leading to total gross payouts of R21.4bn.

While the system offers benefits, individuals should be mindful of the long-term implications of early withdrawals, which will affect their overall retirement savings.

South Africa has made significant strides in ESG initiatives in 2024, demonstrating a growing commitment to sustainable finance and climate resilience. Key highlights include progress in the Just Energy Transition (JET), the passage of the Climate Change Bill, increased issuance of sustainability bonds and a growing focus on carbon markets. Coupled with enhanced stakeholder engagement, these developments reflect South Africa's efforts to address climate change impacts and promote long-term economic sustainability.

Just Energy Transition (JET)

JET is a strategic shift from a coal-dominated energy system to a cleaner, more sustainable future. By transitioning to renewable energy sources and addressing the social and economic impacts on coal-dependent communities, JET aims to achieve net-zero carbon emissions by 2050. Key components include stakeholder collaboration, reskilling programs and international financial support to ensure a smooth and equitable transition.

South Africa's JET initiative has secured significant international funding, but a substantial funding gap remains. Despite securing approximately $9.3bn, the government still requires nearly $80bn to fully implement its plans. To bridge this gap, the government is actively working to mobilise resources and create incentives to promote climate finance, as highlighted by Finance Minister Enoch Godongwana.

Climate Change Bill

South Africa's Climate Change Act of 2024, signed into law in July 2024, provides a comprehensive framework for addressing climate change. The legislation focuses on both mitigation and adaptation strategies, aligning the country with global climate commitments. Key features include a national climate response strategy, greenhouse gas emission targets, adaptation measures and a strengthened institutional framework. The Act aims to create a just transition to a low-carbon economy while promoting economic opportunities and enhancing resilience against climate impacts.

The need for the Climate Change Bill was evidenced by the surge of extreme weather events in South Africa, with the Western Cape bearing the brunt of unprecedented rainfall in July. The region experienced record-breaking precipitation, leading to widespread flooding, infrastructure damage and displacement. This extreme weather, coupled with earlier severe storms and cold fronts, highlights the increasing frequency and intensity of climate-related events in the country. Experts attribute these changes to global warming, emphasising the urgent need for effective adaptation strategies to mitigate the impacts of a rapidly changing climate.

On the international front, the COP28 conference took place in December 2023 in Dubai and marked a significant milestone in the global fight against climate change. Key outcomes included a substantial increase in financial commitments, the operationalisation of the Loss and Damage Fund and a global agreement on transitioning away from fossil fuels.

Financial pledges totalled over $57bn, demonstrating a strong commitment from governments, businesses and philanthropists. The operationalisation of the Loss and Damage Fund provides crucial support to vulnerable countries facing severe climate impacts. The conference also emphasised adaptation goals and inclusive participation, ensuring that diverse perspectives were considered in decision-making processes.

COP28 paved the way for a new era of climate finance, setting the stage for a significantly increased financial commitment to developing nations by 2024. This new goal will be established at COP29 and will need to reflect the urgent needs of these nations, estimated to be around $5.8tn by 2030.

The year also brought excitement around the 2024 Paris Olympics. South Africa showcased athletic prowess, with the nation delivering a remarkable performance across multiple disciplines. Led by Tatjana Schoenmaker's gold medal victory in the women's 200 m breaststroke, South Africa secured a total of four medals, including two silver and one bronze.

A talented team of 32 South Africa athletes also competed across nine sports in the Summer Paralympics. The South African athletics team excelled, with Louzanne Coetzee and Collen Mahlalela competing at the highest level. The team's efforts were rewarded with four medals, including a gold, two silvers and one bronze.

Having a look at other global updates, artificial intelligence (AI) has made significant strides, reshaping industries and societal interactions. AI is revolutionising scientific research and addressing global issues such as climate change. Regulatory frameworks are emerging to ensure ethical AI use, while open-source advancements are democratising access to sophisticated AI tools. These developments highlight the dynamic nature of AI and its growing impact on our world.

It is heart-breaking to note the significant escalation of global conflicts over the past year. Ongoing wars in Ukraine, the Middle East and Sudan are among the most prominent examples of these increasingly horrendous tensions. These conflicts have led to widespread displacement, humanitarian crises and geopolitical instability, impacting millions of people worldwide.

Amidst the myriad events that have unfolded, the interconnectedness of the events to ESG factors is evident. We are encouraged by the progress achieved thus far and remain hopeful for continued advancements that culminate in tangible, positive outcomes.

Proxy voting outcomes

Proxy voting has the power to influence corporate behaviour and has been identified as a tool that investors can use to encourage better business practices. It currently forms part of Sygnia's active ownership approach.

Sygnia participates in shareholder votes by proxy and does not attend in-person meetings with investee companies. After receiving and reviewing research, rationale and guidance from select active managers in our stable, we submit proxy votes on the Sygnia domestic tracker funds.

Sygnia voted on 1 039 resolutions in 2023/2024, with 105 dissenting votes.

Proxy votes by Sygnia domestic tracker funds

	Resolutions voted for	Resolutions abstained	Resolutions voted against	% against	Total
Sygnia Asset Management	934	0	105	10.1%	1039

Proxy votes by Sygnia domestic tracker funds, categorised

	Capital structure	Board structure	Remune ration	Strategy, audit & risk	Otherl	Environmental & social	Total
Sygnia Asset Management	147	246	323	221	80	22	1039

As a multi-manager, Sygnia requests records of the proxy-voting actions taken on behalf of its investments from all underlying asset managers.
The table below summarises all votes submitted by Sygnia's underlying active managers.

Proxy votes by active managers for 2023/2024

	Resolutions voted for	**Resolutions voted against**	**Total per manager**	**% against votes**
Sygnia	934	105	1 039	10.1%
Ninety One	788	52	840	6.2%
Laurium	821	77	898	8.6%
Fairtree	1 182	87	1 269	6.9%
Coronation	1 181	81	1 262	6.4%
All Weather	1 538	73	1 611	4.5%
Visio	681	84	765	11.0%
Total	**7 125**	**559**	**7 684***	**7.3%**

*Total votes exclude abstained resolutions, allowing actual votes to be analysed.

Total resolutions split by theme

Theme	**Total resolutions per category**	**% votes per category**
Capital structure	1 050	13.7%
Board structure	1 972	25.6%
Remuneration	2 326	30.3%
Other	647	8.4%
Strategy, audit & risk	1 578	20.5%
Environmental & social	116	1.5%
Total	**7 689**	**100.0%**

A comprehensive analysis of active manager voting resolutions reveals a clear priority for matters concerning remuneration, garnering 30.3% of votes. Board structure and strategic considerations followed closely behind with 25.6% and 20.5% respectively.

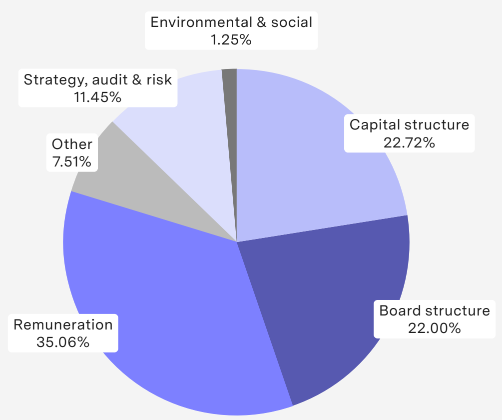
Aside from the significance placed on fair remuneration to appropriately compensate employees for their skill set and experience, it is also important to note that the volume of resolutions relating to remuneration and board structure are due to individual resolutions required per member for both remuneration and appointment. The fact that remuneration and board structure make up most resolutions speaks to the emphasis on overall governance, which promotes transparency and ethical business practices.

Resolutions pertaining to strategy, audit and risk encompass the formal approval of financial statements to ensure their accurate portrayal of the company's financial health, selecting qualified auditors and risk committee members and making necessary amendments to the company's memorandum of incorporation.

In contrast, the environmental and social theme had only 116 resolutions to be voted on, the least among all the categories. Our analysis above is consistent with managers' observations. Corporate ESG initiatives have become more proactive and targeted. While remuneration policies and shareholder votes remain central, a positive trend is emerging of increased engagement, enhanced board and management comprehension of ESG matters and a growing commitment to align remuneration with ESG performance. Companies are actively identifying and seizing ESG opportunities. While commendable strides have been made, a persistent challenge lies in the underreporting of ESG initiatives, limiting public awareness of the positive affect companies are having.

When examining dissent, remuneration emerged as the most contentious topic, followed by capital structure and board structure. Environmental and social issues attracted the fewest dissenting votes.

We have further categorised and tallied the dissenting vote totals as per the chart below:



As illustrated by the numbers above, proxy voting significantly impacts corporate governance by enhancing shareholder engagement and accountability. It allows for a broader representation of shareholder interests, promoting a more democratic process within corporations.

As proxy voting has evolved, it increasingly serves as a tool to address ESG issues, allowing shareholders to challenge corporate practices that do not align with their values or long- term interests.

Effective proxy voting practices can lead to improved corporate governance by fostering transparency, encouraging responsible management and ensuring that the voices of all shareholders are heard.

Case study 1: Pick n Pay

Pick n Pay is a leading South African retail chain operating in the fast-moving consumer goods industry. Founded in 1967, it has grown to become one of the largest supermarket groups in Africa, with 2 227 stores across South Africa, Namibia, Botswana, Zambia, Nigeria, Eswatini, Lesotho and Zimbabwe.

Despite profits generated by Boxer and Pick n Pay Clothing, Pick n Pay reported its worst financial results in its 50-year history for the year ending 25 February, 2024.

The decline of Pick n Pay can be attributed to a plethora of issues:

- **Leadership instability:** The company underwent a critical leadership change when former CEO Pieter Boone was replaced by Sean Summers due to poor performance. Boone's tenure was marked by the unsuccessful Ekuseni strategy, which aimed to convert liabilities into long-term debt but ultimately failed, leading to a drastic decline in profitability and shareholder confidence.

- **Poor management:** Under Boone, Pick n Pay's financial health deteriorated sharply. The company reported a staggering 373% decrease in net profit, and it became technically insolvent for the first time. The debt burden led to breaches of all debt covenants, forcing the company to pledge 100% of Boxer's shareholding as additional security to its lenders.

- **Operational challenges:** The company has faced difficulties in optimising its store operations and distribution model, which have contributed to declining sales and profitability. Management's focus on short-term profits over long-term investment in infrastructure has been criticised as a significant management failure.

These challenges have collectively hindered Pick n Pay's ability to compete effectively in the retail market, especially against rivals like Shoprite, which have adopted more successful strategies. This has caused the competitive landscape between Pick n Pay and Shoprite to shift significantly over the past decade, with Shoprite now clearly outperforming its rival in revenue growth (as depicted below), net income growth and market share gains.

Despite facing significant challenges, Pick n Pay is implementing a comprehensive turnaround strategy aimed at restoring its profitability and operational efficiency:

Leadership restructuring: A new management team is in place to enhance decision-making and accountability.

Store portfolio optimisation: The company is closing underperforming stores, converting some to the Boxer brand, and securing franchise operators to focus on profitability. However, the scale of Pick n Pay's planned store closures is alarming. If the company closes 100 stores, its footprint in South Africa will shrink by 20%. This contrasts starkly with Checkers, which plans to expand its network by 39 stores in the coming year.

Financial recapitalisation: The Pick n Pay Group has successfully completed its rights offer. The retailer has raised R4bn in capital with a high subscription rate and overwhelming market support. The group received R4.3bn in excess applications, underscoring shareholders' strong confidence in the Group's turnaround strategy, leadership team and future growth plans. The proceeds of the rights offer will be used to pay down debt, stabilise the balance sheet and invest in Pick n Pay's turnaround strategy.

It is evident that Pick n Pay's proactive measures signal a commitment to recovery, but the competitive pressure from rivals remains a significant challenge.

Managers' view

Visio previously avoided investing in Pick n Pay due to doubts about the effectiveness of its turnaround strategy, especially as the share price fell below R20 and was a significant risk in the absence of a concrete plan.

However, CEO Pieter Boone was replaced by ex-CEO Sean Summers, who had a more credible strategy to turn the business around, including in the R4bn rights issue and the R8bn Boxer IPO, with proceeds to pay down R6.2bn in debt and revamp stores.

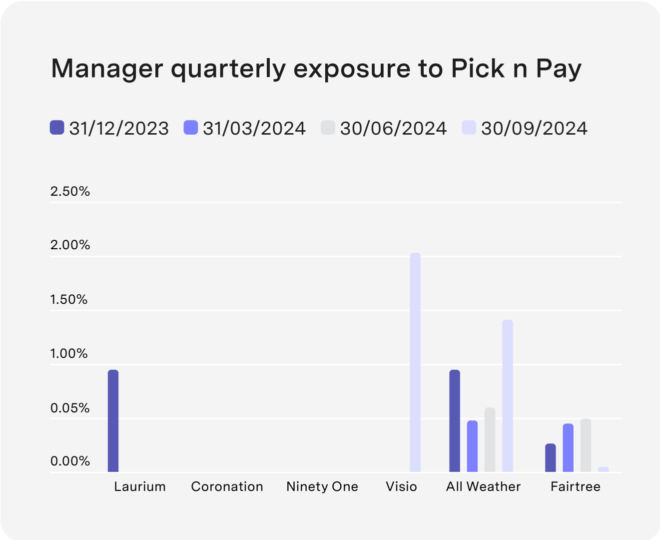
Visio value Boxer at R27bn–R28bn on a standalone basis, compared to Pick n Pay's market cap of R19bn – implying a negative R8bn for the remaining components of Pick n Pay.

Visio believe Pick n Pay Supermarkets will at the very least break even (cash positive) vs a 2% earnings before interest and taxes margin target in the medium term, and they therefore see significant upside to the current share price, which will be realised through a number of events over 18–24 months.

In Visio's view, the worst-case scenario involves delays in turning around underperforming stores, which could be sold to franchisees who may operate them profitably.

Conversely, Larium held Pick n Pay towards the backend of 2023 but cut their position completely, though they remain engaged with management, with particular interest in the spin-off Boxer entity when it comes to market.

The change in Pick n Pay holdings across our managers from 31 December 2023 to 30 September 2024 is illustrated below.



Case study 2: Transaction Capital

Transaction Capital is a diversified holding company based in South Africa, primarily focused on providing innovative financial solutions in markets characterised by low levels of client service and trust. Founded in 2002 and currently led by CEO Jonathan Jawno, the company operates through several key segments, including WeBuyCars, Nutun and SA Taxi.

As of March 2024, Transaction Capital reported a market capitalisation of approximately R2.44bn, with revenues totalling R21.12bn. However, the company has faced substantial losses, including a headline loss per share of 164 cents for the half-year ending March 2024. The financial strain is largely attributed to the underperformance of SA Taxi, which has been managing significant loan defaults and restructuring efforts.

Financial performance and restructuring efforts

Transaction Capital's primary business segment, SA Taxi, remains under severe pressure. The company is grappling with over R17bn owed by taxi owners and is struggling to service R5.3bn in debt. This precarious financial situation has led to a restructuring initiative aimed at stabilising the balance sheet, but profitability is not expected to return for at least three years.

In the first half of 2024, SA Taxi's restructuring culminated in a core loss of R1.8bn, exacerbated by rising operational costs and decreased commuter activity due to high fuel prices and interest rates. Meanwhile, Transaction Capital's other business segments, particularly Nutun, which focuses on debt collection and business process outsourcing, also reported declining profitability due to increased expenses.

Market context and social impact

Transaction Capital's social impact remains significant in 2024, particularly through its core business, SA Taxi, which serves as a vital financial lifeline for the minibus taxi industry in South Africa. The business plays a pivotal role in connecting marginalised communities to essential services, enhancing social mobility for over two-thirds of South Africans who are reliant on minibuses for their daily transportation needs.

In addition, Transaction Capital actively promotes economic empowerment by providing financing solutions tailored to the needs of taxi operators, many of whom are black entrepreneurs. By facilitating access to capital where traditional banks often fall short, the company helps sustain businesses that are integral to local communities. This support not only enables taxi owners to maintain their operations but also contributes to job creation within the sector. The taxi industry employs hundreds of thousands of drivers and support staff, making it a key player in the national economy.

Despite these challenges, Transaction Capital has made strides to reduce its debt through the successful unbundling of WeBuyCars, returning R5.2bn to shareholders and raising an additional R1bn through a placement. This move has transitioned the company to a net cash position at the holding level, providing some financial relief amidst ongoing operational struggles.

Transaction Capital operates at the intersection of financial services and social impact, striving to deliver innovative solutions in sectors where traditional services are lacking. Despite facing significant operational challenges, particularly within its SA Taxi segment, the company's strategic initiatives – such as the WeBuyCars listing – demonstrate its focus on long-term sustainability and value creation for stakeholders.

The change in Transaction Capital holdings across our managers from 31 December 2023 to 30 September 2024 is illustrated below:

Passive investing

Sygnia Itrix S&P Global 1200 ESG ETF
Exclusions/Screening

The Sygnia Itrix S&P Global 1200 ESG ETF tracks the S&P Global 1200 ESG Index, a subset of the S&P Global 1200 Index designed to measure the performance of securities that meet sustainability criteria while maintaining the same overall industry group weights as the S&P Global 1200 Index.

Some sustainability criteria exclude companies based on business activities with a disqualifying UN Global Compact score or based on specific business activities excluded from the eligible universe, as determined by Sustainalytics. In addition to the exclusion criteria, each company gets a score for ESG issues, with the top 75% of companies in each sector included.

Excluded business activities include:

- **Tobacco:** Companies directly or via an ownership stake of 25% or more in a company that produces tobacco, or when tobacco or tobacco-related products and services account for more than 10% of their revenue.
- **Controversial weapons:** Companies directly or via an ownership stake of 25% or more in a company involved with cluster weapons, landmines, biological or chemical weapons, depleted uranium weapons, white phosphorus weapons and/or nuclear weapons.
- **Thermal coal:** Companies that extract thermal coal or generate electricity from thermal coal, or with a level of involvement/exposure greater than 5%.
- **Low UN Global Compact score:** All companies at or below the bottom 5% of the UN Global Compact score universe.

This ETF provides exposure to the S&P Global 1200 with an ESG overlay. Its return profile is closely related to the S&P Global 1200. The Sygnia Itrix S&P Global 1200 ESG ETF puts the world of sustainable investing at investors' fingertips and offers extremely cost-effective access to a well-diversified portfolio of global stocks that meet sustainability criteria.

Based on the latest fund fact sheets, the table below provides an indicative comparison between the S&P Global 1200 Index and the S&P Global 1200 ESG Index.

Indicator	Global 1200	Global 1200 ESG	Reduction in emissions
Carbon to value invested (metric tons CO2e/$1m invested)	54.99	44.76	22.86%
Carbon to revenue (metric tons CO2e/$1m revenues)	159.22	132.65	20.03%
Weighted average carbon intensity (metric tons CO2e/$1m revenues)	136.43	112.81	20.94%
Fossil fuel reserve emissions (metric tons CO2e/$1m invested)	764.98	541	41.40%

*Comparison based on the latest index fund fact sheets for the S&P Global 1200 and S&P Global 1200 ESG and not actual data on the Sygnia Itrix S&P Global 1200 ESG ETF. Data are based on calculations by S&P. An explanation of these metrics is available on the S&P website: https://www.spglobal.com/spdji/en/documents/additional-material/spdjiesg-carbon-metrics.pdf

Actively managed ETFs

Sygnia Health Innovation Global Equity Fund
Thematic and exclusions/screening

Industrial technology and processes have converged to benefit the biotech industry, which includes healthcare. An ageing population and the Covid-19 pandemic have accelerated healthcare innovation, with BioNTech developing a successful SARS-CoV-2 vaccine quickly and safely, leveraging decades of scientific experience. This area of healthcare is expected to grow exponentially, with developments in genomic sequencing set to solve more healthcare conditions.
The Sygnia Health Innovation Fund offers access to global companies optimally positioned to benefit from new health-related technologies and innovations, including pharmaceuticals, genomics, biotechnology, nanotechnology, information technology, nutrition, well-being and fitness, genetic engineering, medical robotics and medical 3D-printing technologies.

Fund construction includes the 150 largest healthcare companies in the developed world and satellite investments in companies driving innovation in healthcare (e.g. biotechnology, genomics, digital health). Companies are also screened based on ESG criteria.

Sygnia reviewed several ESG score providers before deciding to use Refinitiv's Combined ESG Score, which is a combination of Refinitiv's ESG Score and Controversies Score (which measures a company's exposure to ESG controversies and negative events reflected in global media). Companies with an average grade of 25 (out of 100) or less over the most recent three financial years are excluded from the fund.

The top 10 holdings and their average ESG scores are:

Company	Weight in the fund*	Average ESG score**
Eli Lilly	8.47%	55.50
Novo Nordisk	7.85%	71.24
UnitedHealth Group	5.23%	56.53
Johnson & Johnson	3.83%	44.32
AbbVie	3.34%	47.74
Merck & Co	2.77%	67.44
AstraZeneca	2.30%	63.06
Thermo Fisher Scientific	2.26%	69.27
Roche Holding	2.08%	89.40
Novartis	2.07%	60.41

*Weights as at 31 August 2024
**ESG scores are calculated by averaging the most recent three years of ESG financial year-end data available.

Novo Nordisk

Novo Nordisk is a leading pharmaceutical company dedicated to transforming the treatment of serious chronic conditions, particularly diabetes.

With a strong heritage in diabetes care, the company has broadened its focus to address various debilitating diseases through a multi-faceted approach that includes pioneering scientific breakthroughs, expanding access to essential medicines and developing preventive measures and potential cures.

AstraZeneca

AstraZeneca is a global science-led pharmaceutical company focused on transforming healthcare through innovative research and development.

Committed to unlocking new possibilities for people and society, AstraZeneca emphasises purpose-driven research as a key component of its growth strategy.

The company integrates its research and development and commercial functions to expedite decision-making and ensure the timely launch of groundbreaking medicines across critical therapy areas, including oncology, biopharmaceuticals and rare diseases.

Merck and Co

Merck and Co strive to be the leading research-intensive biopharmaceutical company, positioned at the cutting edge of scientific discovery. Their mission is to develop innovative health solutions that enhance the prevention and treatment of diseases affecting both humans and animals.

Harnessing the power of advanced science, they are dedicated to saving and improving lives across the globe. Their key areas of focus include oncology, vaccines, infectious diseases and cardio-metabolic disorders, and they seek to make a significant impact through groundbreaking research and transformative therapies.

Fixed income

Sygnia's fixed income portfolios are comprised of tracker funds, multi-manager products and in-house actively managed funds. Proxy voting does not apply to debt instruments as often as to equity instruments, but there is scope for frequent engagement within debt instruments via debt arrangers, industry collaboration and at investor roadshows. We hold underlying managers in our multi-manager products to account per the standards outlined in the previous section, and for active funds we consider ESG factors when evaluating potential investments and engage with issuers through the appropriate fixed income forums.

Sygnia Money Market Fund Unit Trust

Impact

Sygnia is a vocal advocate for lower fees to allow easier access to investments. Our ongoing shareholder activism has also allowed us to be forthright about social change, and our Sygnia Money Market Fund management fees are donated to fight corruption in South Africa.

The fund is suitable for investors who would like to make a meaningful difference in the South African landscape by supporting non-political organisations that fight corruption in the public and private sectors.

Organisations that Sygnia donates to are detailed below.

Helen Suzman Foundation

The Foundation's liberalism is grounded in Helen Suzman's legacy and draws on the history of liberal thought in South Africa. It promotes liberal constitutional democracy and the rule of law, believing the South African Constitution to be a liberal document. The preamble to the Constitution calls for "a society based on democratic values, social justice and fundamental human rights" that aims to "free the potential of each person" and in which "every citizen is equally protected by law". The Foundation promotes good governance, transparency and accountability and advocates for policies that translate the aspirations of our Constitution into lived reality for all South Africans.

Organisation Undoing Tax Abuse (OUTA)

OUTA is a civil society organisation focused on combatting fraud, corruption, maladministration and fruitless and wasteful expenditure across government at local, provincial and national level, and on holding perpetrators to account.

Ahmed Kathrada Foundation

The Foundation is an independent, non-partisan entity formed in 2008 to continue the legacy of anti-apartheid struggle stalwart Ahmed Kathrada and his generation. Kathrada, a former Robben Island prisoner, served 26 years in jail alongside his fellow Rivonia trialists for their stance against the apartheid government. Kathrada's life was characterised by his commitment to the best values and principles of the South African liberation struggle, particularly that of non-racialism.

Corruption Watch

Corruption Watch is a non-profit organisation launched in January 2012 that relies on the public to report corruption to it. The organisation uses such reports as an important source of information to fight corruption and hold leaders accountable.

The Black Sash Trust

Founded in 1955, the Black Sash works towards the advancement and realisation of human rights and social justice in South Africa as outlined in the South African Constitution. The organisation emphasises social security and access to justice for all who live in South Africa, but particularly for women, children and the most vulnerable. In their quest for the realisation of socioeconomic rights, the Black Sash monitors government service delivery, disseminates information and advocates for policy and process changes.

Council for the Advancement of the South African Constitution (CASAC)

CASAC was formed in September 2010 out of rising concern about the shift in the political culture in South Africa and in the leadership of the ANC, and it has established itself as a key player in the civil society environment. CASAC's driving motivation is that the Constitution provides the principled bedrock for the operation of public and private power in South Africa.

CASAC is a project of progressive people who want to advance the South African Constitution as the platform for democratic politics, human rights and the socioeconomic transformation of society. It subscribes to the principles and values enunciated in section 1 of the Constitution and promotes the notion of progressive constitutionalism to advance the rights of citizens and protect human dignity. CASAC's key focus areas are to build a culture of human rights, strengthen institutions of governance and the rule of law and promote accountability and integrity in public life.

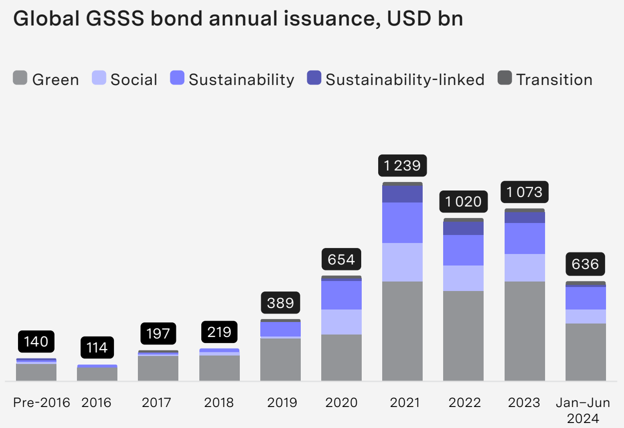
Debt capital markets: ESG bond issuance

The pursuit of a sustainable future continues to catalyse the transformation of the sustainable debt market. Investors and borrowers are demonstrating a growing appreciation for the imperative alignment of their financial decisions with net-zero targets and sustainable development goals (SDGs). Sustainable debt can be broadly categorised into two types: sustainable loans and sustainable bonds. Sustainable loans include green loans and sustainability-linked loans, while sustainable bonds include green bonds, green asset-backed securities, sustainability bonds, social bonds, green municipal bonds and sustainability-linked bonds.

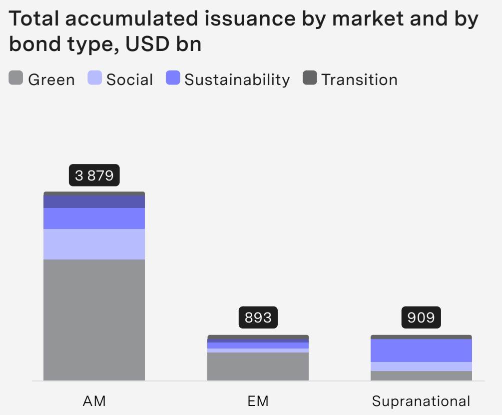
A report from the World Bank Treasury in July 2024 reports that the global collective value of green, social, sustainability and sustainability-linked (GSSS) bonds has surged to an astonishing $5.7tn. The cumulative issuance totalled $636bn from January to June 2024. This highlights a growing momentum and commitment to sustainable finance.

Green bonds remain the cornerstone of the GSSS market, comprising 60% of all issuances. While emerging markets represent a smaller share, green bonds still dominate in both emerging and developed economies. It is also worth noting that public sector involvement in emerging market GSSS bonds is significantly less than in developed markets.

The charts below compare trends over the years and break down the split of GSSS bonds until July 2024.



Source: World Bank based on data from Bloomberg and Bloomberg NEF



Source: World Bank based on data from Bloomberg and Bloomberg NEF

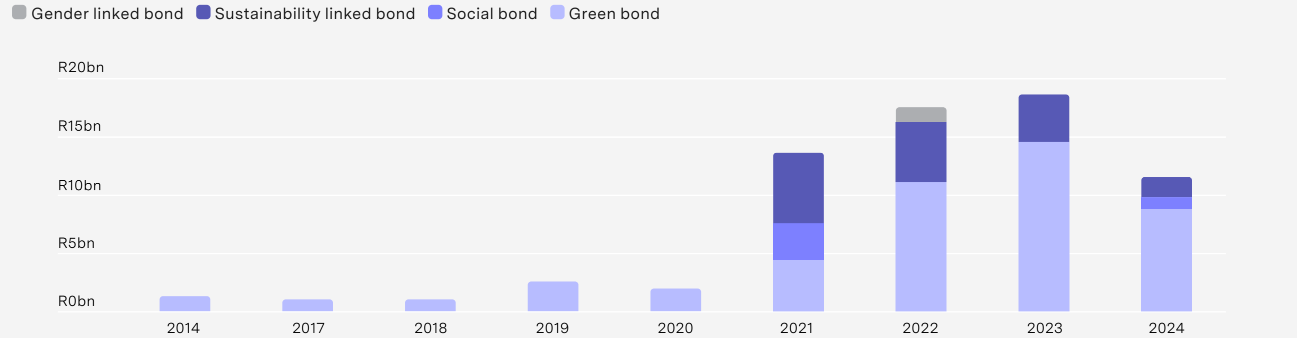
In 2024, South Africa made notable strides in the issuance of green and sustainable bonds, with more issuers entering the market and aligning with international best practices in sustainable finance. This reflects commitment to sustainable finance and climate resilience.

Mirroring the global pattern, green bonds constituted the predominant portion of South Africa's bond issuances in 2024, followed by sustainability-linked bonds. August 2024 marked a significant resurgence in social bond issuance after a hiatus since 2021. Notably, Absa Group and UsPlus Limited led this resurgence with private placements totalling R1bn and R40m respectively. The proceeds of the Absa bond are intended to finance affordable housing loans for women, while the UsPlus social bond proceeds are designed to support small- and medium-sized enterprises (SMEs) in South Africa, particularly focusing on those that are Black-owned, women-owned and youth-owned. Urban Ubomi 2 (RF) Limited further contributed to this momentum by raising R573m across various social bond tranches in September 2024.

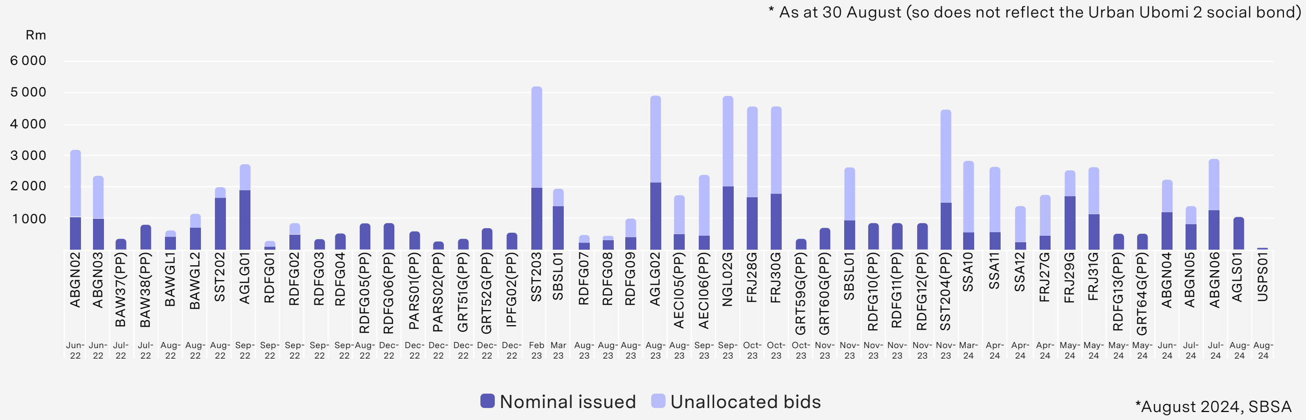
While the emergence of corporate issuers is a positive sign, banks continue to dominate the market. Following banks, the property sector has been notably active, with companies such as Redefine Properties and Growthpoint Properties issuing green bonds worth R500m each through private placements. Sappi also made a significant contribution in April 2024, raising R1.5bn in sustainability-linked bonds through public auction.

Primary market

Sustainable, green and social bond issuance in the local Debt Capital Markets



* As at 30 August (so does not reflect the Urban Ubomi 2 social bond)



*August 2024, SBSA

Source for all charts: SBR; Auction Feedback; JSE. Data as at 30 August 2024

The landscape for green and sustainable bonds in South Africa in 2024 is characterised by regulatory support, innovative financing mechanisms and a growing commitment from both the public and private sectors. As these initiatives unfold, they are likely to attract more investment aimed at fostering a sustainable future for the country.

Investment in infrastructure

South Africa's National Development Plan 2030 (NDP) and Economic Reconstruction and Recovery Plan (ERRP) are pivotal to shaping the South African economy, particularly in the wake of the Covid-19 pandemic.

The NDP outlines a vision for a more equitable and inclusive future, seeking to address historical disparities through strategic investments in infrastructure, education and employment.

The ERRP, a complementary initiative, focuses on immediate recovery efforts, targeting vulnerable sectors and supporting livelihoods through programs like the Presidential Employment Stimulus (through which in excess of 1.5 million opportunities for unemployed South Africans have been created since October 2020).

Together, these frameworks emphasise industrialisation, localisation and sustainable practices to revitalise the economy. The ERRP is designed to stimulate growth by investing in key areas like energy security and infrastructure, which are essential for long-term economic stability. While challenges such as high unemployment and inequality persist, the synergy between the NDP and ERRP offers a promising path to a resilient economy that will benefit all South Africans.

In alignment with government's objectives, Sygnia has committed to supporting local infrastructure development through a series of investments. For a number of years, the Sygnia Credit and Fixed Income portfolios have invested in state-owned entities, the primary providers of South African infrastructure development. Following government's increased focus on infrastructure, Sygnia launched a South African Infrastructure Portfolio, one of the building blocks of our institutional products.

South Africa's Trans-Caledon Tunnel Authority

South Africa is considered one of the most unequal countries in the world in terms of access to sanitation services and a safe and sufficient water supply. By developing our infrastructure, we can address these inequalities and grow our economy. The Trans-Caledon Tunnel Authority (TCTA) acts as an agent for the Department of Water and Sanitation (DWS), being responsible for the funding, implementation, operation and maintenance of infrastructure projects.

The TCTA currently has four projects in the implementation phase, three projects in the close-out phase and two advisory projects.

The 2023–24 TCTA Integrated Annual Report emphasises the necessity of a resilient network and strong partnerships to raise funding effectively and deliver water infrastructure. Affordable service at the municipal level is crucial, otherwise municipalities may struggle to sustain operations and pay suppliers such as the DWS. Insufficient payments to the DWS hinder the TCTA's ability to settle debts incurred for infrastructure projects, ultimately affecting future funding for new initiatives. The DWS relies on special-purpose vehicles like the TCTA for capital, as it cannot raise funds directly from financial markets.

Considering the government's fiscal limitations, it is essential to attract private sector financing for water resource infrastructure. On 27 August, the President signed the South African National Water Resources Infrastructure Agency Bill into law. The Agency, a new state-owned entity, will spearhead the development and stewardship of South Africa's vital water infrastructure. By consolidating assets from the DWS and the TCTA, the agency will have the capacity to raise funds and implement projects, ensuring a sustainable and resilient water future for the nation.

The ramifications for debt investors indicate that the TCTA will transition from being an independent state-owned company to a division within the Agency. It is anticipated that the TCTA will continue to meet the external funding requirements for its projects, while another division will be responsible for initiatives funded by the national budget.

Lesotho Highlands Water Project

The TCTA raised a round of funding for the continued development of the Lesotho Highlands Water Project (LHWP) in May 2021. Having made an initial TCTA investment in 2021, Sygnia decided to allocate additional resources to the initiative in April 2024 to fortify our infrastructure support through the Infrastructure Portfolio.

The TCTA is responsible for the provision of water from Lesotho to the Ash River outfall in South Africa. The LHWP provides water for millions of people in the country's most populated province, Gauteng, a water-scarce region increasingly reliant on water from Lesotho as increasing global temperatures and industrialisation threaten water security.

The first phase of the LHWP, completed in 2003, was divided into two segments: LHWP-1A and LHWP-1B. This phase involved the construction of essential infrastructure, including three dams – the Katse, Mohale and Muela – and an intake tower, transfer tunnel, delivery tunnel and hydropower station.

Phase 2 of the LHWP, initiated on 13 November 2020, is intended to enhance water supply from Lesotho to South Africa's Integrated Vaal River System, which currently receives about 780 million m3 of water annually. The project addresses increasing water demands by constructing the Polihali Dam, which will add 465 million m3 per year, raising the total supply to approximately 1.245 billion m3.

Renewable Energy Independent Power Producer Procurement Programme

The Renewable Energy Independent Power Producer Procurement Programme's (REIPPP's) main objective is to supply the country's electricity system with additional megawatts funded by private sector investment, with a focus on wind and solar projects to accelerate the transition to clean energy and help achieve climate goals. The REIPPP has been recognised internationally and has been well supported over the past 10 years.

The REIPPP is a competitive tender process under which successful bidders are awarded contracts to sell electricity to Eskom for the next 20 years. Companies are awarded the contract only and must raise funds for the projects (i.e. they do not receive government funding). Much focus is placed on reaching targets and ensuring a sizeable portion of the projects comprise South African shareholding and ownership. Despite these restrictions, foreign expertise and financial investment interest has been considerable.

On 14 December 2023, the Department of Mineral Resources and Energy issued a request for proposals (RFP) to procure 5 000 MW under REIPPPP Bid window 7. This RFP calls for proposals from independent power producers to develop 5 000 MW of new generation capacity, which will include 1 800 MW of solar photovoltaic power and 3 200 MW of wind power.

This substantial progress brings us within reach of a new era of renewable energy, paving the way for a more sustainable and resilient South Africa that is less reliant on fossil fuels and better positioned to combat climate change.

Multi-manager portfolios

Sygnia integrates its ESG policy across the multi-manager portfolios to ensure that every manager has a documented ESG policy in place and can provide evidence of adherence to that policy through proxy voting records and quarterly ESG reports. An ESG update is included as part of the quarterly manager meetings to ensure adherence to their policies and good stewardship.
In the past year, Sygnia's local managers have engaged with:

Absa: Ongoing engagement with management about operational performance and poor guidance.

First Rand: Engagement about its remuneration policy, long-term incentive targets and succession planning.

Burstone Property: Engagement about remuneration and the appointment of board members.

Momentum: Continued engagement about selling part of the business.

Remgro: Engagement about share buybacks, potential adjustments to the remuneration policy and improving disclosures around unlisted assets.

Impala Platinum: Engagement about health and safety concerns following a shaft accident in Rustenburg in November 2023, in which 75 employees were injured and 11 died.

- This was investigated by the Department of Mineral Resources and Energy.
- Impala's internal investigations confirmed that the accident was not due to inadequate maintenance of the winding rope or mechanical safety device, which is inspected regularly according to legal requirements.

Afrocentric: Ongoing engagement with management about capital allocation and return to shareholders.

Mondi: Engagement emphasising the importance of emissions reduction and reiterating the consideration to include this key performance indicator as part of the long-term incentive plan and not just for the short term.

Quilter International: Engagement about remuneration and a stronger succession plan.

Private investments

Sygnia Oxford Science Innovation Fund Impact investing

Oxford Science Enterprises (OSE) is an independent investment company created in 2015 to use cutting-edge research and science to build world-changing businesses through their partnership with the University of Oxford (OU). OSE receives a stake in all new spin-outs from the science departments under this 15-year agreement with the university.

Sygnia prioritises innovation and now offers investors access to these businesses, which have the potential to positively impact the world.

The Sygnia Oxford Science Innovation Fund provides access to the shares of Oxford Sciences Innovation plc (OSI), a platform that owns a portion of founders' shares in all spin-out companies originating from OU. The OSI Fund deploys 100% of its capital to generate socially impactful and sustainable long-term returns, where exceptional performance goes hand-in-hand with changing lives by making the unaffordable and the unachievable a reality.

OU has a rich spin-out history, with a substantial increase over the past 10 years. This partnership provides a pipeline of future deals in the sphere of biosciences and technology-driven innovation. Prior to 2014, OU spin-outs averaged four to five companies per year, but following the creation of OSE they average between 10 and 30 per year.

OSE is committed to driving positive change through innovation. Its investors hold a stake in a diverse portfolio of IP-centric spin-outs, each tackling critical global challenges.

The following table outlines OSE's strategic objectives and the number of companies they have supported in pursuit of their goals.

Goals	Amount invested by OSE	Amount invested by external investors	Companies and their current valuation
Enable people to lead longer, healthier lives	>£502m	>£1.2bn	45 companies valued at >£3.3bn in total
Protect the future of the planet	>£146m	>£15m	13 companies valued at >£805m in total
Feed the world and keep us safe	>£55m	>£100m	11 companies valued at >£470m in total
Accelerate the pace of positive change	>£220m	>£395m	26 companies valued at >£1.2bn in total

*Impact mapping: Only includes companies where OSE has invested +£250k (including exits, not including companies that have closed). Valuation statistic based on company's overall value rather than OSE's holding. Private company valuation based on company's last raise, exited company valuation based on valuation at time of exit, public company valuation based on market cap. Some companies have been mapped to more than one category.

Demonstrating its dedication to sound governance, OSE has bolstered its Board of Directors with the addition of Fiona Murray and Peter Donnelly as independent non-executive directors. Their extensive expertise and insights will undoubtedly contribute to the company's continued success.

As of 30 June 2024, OSE's portfolio was valued at approximately £864m, delivering a robust internal rate of return of 17% since September 2015. The company's overall net assets grew by 1% from December 2023 to 30 June 2024, increasing from £1.14bn to £1.15bn. Consequently, the net asset value per share rose to £1.47 in June 2024.

OSE maintains a strong financial position, with an estimated £273m in cash available for future investments or to support its existing portfolio companies.

During the first half of 2024, OSE's portfolio secured a total of £266m in funding, with OSE contributing £53m. This momentum continued into July, highlighted by the successful completion of Beacon Therapeutics Series B and several other ongoing deals. Between January and July 2024, OSE portfolio companies collectively raised over £340m, attracting new co-investors such as NEA, NATO Innovation Fund, Lightstone Ventures, TCGX and ICG Life Sciences.

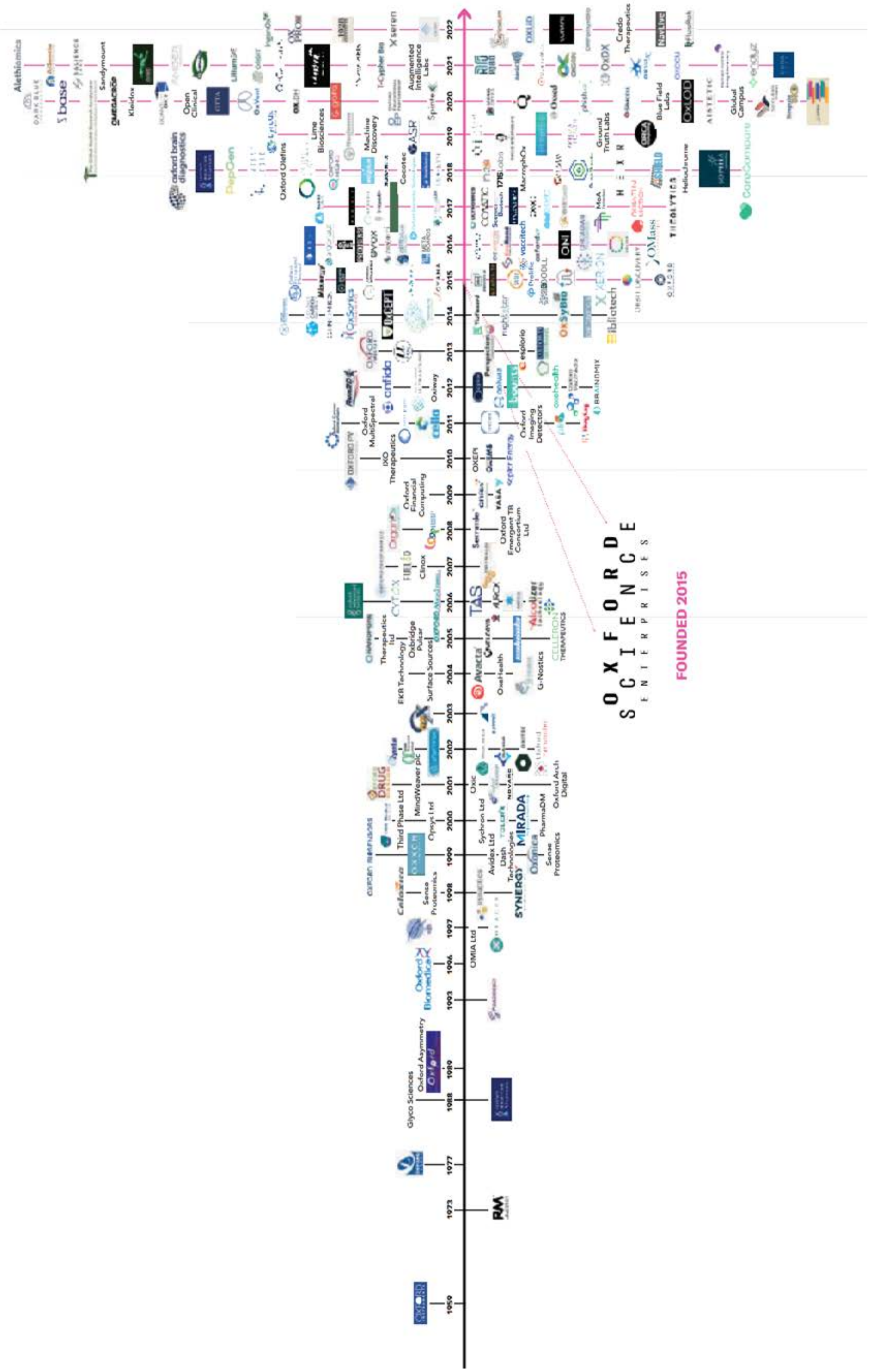
OSE also announced a groundbreaking partnership with The Crown Estate and Pioneer Group. This partnership will provide essential workspace to support the United Kingdom's scientific, technological and innovation aspirations. As a testament to this commitment, the partnership unveiled its first laboratory development in Oxford. The Crown Estate's acquisition of a former Debenhams site will pave the way for its transformation into approximately 100 000 square feet of cutting-edge life sciences facilities.

Portfolio company highlights for the year include:

- During the first quarter of 2024, OSE joined a list of well-known companies, including Eli Lilly and GlaxoSmithKline, to become an investor in Sitryx Therapeutics' Series B capital raise. The company is involved in disease-modifying therapeutics for chronic autoimmune and inflammatory diseases.
- Pepgen recently concluded a successful secondary capital raise, which was widely viewed by the market as a significant positive development. The company is a clinical-stage listed biotechnology company advancing the next generation of oligonucleotide therapies to transform the treatment of severe neuromuscular and neurological diseases.
- ORCA Computing announced the acquisition of the Austin, Texas-based Integrated Photonics Division of GXC, which is known for delivering advanced photonics solutions to top US commercial and government entities.
- PQShield, a cybersecurity company specialising in post-quantumcryptography, has raised $37m in Series B funding. The funding will be used to expand its commercial operations as it continues to meet growing global demand for its quantum-ready cryptographic solutions for hardware, software and communications, as well as its research IP.

OSE top 5 portfolio companies by fair value

	Osler	Refyn	Pepgen	First Light Fusion	Alloyed
Sector	Health Tech	Health Tech	Life Sciences	Deep Tech	Deep Tech
Description	Transforming healthcare by providing lab-quality diagnostic testing to anyone, anywhere, any time.	A new generation of low-cost scientific instrumentation, allowing faster, more granular insights into molecular structure.	Clinical-stage biotech developing next-generation therapies for patients with Duchenne's muscular dystrophy (DMD) and myotonic dystrophy (DM1).	Solving fusion power with the simplest means possible.	Design and additive manufacture of high-performance metallic components to industrial next-gen electronics and medical sectors.
Enterprise value	£361m	£226m	£410m	£233m	£99m
OSE initial cost	£44.9m	£29.7m	£38.7m	£20.9m	£18.9m
OSE stake	£92.6m (26%)	£65.5m (29%)	£60m (15%)	£38.5m (17%)	£36.9m (37%)
Milestones to date	• Osler Origin was delivered, tested and audited in 2022 • 25 patent families provide multi-layered IP protection • Technology performance verified by leading strategic diagnostic who led Series C	• 350+ instruments installed • Global coverage across Europe, APAC and the US • 48% 2023 revenue growth	• FDA orphan drug designation and fast track designation for DMD • FDA orphan drug and rare paediatric disease designation for DM1 • Nasdaq listing in May 2022 and $80m capital raise in Q1 2024 • DMD Phase 2 MAD and DM1 Phase 1/2 SAD/MAD clinical trials ongoing	• Fusion achieved a world first with projectile approach • First private company to fire a successful shot on Sandia Z machine • Set a new pressure record on Sandia machine, marking a notable advancement	• Continue to drive recurring revenues


OXFORD SCIENCE ENTERPRISES
FOUNDED 2015

Braavos Capital II LP investments

Impact investing

Accessed through the Sygnia OSE Fund, the Braavos funds have exposure to all the spin-outs originating from OSE. The Braavos Capital II Fund has a more concentrated exposure to certain investments, some of which are highlighted below.

- **Oxford Ionics**
  Oxford Ionics focuses on the development of quantum computer processors. Quantum computing will improve productivity, sustainability and quality of life by transforming our ability to tackle real-world problems across fields including chemistry, logistics and finance. Oxford Ionics' unique approach combines the world-leading performance of trapped ion qubits with the scalability of semiconductor manufacturing.

  Oxford Ionics broke global quantum performance records with a chip demonstrating twice the performance of previous world records.

- **SpyBiotech**
  2024 marks a significant milestone for SpyBiotech as it initiates clinical trials for a virus-like particle vaccine designed to combat human cytomegalovirus, a leading cause of stillbirths and birth defects.

  Spy Biotech’s approach contrasts that of Moderna (its biggest competitor), which uses the mRNA approach to vaccine development. Despite its rapid development, the mRNA approach has demonstrated limitations in providing long-lasting, durable immunity, as evidenced by the multiple booster shots necessary during the Covid-19 pandemic.

  The initial data from its clinical trial indicates that the SpyBiotech vaccine matches or exceeds the Moderna vaccine's protection and durability.

- **Charm Therapeutics**
  Charm Therapeutics deliver transformational medicines through 3D deep learning and cutting-edge drug discovery technologies. By applying revolutionary insights in 3D protein-ligand co-folding, they seek to target previously undruggable disease targets.

  Charm has had an eventful year, harnessing AI to create innovative cancer treatments. Some of the largest fundraisers and deals in 2024 have been in the AI-biotech sector. Google DeepMind’s biotech spin-out Isomorphic released AlphaFold 3, the latest version of the revolutionary deep learning model, and announced substantial deals with Eli Lily and Novartis.

  Charm's innovative technology has demonstrated performance competitive with that of AlphaFold 3. Initial tests focused on leukaemia have yielded novel drug designs aimed at overcoming the challenge of drug resistance. While extensive testing is still required, we are encouraged by the rapid progress being made.

Conclusion

The past year has witnessed a remarkable confluence of political and environmental progress in South Africa. We take immense pride in the strides made to foster a more equitable nation and a stronger economy.

As we eagerly anticipate the outcomes of COP29 in Baku this November, we remain hopeful for substantial advancements in climate finance and global cooperation to combat climate change. Moreover, we yearn for peaceful resolutions to conflicts and wars plaguing multiple nations worldwide.

Sygnia has also experienced a successful year, marked by incredible products that invest in companies dedicated to making a positive impact on the world. Our unwavering commitment to community development through corporate social responsibility initiatives and other programs underscores our dedication to fostering a positive culture among employees, aligning with one of our core values.

As reflected in one of Sygnia's values, "When it comes to a choice between doing well and doing good – we know there is only one path."

Elkana, Malmesbury

Sygnia Limited
Incorporated in the Republic of South Africa

Registration number: 2007/025416/06
JSE Share code: SYG
ISIN code: ZAE000208815
Sponsor: The Standard Bank of South Africa Limited

Cape Town: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 I T +27 21 446 4940 · Johannesburg: Unit 40, 6th Floor, Katherine & West Building, West Street, Sandton, 2196 | T +27 10 595 0550 · Durban: Office 2, 2nd Floor, Ridgeview, 1 Nokwe Avenue, Ridgeside, Umhlanga Ridge, 4319 | T +27 31 001 0650 · London: 24/25 Grosvenor Street, Mayfair, London, W1K 4QN, United Kingdom | T +44 203 978 8673
info@sygnia.co.za | www.sygnia.co.za | Sygnia Financial Services (Pty) Ltd is a licensed Financial Services Provider [FSP 44426].