

Sygnia
**Stewardship
Report**

2023



Sygnia 



Contents

Executive
Summary

3 Executive Summary

Introduction

4 Introduction

CSR

6 Corporate Social Responsibility

ESG
Integration

11 ESG Integration at Sygnia

Collaboration

13 Collaboration and industry involvement

Year in Review

15 The Year in Review

Proxy Voting
Outcomes

16 Proxy Voting Outcomes

Passive
Investing

24 Passive Investing

Fixed Income

29 Fixed Income

Sygnia
Infrastructure

34 Sygnia infrastructure

Multi-Manager
Portfolios

37 Multi-Manager Portfolios

Private
Investments

38 Private Investments

Conclusion
and Outlook

41 Conclusion



Executive Summary

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

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.

At a corporate level, the report outlines our transformation goals and achievements as a level 1 B-BBEE contributor, as well as our commitment to the empowerment of women. The report also covers our Corporate and Social Responsibility contributions in the field of education, through the support of: Elkana Childcare; The Homestead; Andrew Murray House; Impact Trust; Mitchell's Plain Busrury and Role Model Trust; O Grace Land; Ray Mhlaba Skills Training Centre; Regional Educare Council; Vusa Academy; Won Life; and Christel House.

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, Code for Responsible Investing in South Africa ("CRISA"); and the United Nations' Principles of Responsible Investment. We also have a representative member on the ASISA Responsible Investment Standing Committee, which focuses on ESG-related issues.

The report further illustrates how we aim to integrate ESG (Environmental, Social & Governance) considerations into our investment process, which can be broken down into: Multi-manager; Passive; and Fixed Income. Sygnia also offers products with specific ESG mandates (ie the Sygnia Itrix S&P Global 1200 ESG ETF, Sygnia Itrix Solactive Healthcare 150 Index ETF and the Sygnia Oxford Science Enterprise Fund).

Within our multi-manager solutions we engage with our active managers and monitor their proxy voting record on all shares held within our portfolios, to ensure their adherence to ESG policies. We also have our managers reportback regularly on their ESG initiatives and interactions with management. For our passive portfolios we engage in proxy-voting and report on our record in this regard. Within the fixed income space, ESG issues are increasing forming a part of the credit review as an assessment of non-financial risk (ie social, green and transition bonds).

Sygnia has always been forward thinking and acknowledges the magnitude and essence of the environmental, social and governance 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. “Because when it comes down to the choice between doing well and doing good – we know there is only one path.”



Introduction

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

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What is Sygnia?

Sygnia is an innovative financial services group based in South Africa and listed on the main board of the JSE and A2X markets. The company provides asset management, stockbroking and administration services and a wide range of savings products to institutional and retail clients, supported by cutting-edge technology platforms.

Sygnia is the largest international equity exchange traded fund (ETF) provider (and the second largest overall) in South Africa. It offers investors the widest range of ETFs that track international equity markets and manages over R36.0 billion in ETF investments. Sygnia has approximately R312.7 billion assets under management and administration and is 61.9% 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 female 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:

- The Chief Executive Officer is a woman.
- The Financial Director is a woman.
- 25% of the board of directors are women.
- 50% of the board are non-white.
- 57% of staff are women.



Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME

Changes in the business during the past year include Magda Wierzycka stepping back into the role of Chief Executive Officer and Niki Giles rejoining the group as Financial Director after a five-year absence. Many other senior management positions are held by women, including Head: Institutional Client Servicing, Head: Strategic Projects; Head: Employee Benefit Operations; Head: Institutional Administration; Head: Human Resources; Head: Retail Business; Head: Marketing; and Head: Manager Research.

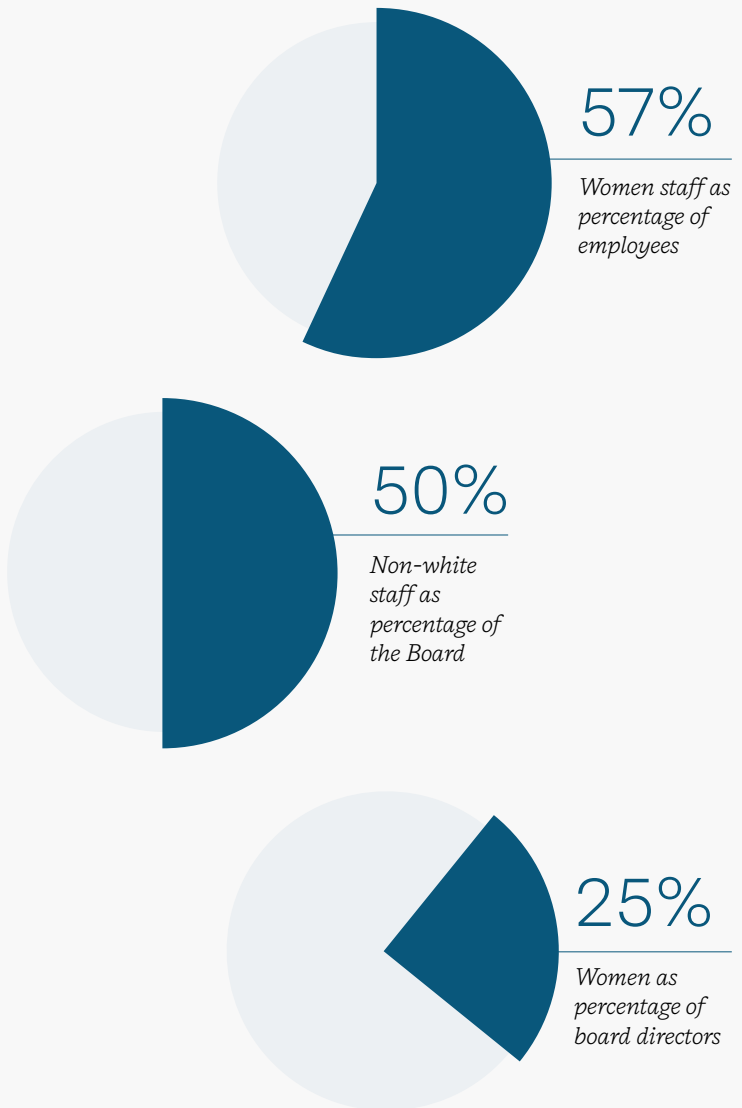
Preferential procurement has been an important aspect of the transformation strategy, with an active approach being taken to ensure that procurement explicitly targets B-BBEE as a criterion for service provider selection. Sygnia has actively switched providers to those compliant with its objectives.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

Sygnia Asset Management is a level 1 BB-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 Broad-Based Black Economic Empowerment scorecard.

B-BBEE at Sygnia





Corporate Social Responsibility

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Sygnia embodies the spirit of entrepreneurship. We strive to empower other businesses to grow by supporting preferential procurement policies. Our corporate social investments 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.

Organisations we support



Corporate social investment: Education

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's corporate social investment objectives support:

- Programmes and organisations that facilitate improvement and access to training and learning in South Africa;
- Projects that focus on the welfare and development of children;
- Projects that recognise and develop talent;
- Projects with clear and direct delivery objectives and in which administration costs are kept to a minimum.

Sygnia is proud to partner with organisations that:

- Are registered public benefit organisations with projects in education/educational support;
- Have a proven track record of successful outcomes;
- Have the ability to create long-term, lasting impact, and that consistently and effectively raise funds from a variety of different donors to meet their objectives, rather than being dependent on on one or two donors.



**Executive
Summary**

Introduction

CSR

**ESG
Integration**

Collaboration

Year in Review

**Proxy Voting
Outcomes**

**Passive
Investing**

Fixed Income

**Sygnia
Infrastructure**

**Multi-Manager
Portfolios**

**Private
Investments**

**Conclusion
and Outlook**

HOME

In 2022, Sygnia contributed a total of R1 304 500 to such organisations. The amount allocated for 2023 is R1 724 190. Those organisations include:

Elkana Childcare

Elkana Childcare focuses on building a sustainable future through the development of social and environmental awareness in the lives of children who live in severely adverse situations. They currently offer temporary residential safe care for 24 girls and have an after-school care program for 200 children.

Homestead

The Homestead focuses on the healing, care and upliftment of 85 street children. The organisation runs a number of projects that focus on neglected, abused and vulnerable children who live and beg on the streets. These projects aim to provide for physical needs (food, shelter, safety, clothing), psychosocial needs (trauma counselling, behaviour modification, positive self-image and identity), developmental needs (access to education, support to improve school performance, life-sustaining skills) and sporting and recreational activities.



Andrew Murray House

Andrew Murray House is a registered child and youth care centre (children's home). The home has 155 children enrolled and is responsible for the care, support, protection and development of the children in its custody through various therapeutic and developmental programmes.



Ray Mhlaba Skills Training Centre

The Ray Mhlaba Skills Training Centre is a non-government organisation that is an extension program of the Eastern Province Child and Youth Care Centre. Through development programs, the centre focuses on equipping unemployed and underprivileged youth with knowledge and skills to obtain formal employment or become entrepreneurs.



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Impact Trust

The Impact Trust runs programmes to identify the key value of resilience in learners. One of their programmes is Routes to Resilience, which works with high school students and young work-seekers to build leadership skills focused on sustainability and a sense of purpose – individually and in the community.

The Impact Trust provides an immersive journey in nature that provides 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 interconnectedness of the natural environment and social and economic systems.



The Mitchell's Plain Bursary and Role Model Trust

The Mitchell's Plain Bursary and Role Model Trust gives funding to students at one of 17 identified schools in Mitchell's Plain or to those who live in the area. The trust assists students with registration and/or tuition fees for studies at higher education institutions and further education and training colleges.



O Grace Land

O Grace Land provides a temporary safe haven for vulnerable young women who have grown up in care homes and institutions and are preparing to enter adult life. The organisation offers both life skills and transitional support as the young women complete their education and prepare for the working world.





Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Regional Educare Council

The Regional Educare Council specialises in early childhood development programmes. The organisation's passion is the holistic improvement of the quality of education for children, and they motivate and provide training programmes for early childhood development practitioners to encourage growth in the field.



Won Life

Won Life is a registered non-profit organisation dedicated to improving the quality of education for learners in the community of Fisantekraal, just outside of Durbanville. This is achieved through four education-based programmes: the Early Learning Centre (Grade R), Literacy Centre, High School Education Centre and Teacher Mentorship Programme.

VUSA Academy

The VUSA Academy creates social upliftment for children from underprivileged communities through structured academic, sporting and recreational programmes. VUSA works predominantly with children from five schools in the Langa community, none of which have the staff or resources to implement effective sporting or extra-mural programmes for their learners.





Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME

Christen House

Christel House aims to break the cycle of poverty by helping its graduates achieve upward economic mobility, demonstrate good citizenship and empower them to identify and realise their potential. This is done through robust education and a strong character development programme that is further supported by regular healthcare, nutritious meals, guidance counselling, career planning, family assistance and college and careers support.



LEAP Science and Maths Schools

For more than ten years, LEAP has developed unique, self-liberating high school education programmes for marginalised children through the only network of independent, no-fee schools in South Africa. The programme identifies student potential in high-need communities and offers free education for students who study mathematics, physical science and English.



Environmental, social and governance integration at Sygnia

Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

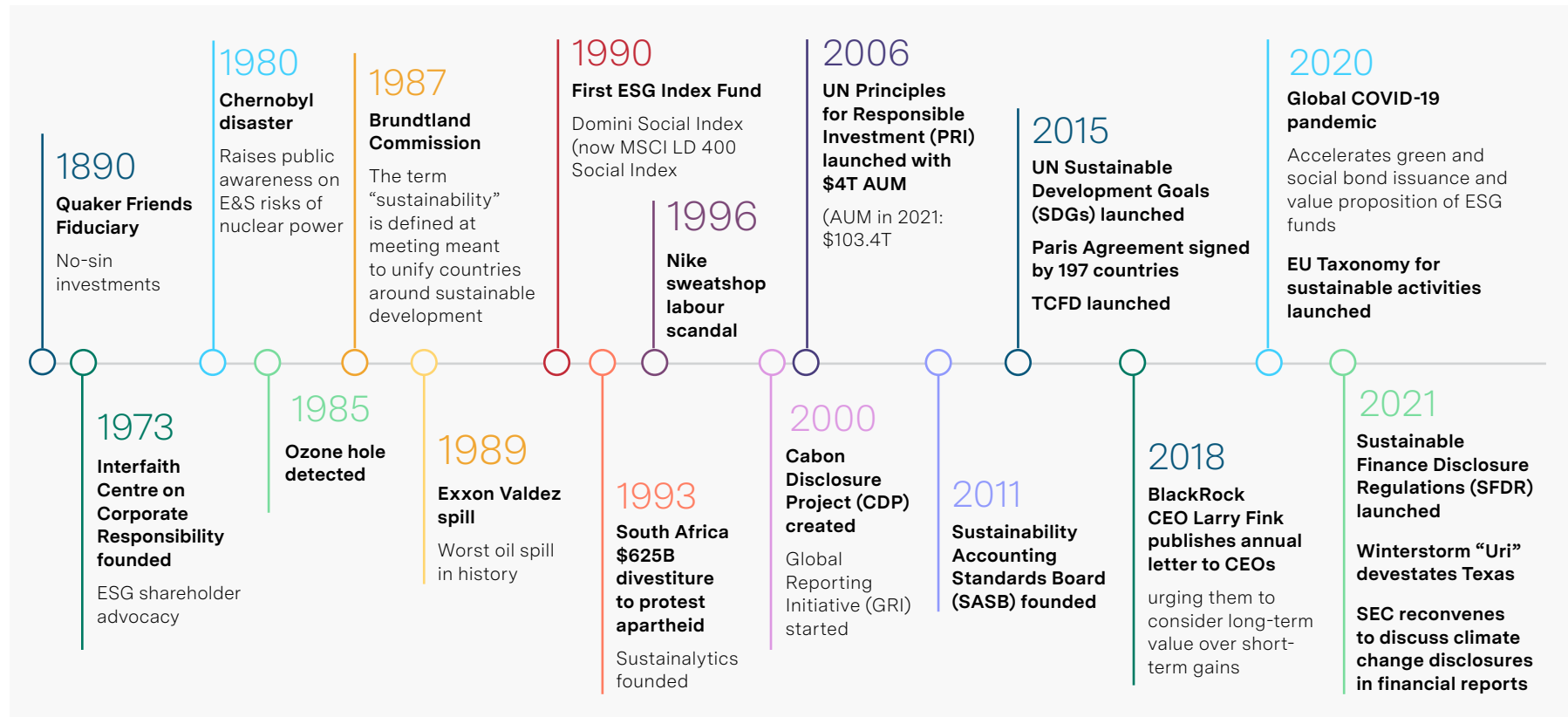
Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

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

HOME



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 the Code for Responsible Investing in South Africa (“CRISA 2”); and
- 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.

Products with ESG mandates

Multi-manager	Passive/Equity	Fixed income and infrastructure
<ul style="list-style-type: none">• Documented ESG policy in place• Evidence to adherence of ESG policy• Proxy voting records• Engagement with corporates	<ul style="list-style-type: none">• Proxy voting in collaboration with active managers in our multi-manager solutions• Low fees and accessibility to savings products for all• Exclusions/Screening• Impact and positive tilt	<ul style="list-style-type: none">• 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

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME



Collaboration and industry involvement

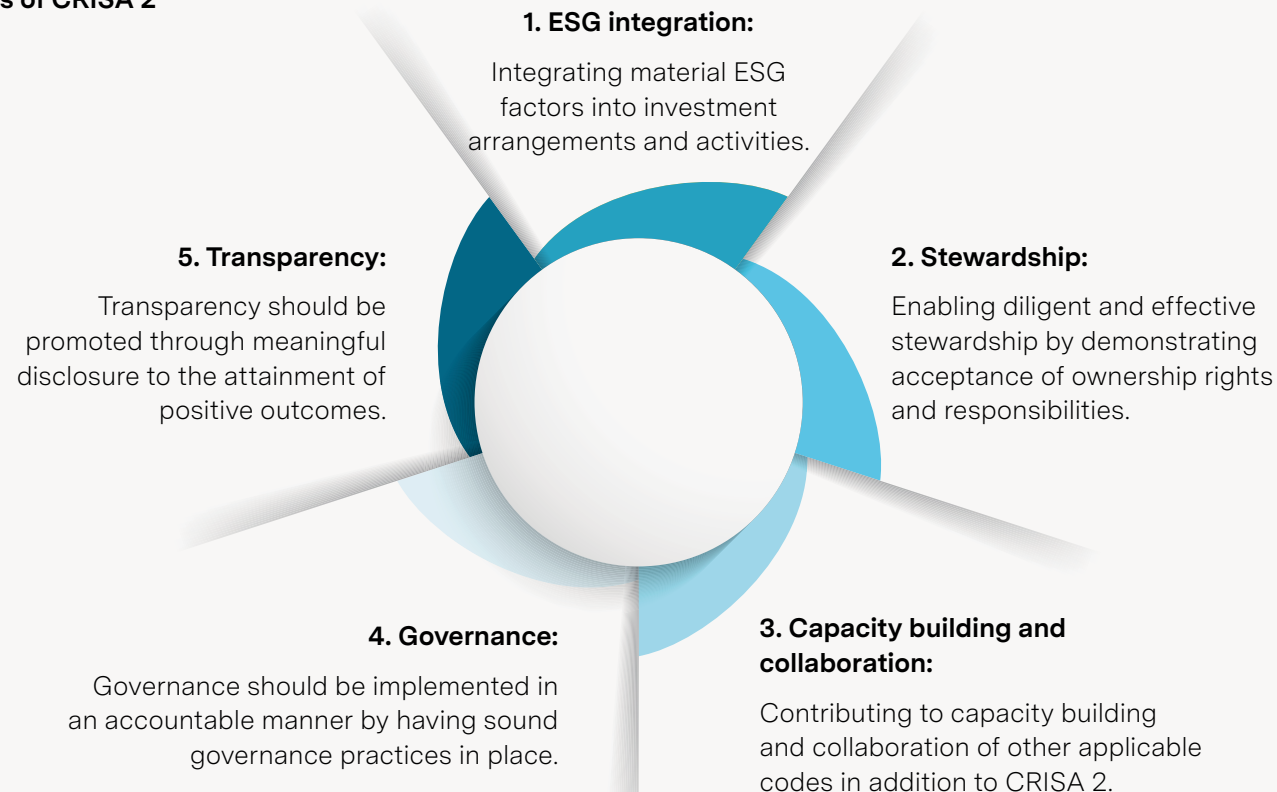
Code for Responsible Investing in South Africa (CRISA)

Sygnia uses the CRISA principals to guide its responsible investing.

CRISA 1 was launched on 19 July 2011 to encourage institutional investors and service providers to integrate ESG issues into their investment decisions. CRISA 2, developed from CRISA 1, embodies a revision of 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



Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Objectives

While the main objective of CRISA 2 is to integrate stewardship and responsible investing into South Africa's governance framework, the code also aims to be relevant throughout the investment industry, regardless of differentiating factors between organisations. CRISA 2 aims to foster integrated thinking through the expansion of the six capitals (financial, manufactured, human, intellectual, social, and relationship and natural capital) and the acknowledgement of the triple context (economy, society and environment). In parallel with the innovation of sustainable investment products, this should incorporate the United Nations' Sustainable Development Goals and South Africa's National Development Plans to achieve a more equitable and inclusive economy and address specific South African issues.

Outcomes and application

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 will not be 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.

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 the ASISA Responsible Investment Standing Committee, which focuses on ESG-related issues. Its aim is to implement a strategy that enhances the uptake of responsible investments in the South African market. The committee works closely with the UN Principles for Responsible Investment to integrate ESG factors into investment processes.





The year in review

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

This past year has been an eventful one in terms of ESG-related incidents. Events related to the ESG pillars have taken place on both the international and local fronts.

The 27th annual United Nations Climate Change Conference of Parties (COP27) was held in Sharm el-Sheikh, Egypt in November 2022. While the overall takeaway was for all countries to make an extra effort to address the climate crisis, additional points were highlighted.

A decision was made to establish a dedicated fund for loss and damage to help countries affected by climate-induced natural disasters. The significance of providing financial support to developing countries was also emphasised. COP27 estimates that the global transformation to a low-carbon economy will cost USD4–6 trillion per year, requiring cooperation across governments, central banks, commercial banks and institutional investors. COP27 also reaffirmed the 1.5°C climate goal by urging governments to strengthen their 2030 targets. A work programme was created to accelerate mitigation and implementation of these targets. Non-state stakeholders such as businesses and institutions were also urged to share the responsibility for reaching the 1.5°C climate goal.

From a global perspective, the Russia-Ukraine war remains a devastating ESG event and reappears in this year's report. The chilling sight of millions of civilians dispossessed, forced to live in exile, or trapped in their own country without necessities while facing the constant threat of violence is a stark reminder of the human cost of conflict. The war has also had a profound impact on global food and energy security, disrupting supply chains and worsening hunger in some of the world's most vulnerable regions. This is just one of many ESG issues exacerbated by the war, highlighting the need for international cooperation to address this global crisis.

Mirroring the global trend, South Africa has experienced a prolonged period of rising interest rates as the South African Reserve Bank (SARB) sought to control inflation. The 2023 Q2 Quarterly Labour Force Survey results reveal that South Africa's unofficial unemployment rate stands at a staggering 32.6%. An increased cost of living, limited disposable income and high unemployment rate speak directly to the social concerns faced by many South Africans.

From an environmental perspective, climate change's impact on South Africa has been jarring. South Africa has experienced a series of extreme weather events in recent months, including heavy rains causing floods in Kwa-Zulu Natal and the Western Cape and earthquakes in Gauteng. These events have had a significant impact on agriculture and infrastructure, stressing the urgent need for action to address the climate crisis.

South Africa's Green Finance Taxonomy (GFT), launched in 2022, aims to empower financial sector participants to propel green activities and ultimately address climate change. The GFT has gained traction, with the SARB issuing guidance to banks, the JSE launching a new green bond index and financial institutions developing new green products and services. The government is also developing policies and regulations to support the GFT's implementation.

Despite its early stage, we feel that the GFT has the potential to transform the green finance market and accelerate the transition to a low-carbon economy.



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 1 048 resolutions in 2022/2023, with 107 dissenting votes.

Proxy votes by Sygnia domestic index-tracker funds

	Resolutions voted for	Resolutions abstained	Resolutions voted against	% against	Total (including abstained)
Sygnia Asset Management	941	1	107	10.2%	1 049

Proxy votes by Sygnia domestic index-tracker funds

	Capital structure	Board structure	Remuneration	Other	Strategy, audit & risk	Environmental & social	Total
Sygnia Asset Management	169	247	334	31	245	22	1 048

Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



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

Proxy votes by active managers for 2022/2023

	Overall	Resolutions voted for	Resolutions voted against	Resolutions abstained	Total per manager	% against votes
Sygnia		941	107	1	1 048	10.2%
All Weather		1 928	95	0	2 023	4.7%
Coronation		1 048	67	0	1 115	6.0%
Fairtree		950	61	0	1 011	6.0%
Laurium		818	48	0	866	5.5%
Ninety One		957	29	2	986	2.9%
Visio		778	95	0	873	10.9%
Total		7 420	502	3	7 922*	6.3%

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

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

Total resolutions split by Theme

Theme	Total Resolutions per category	% votes per category
Capital structure	1 047	13.2%
Board structure	1 864	23.5%
Remuneration	2 359	29.8%
Other	818	10.3%
Strategy, Audit & risk	1 707	21.5%
Environmental & Social	130	1.6%
Total	7 925	100.0%

**Total resolutions include abstained resolutions to analyse popularity of themes in AGMs/EGMs*

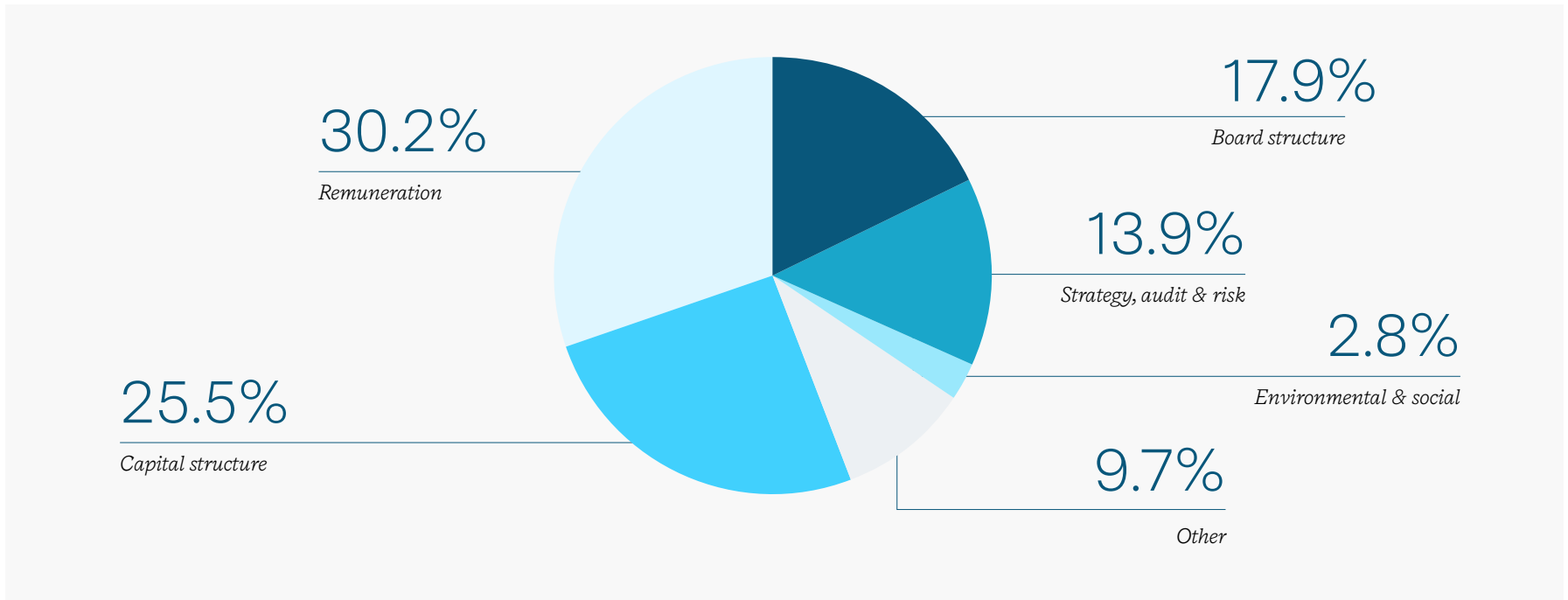
Looking at the total resolutions voted on by all the managers above, we have concluded the following:

The theme with the highest number of resolutions for the year was Remuneration, which accounted for 29.8%. This was followed by 23.5% of resolutions relating to Board structure and 21.5% of resolutions relating to Strategy, audit and risk. With a total of 130 resolutions, the Environmental and social theme had the fewest resolutions to be voted on for the year.

With a total of 502 dissenting votes, the Remuneration theme also returned the majority (30.2%) of dissenting votes. Capital structure and Board structure were the second and third most voted against resolutions respectively. The Environmental and social theme had the fewest dissenting votes.



Dissenting votes by theme



To further evaluate the resolutions relating to the Environmental and social theme, it is worth noting that although it was proportionately the minority, 130 resolutions is still worth acknowledging. The multiple resolutions relating to Remuneration and Board structure are because every remuneration or appointment requires a resolution, whereas the Environmental and social topics can be summed up in one or two resolutions.

It is thus encouraging to note that the Environmental and social resolutions were favourably resolved. Most of these resolutions are to improve reporting and disclosure and find new ways to measure, reduce and monitor the impact of business practises on the environment. This speaks to the fact that more companies are aware of and incorporating sustainable activities into their daily business practices to achieve universal climate goals.

Shareholder opinions are essential to corporate governance, as evidenced by the Remuneration theme's distinction as the most contested topic, with the most resolutions as well as the most dissenting votes. Many dissenting votes were cast due to excessive or inappropriate remuneration policies. To address these concerns, companies were advised to revise their key performance indicators and targets to ensure that executives are appropriately compensated for performance.

It is pleasing to see that Board structure and Strategy, audit and risk make up such a large portion of the total resolutions. These two themes directly correspond to the overall governance and ethical running of any business. Although companies are always expected to follow laws and standards, it is encouraging to see compliance, as it ultimately contributes to their overall success.

Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



Case study 1: South32

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

South32 is a global mining and metals company with a focus on base metals and aluminium. It has operations in Australia, South America, southern Africa and Asia. The company has a stated commitment to sustainability and ESG principles, but concerns have been raised about its performance in these areas.

A company's mining operations can have a significant impact on water resources, biodiversity and air quality, and pressure has been increasing on miners worldwide to improve their environmental credentials. Specifically, concerns have been raised about South32's tailings dams, which can collapse, causing severe environmental damage.

South32 is committed to supporting the objectives of the Paris Agreement and achieving net zero operational greenhouse gas (GHG) emissions by 2050. In FY21, the company achieved its first emissions reduction target and stepped up its ambition by setting a medium-term target to halve its operational GHG emissions by 2035.

Recognising its critical role in decarbonising the value chain, South32 has set a new goal of net zero Scope 3 GHG emissions by 2050. The company's goals and target are delivered through its Climate Change Action Plan, which sets out its approach and the actions it is taking to play its part in addressing climate change.

According to their Climate Change Report, the Hillside Aluminium smelter, located in Richard's Bay, is one of the largest consumers of power in South Africa, with a baseload demand of 1 205 megawatt ampere at 99 per cent load factor. The smelter's power agreement gives Eskom the flexibility to temporarily turn off the smelter's power at short notice if the national electricity grid is under stress, which helps to prevent blackouts.

South32 is focused on transitioning their primary energy source from coal-based power supplied via the South African electricity grid to secure, reliable and affordable low-carbon energy in the medium term.

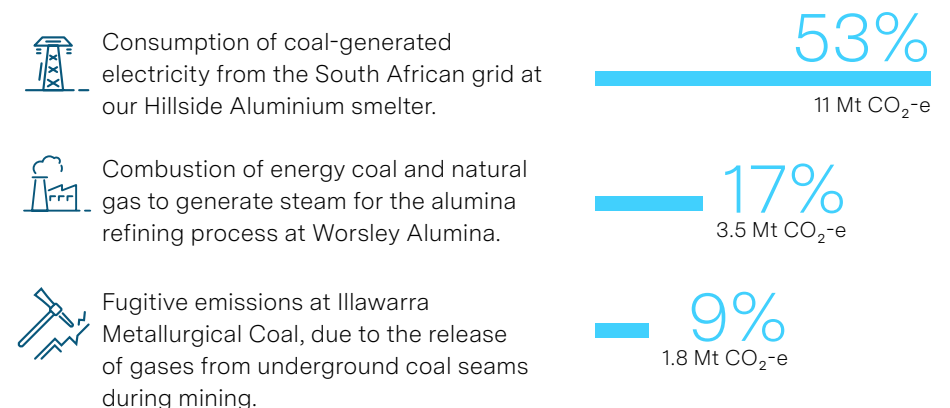
The existing power agreement for Hillside Aluminium expires in 2031, but the transition to a low-carbon energy source will be technologically and commercially complex due to the smelter's constant high-energy demand. South32 will work with Eskom, government and commercial partners to develop and implement an energy solution at the scale required for a large aluminium smelter.

In conclusion, South32 is taking a comprehensive and well-considered approach to decarbonising its operations. The company is focused on reducing its operational GHG emissions through energy-efficiency initiatives, transitioning to lower-carbon energy and technological solutions.

As can be seen below, three of South32's operations account for 79% of its Scope 1 and Scope 2 emissions: Hillside Aluminium, Worsley Alumina and Illawarra Metallurgical Coal.

Operational GHG emissions sources

The largest single sources of our operational GHG emissions in FY22 are depicted below.



*Source: South32 Sustainable Development Report

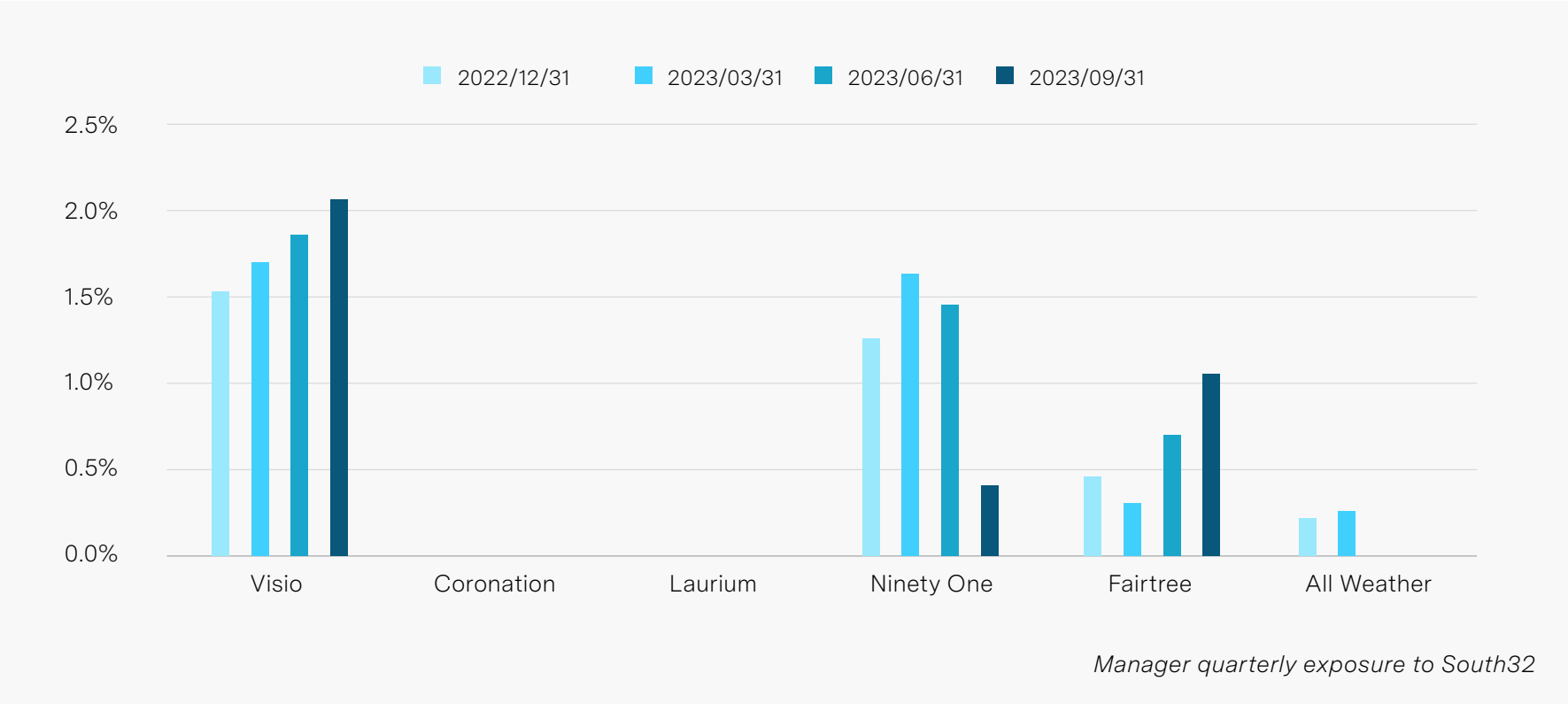


Manager proxy votes

Manager	Sygnia	Visio	Ninety One	Fairtree	All Weather
Vote	For	For	For	For	For

** Votes are based on whether the share was held in the fund at the time of the AGM.*

Sygnia and our managers voted in favour of the approval of their Climate Change Report.
The change in South32 holdings across our managers from 31 December 2022 to 30 September 2023 is illustrated below:



Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



Case study 2: Transaction Capital

One of the most controversial stocks of 2023 was Transaction Capital, which saw its share price slump by more than 85% over 2023 to end-September.

The decline in share price was due to a number of factors, including the company's mountain of debt, high interest rates, the taxi business's slow recovery from the Covid-19 pandemic and the resignation of the company's outgoing CEO, David Hurwitz – who also controversially sold R51 million in shares in December 2022.

Transaction Capital defended the sale of shares by Hurwitz's family trust, saying that the trust was in breach of certain debt covenants and that the sale was approved by the chairperson of the company after consultation with some of the other directors. The company also said that the trust retains the balance of 2.4 million shares it holds in the group.

SA Taxi is Transaction Capital's biggest problem. It has been hit hard by the pandemic and the rise of e-hailing apps. Many taxi owners are struggling to repay their loans, and the company is repossessing more taxis than it can resell.

Transaction Capital has set up a committee to restructure the SA Taxi balance sheet, but it is unlikely to return to profit in at least the next three years. The company's other businesses, such as second-hand car dealer WeBuyCars and debt collector Nutun, are both profitable and viable.

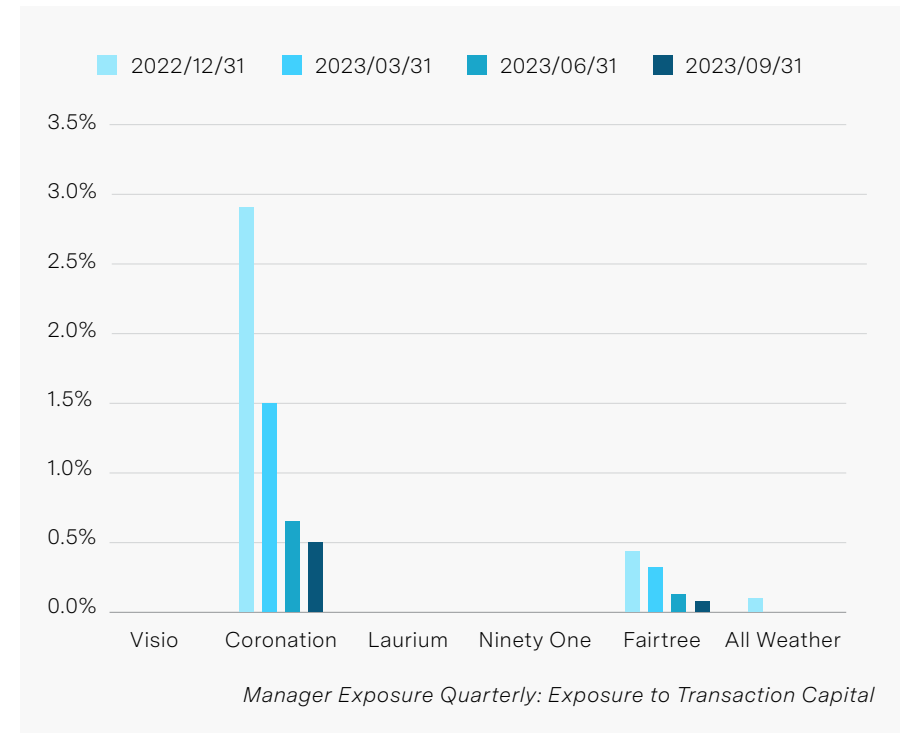
Over two-thirds of South Africans rely on minibuses as their primary mode of transport. Transaction Capital provides access to capital for black entrepreneurs in a sector where the banks have not been able to fill that gap.

More people travel in the country's 250 000 taxis than on all other public transport combined, and there has been a 16% increase in taxi passengers over the past decade. By contrast, passenger numbers on state-run buses have fallen 28% in that time, while rail has seen an even more precipitous 64% decline.

There is an undeniable social imperative to provide affordable financing for the taxi industry, as it is essential to the lives of millions of South Africans.

To address our concerns about Transaction Capital, Sygnia held a series of meetings with its managers who hold the stock to understand the best way forward. In these discussions, managers generally asserted their belief in Transaction Capital and advised they had no governance concerns about the business – they saw no correlation between the CEO selling his position (as it was a margin call) and the timing of the stock plummeting.

The change in Transaction Capital holdings across our managers from 31 December 2022 to 30 September 2023 is illustrated below.





Case study 3: Anglo American

Anglo American is a major mining company with operations around the world. It is one of the largest producers of copper, platinum, diamonds and iron ore. Anglo American has a long history in South Africa and is one of the country's largest employers. Anglo American has been criticised for its environmental and social impacts. Some of the company's most pressing issues include:

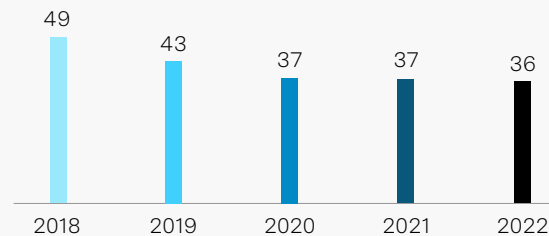
1) Anglo American's mining operations have caused significant environmental damage in South Africa and other countries in which they operate. For example, Anglo American is being sued in a South African court for its alleged role in lead poisoning in the Zambian town of Kabwe. The lawsuit was filed in 2020 on behalf of an estimated 100 000 children and women who reported suffering injury from lead exposure as a result of century-long mineral extraction near their homes. The lawsuit alleges that Anglo American, through its South African subsidiary, controlled and managed the Kabwe mine from 1925 to 1974, during which time it failed to take adequate measures to protect the local community from lead poisoning. The lawsuit also alleges that Anglo American knew that its mining operations were causing lead pollution, but it chose to ignore the risks.

Anglo American has denied the allegations in the lawsuit, arguing that it was not responsible for the lead pollution in Kabwe. The company has also argued that the lawsuit is time-barred, as it pertains to events that took place over 50 years ago. The case is currently in the certification stage, which means that the court is determining whether it should allow the lawsuit to proceed as a class action. If the case is certified, it could go to trial in 2024. The outcome of the case could have significant implications for Anglo American and other mining companies. If the plaintiffs are successful, it could set a precedent for future lawsuits against mining companies for environmental damage and human rights abuses. Despite this, Anglo American's commitment to playing its part in addressing climate change and reducing its water footprint is evident. Through its Sustainable Mining Plan, which is aligned to the UN's Sustainable Development Goals, Anglo American is targeting carbon neutrality across its operations by 2040 and to reduce fresh water usage in water scarce areas by 50% by 2030. As can be seen below, Anglo America has decreased its fresh water consumption by 26% and reduced its GHG emissions.

Striving for a healthy environment

Fresh water withdrawals

Thousand ML (water scarce areas)⁵

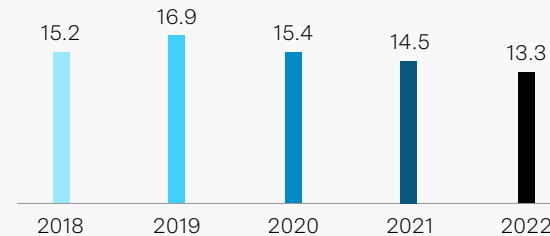


26% decreases to the 2015 baseline

Significant increases in efficiency at Amandelbult and Venetia

GHG emissions

Mt CO₂ emissions⁴ (Scopes 1 & 2)

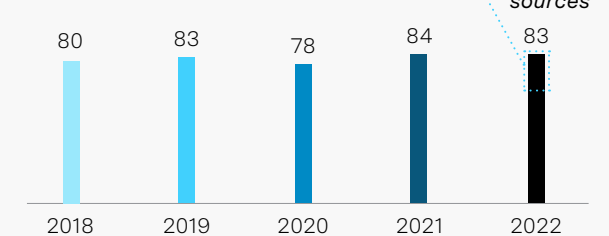


South America - 100% renewable electricity supply from 2023; Australia from 2025

Partnership with EDF Renewables to develop solar & wind farms in South Africa

Energy

mGJ⁴



52% of electricity from renewable energy

Efficiency, technology & innovation drive longer term improvements

25% of energy from renewable sources



Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

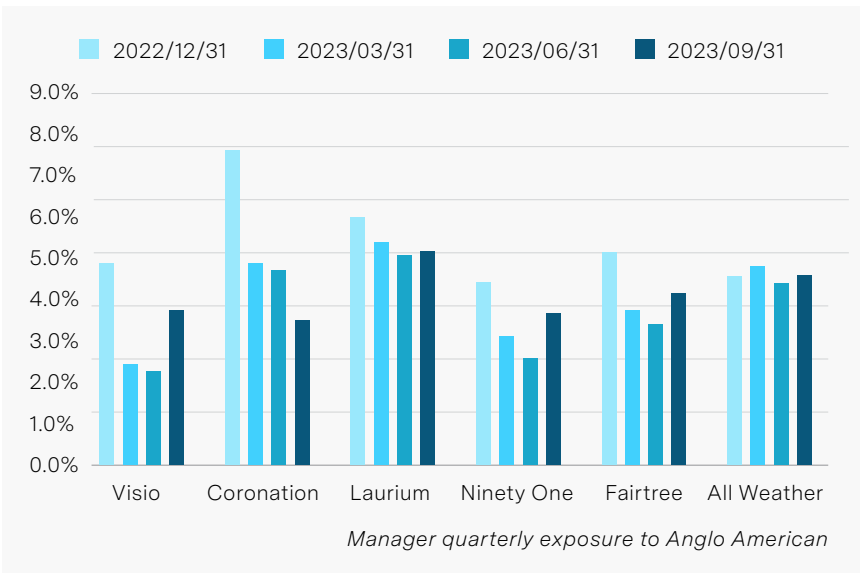
HOME



2) Anglo American has been accused of human rights abuses in South Africa. For example, the company has been criticised for its displacement of communities. Anglo American has also been criticised for its poor safety record, with their 2022 Sustainability Report noting two work-related loss-of-life incidents and 564 occupational injuries, an increase of 2% from 2021.

Anglo American has acknowledged its environmental and social impacts, and the company has taken steps to address these issues. In November 2022, the company launched their safety training academy, targeting employees across all levels of work.

The change in Anglo American holdings across our managers from 31 December 2022 to 30 September 2023 is illustrated below.





Passive investing

Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME

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 your fingertips and offers extremely cost-effective access to a well-diversified portfolio of global stocks while meeting 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)	78.16	64.79	-17.11%
Carbon to revenue (metric tons co2e/\$1m revenues)	190.9	160.62	-15.86%
Weighted average carbon intensity (metric tons co2e/\$1m revenues)	175.09	142.18	-18.80%
Fossil fuel reserve emissions (metric tons co2e/\$1m invested)	1095.57	778.79	-28.91%

*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 is 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/spdji-esg-carbon-metrics.pdf>



Sygnia Health Innovation Global Equity Fund unit trust

Thematic and exclusions/screening

Industrial technology and processes have converged, benefitting the biotech industry, which includes healthcare. An ageing population and the Covid-19 pandemic have accelerated healthcare innovation, with BioNTech recently 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 and elected to use Refinitiv's ESG Combined Score. The Combined ESG Score 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 and Co	7.07%	62
UnitedHealth Group Inc	6.11%	65
Johnson & Johnson	5.12%	45
Novo Nordisk A/S	4.04%	76
Merck & Co Inc	3.83%	65
AbbVie Inc	3.52%	54
Thermo Fisher Scientific Inc	2.85%	70
Pfizer Inc	2.81%	56
Roche Holding AG	2.77%	91
AstraZeneca PLC	2.76%	72

*ESG scores are calculated by averaging the most recent three years of ESG financial year-end data available.

Roche Holding AG: One of the world's largest biotech companies, a leading provider of in-vitro diagnostics and a global supplier of transformative, innovative solutions across major disease areas.

Eli Lilly and Co.: One of the largest pharmaceutical companies in the world, with a market capitalisation of over \$550 billion. Eli Lilly is known for its innovative drugs, including insulin, Humalog and Trulicity. It also has a strong presence in the oncology market, with drugs such as Alimta and Erbitux.

Thermo Fisher Scientific: A leading provider of analytical instruments, life sciences solutions, specialty diagnostics and laboratory, pharmaceutical and biotechnology services. The company's products and services are used in a wide range of industries, including healthcare, academia, research and manufacturing.



Sygnia 4th Industrial Revolution Global Equity Fund (UCITS)

Exclusions/Screening

Sygnia prides itself on being an innovative fintech market disruptor that offers investors access to ground-breaking, company-leading tech innovation, to which end the Sygnia 4th Industrial Revolution Global Equity UCITS Fund was launched in November 2021. The fund's stock selection is based on the S&P Kensho New Economy Indices, which provide exposure to companies that bring 4th Industrial Revolution themes to life. Stocks within the universe are weighted by several criteria to determine their weighting in the fund, including fundamental valuation, price and earnings momentum, liquidity, market cap and sub-industry weight. Finally, an adjustment to the allocation of the single stocks is made by applying ESG screening criteria.

ESG screening and methodology

A unique list of the underlying companies in each of the 25 Kensho New Economy subsector indices is selected and rated out of 100 using ESG data provided by Refinitiv (Thomson Reuters). The selected companies are then split into four quartiles based on their ESG scoring. The companies with a higher ESG score receive higher weights in the portfolios.

- ESG score: 0–25, including 70% of the pre-ESG weight in final model
- ESG score: 26–50, including 80% of the pre-ESG weight in final model
- ESG score: 51–75, including 90% of the pre-ESG weight in final model
- ESG score: 76–100, including 100% of the pre-ESG weight in final model



Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



Sygnia Itrix Sustainable Economy ETF

Impact and positive tilt

The growing interest in climate change and technologies that contribute to shaping the future led us to launch the new Sygnia Itrix Sustainable Economy ETF. We believe this ETF meets the need in the marketplace for innovative products focused on rapid advancements in technology, the global shift to remote working, the increased use of smart technologies and institutional and individual focus on climate change.

The ETF provides access to companies in the S&P Kensho Sustainable Technologies Index (KSUSTN), which has an ESG overlay that screens out companies that generate revenue from thermal-coal production/extraction or from shale, Arctic or oil-sands oil and gas extraction. Companies in violation of the ESG screens are dropped, and the weights of the remaining constituents are scaled up to 100%.

The S&P Kensho Sustainable Technologies Index is made up of the seven component indices listed below.

S&P Kensho Advanced Manufacturing Index	Measures the performance of companies focused on enabling manufacturers to improve production processes through digitalisation, automation, predictive maintenance and optimisation of plant energy conservation.
S&P Kensho Sustainable Staples Index	Measures the performance of companies enabling connected agricultural producers to enhance output while reducing waste and resource exhaustion using state-of-the-art sustainable practices.
S&P Kensho Clean Power Index	Measures the performance of companies focused on advances in clean technology and energy.
S&P Kensho Intelligent Infrastructure Index	Measures the performance of companies that reflect the transition to intelligent, adaptive and connected infrastructure.
S&P Kensho Smart Transportation Index	Measures the performance of companies focused on autonomous and electric vehicle technology, commercial drones and advanced transportation systems.
S&P Kensho Future Communication Index	Measures the performance of companies focused on advances in how people meet, collaborate and communicate.
S&P Kensho Final Frontiers Index	Measures the performance of companies focused on technologies at the forefront of deep-space and deep-sea exploration and development.

The ETF is broken up into four segments, providing access to companies involved with smart transportation and manufacturing, sustainable agriculture, clean power, space exploration, intelligent infrastructure and technologies that enable remote working.

The segments – and examples of companies likely to be included in them – are described below.

Executive
Summary

Introduction

CSR

ESG
Integration

Collaboration

Year in Review

Proxy Voting
Outcomes

Passive
Investing

Fixed Income

Sygnia
Infrastructure

Multi-Manager
Portfolios

Private
Investments

Conclusion
and Outlook

HOME



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Sustainable infrastructure

Plug Power

Plug Power is building the hydrogen economy and is the leading provider of comprehensive hydrogen fuel cell turnkey solutions. Amid an ongoing paradigm shift in the power, energy and transportation industries, the company's innovative technology powers electric motors with hydrogen fuel cells to address climate change and energy security while providing efficiency gains and meeting sustainability goals.

Sustainable agriculture

Nutrien

Nutrien is the world's largest provider of crop inputs and services, playing a critical role in helping growers increase food production in a sustainable manner. They produce and distribute over 27 million tons of potash, nitrogen and phosphate products for agricultural, industrial and feed customers worldwide. Combined with their leading agricultural retail network, which services over 500 000 grower accounts, they are well-positioned to meet the needs of a growing world and create value for stakeholders.

Sustainable manufacturing

Boeing

As a leading global aerospace company, Boeing develops, manufactures and services commercial airplanes, defence products and space systems for customers in more than 150 countries. As a top US exporter, the company leverages the talents of a global supplier base to advance economic opportunity, sustainability and community impact. Boeing's diverse team is committed to innovating for the future, leading with sustainability and cultivating a culture based on the company's core values of safety, quality and integrity.

Sustainable society

Metaverse

A platform enabling people to meet, collaborate and communicate online in the metaverse or in extended reality. In 2022 it was estimated that the global metaverse market stood at USD65.5 billion in 2022. Bloomberg estimates that this will surge to USD936.6 billion by 2030.

Features of the metaverse include:

- Enterprise collaboration frameworks (Zoom).
- Digital communities: Microsoft and Meta (Facebook) are building virtual worlds.
- Real estate in the metaverse has sold for more than USD500 000.
- Brands are teaming up with social game developers, e.g. Fortnite (Tencent) and Warcraft (Activision Blizzard).





Fixed income

Sygnia Money Market Fund Unit Trust

Impact

Sygnia has been 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.

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, but there is scope for 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, while for active funds we incorporate ESG considerations into the evaluation of potential investments and engage with issuers through the appropriate fixed income forums.



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

Organisations that Sygnia donates to include:

- **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, the advancement of 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.

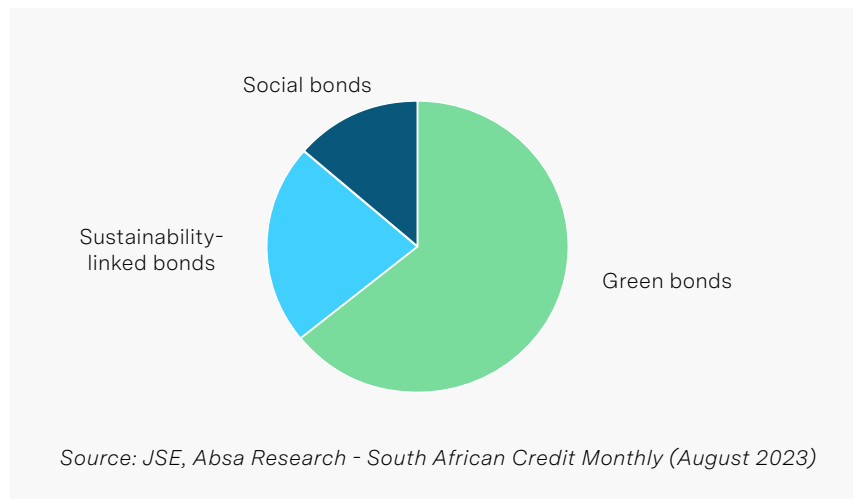


Debt capital markets: ESG bond issuance

The sustainable debt market has evolved significantly in recent years, driven by the pursuit of a more sustainable future. Investors and borrowers alike are increasingly recognising the importance of investing in projects that support net zero and sustainable development goals (SDGs). Moody's reported that global issuance of new ESG notes grew by only 7% y/y, with USD526 billion issued until July 2023.

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. Emerging markets are leading the way in green bond and green loan issuance, while developed markets are seeing greater issuance of sustainability-linked and social bonds. In the local market, green bonds account for the majority of total ESG notes issued, followed by sustainability-linked bonds and social bonds.

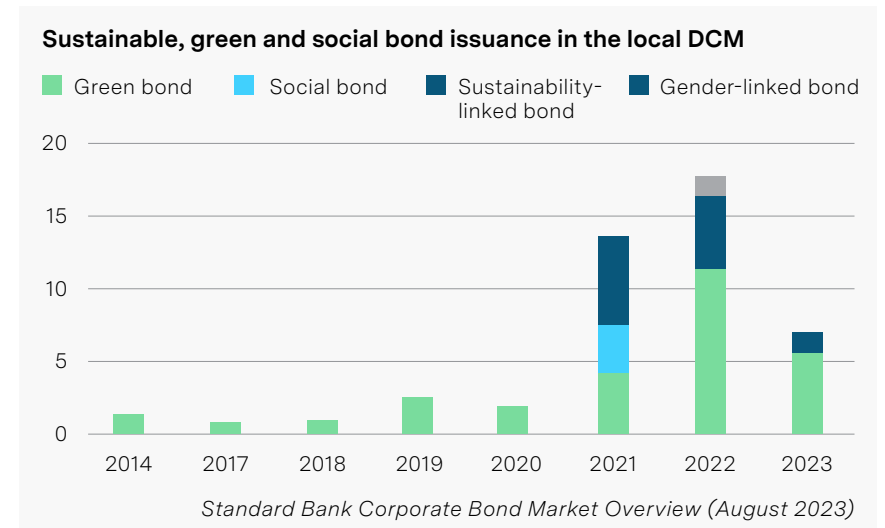
Local market breakdown



Domestic issuance

Local ESG bond issuance has fallen short of expectations in 2023, with only R4.6 billion issued compared to R8.4 billion during the same period in 2022. That R4.6 billion is comprised of R3.2 billion of green bonds and R1.4 billion of sustainability-linked bonds.

Local market breakdown



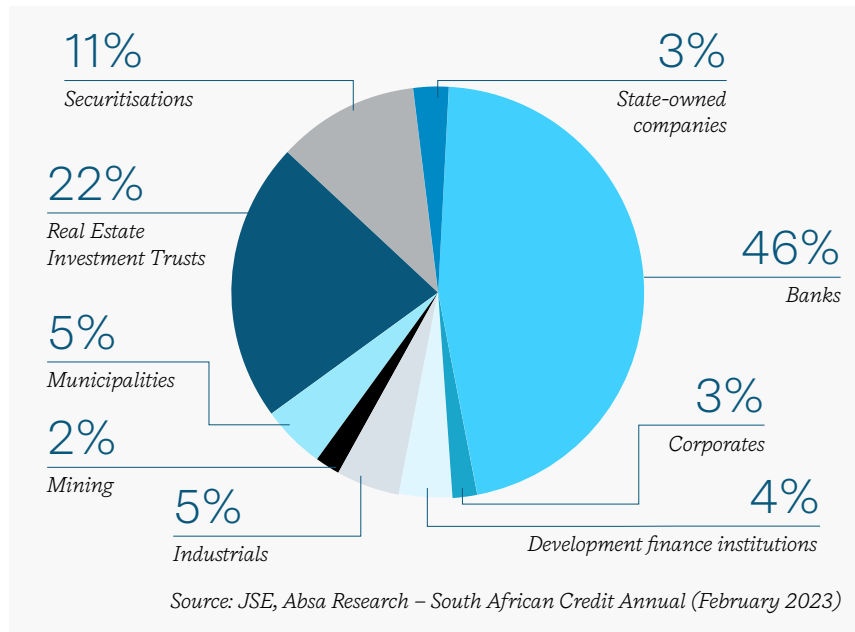
The overall decline in domestic issuance contrasts the global surge in ESG bond issuance. One possible explanation for this difference is the similarity in pricing between ESG and plain vanilla bonds, which may discourage issuers from incurring the additional costs associated with ESG bond issuance.

Another factor could be the limited number of issuers in the local ESG bond market. Only three issuers have placed ESG notes so far, with Standard Bank contributing the bulk of total issuance with R3.4 billion, followed by Investec Property Fund and Urban Ubomi 1 (RF) Limited at R550 million and R225 million respectively.

Issuance of the above notes highlights the clear trend that banks and real estate investment trusts (REITs) make up approximately 68% of total ESG bond issuance.



The majority of ESG notes were issued by banks:



Despite the slow start, there are signs that the local ESG bond market is poised for growth. As the market continues to develop, we are likely to see more issuers entering the market and a wider range of ESG bond products being offered.

Examples of JSE-listed ESG bonds

South African REIT Redefine Properties issued its third green bond, raising R1 billion to refinance eligible green assets across its property portfolio. The bond was oversubscribed 1.9 times, reflecting strong investor demand for sustainable investments.

The capital raised will be used to refinance buildings that have achieved a four-star Green Star (or higher) rating from the Green Building Council South Africa. This rating tool assesses the environmental impact and sustainability-related performance of buildings.

Redefine's green bond aligns with its sustainability goal to transform its properties into environmentally sustainable and resource-efficient assets. It also aligns with the International Capital Market Association Green Bond Principles, which provide a framework for ensuring the integrity of green bond issuance.

This green bond issue highlights Redefine's commitment to sustainability and its leadership in the South African real estate sector. It also demonstrates the growing demand from investors for sustainable investments.

Sygnia is proud to have participated and been allocated green bonds in this auction. We are committed to supporting companies reducing their environmental impact, and we believe that green bonds are a powerful tool for achieving this. We continue to seek out such opportunities, as we believe that investing in sustainable businesses is not only good for the planet but good for our investors.





Sygnia Global Income Fund

In November 2021, Sygnia launched the Sygnia Global Income Fund, a dollar-denominated portfolio domiciled in Ireland.

The fund invests in a portfolio of investment-grade debt securities, cash deposits and money market instruments, adopting a thematic approach whereby it invests primarily in debt securities specifically related to environmentally sustainable activities (i.e. green bonds). As ESG is incorporated into the investment process, the fund is currently classified as Article 6 per Sustainable Finance Disclosure Regulations criteria.

The voluntary International Capital Market Association Green Bond Principles 2018 are used as a guide for the Fund's thematic approach. Sygnia favours bonds that have been subject to independent green bond verification and certification against a recognised external green standard or green bond scoring.

iShares USD Corp Bond 0-3yr ESG (SUSU)

One of the ETFs invested in by the fund is the iShares USD Corp Bond 0-3yr ESG, which seeks to track the performance of an index comprised of USD-denominated ESG-screened corporate bonds.

This ETF was chosen because it offers investors:

- **Diversified exposure to high-quality corporate bonds:** The ETF invests in a broad range of investment-grade corporate bonds across different sectors, which helps reduce risk.
- **Alignment with ESG values:** The ETF only includes bonds from companies with strong ESG ratings, which means investors can be confident their money is supporting companies committed to ESG responsibility.
- **Exclusion of controversial industries:** The ETF excludes bonds from companies involved in controversial industries such as weapons, tobacco and gambling.





**Executive
Summary**

Introduction

CSR

**ESG
Integration**

Collaboration

Year in Review

**Proxy Voting
Outcomes**

**Passive
Investing**

Fixed Income

**Sygnia
Infrastructure**

**Multi-Manager
Portfolios**

**Private
Investments**

**Conclusion
and Outlook**

HOME



Sygnia infrastructure

South Africa's National Development Plan 2030 and the Economic Reconstruction and Recovery Plan (ERRP) are key to guiding the local economy to a more prosperous future and to recovery from the Covid-19 crisis. Both plans highlight the need for increased private and public investment in infrastructure to promote growth and recovery. The ERRP targets "aggressive" infrastructure expenditure to support the long-term productive capacity of the economy.

In alignment with government's objectives, Sygnia has committed to supporting local infrastructure development through a series of infrastructure 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 has launched a South African Infrastructure Portfolio, one of the building blocks of our institutional products.

Following two rounds of comment from the market, National Treasury finally gazetted the long-awaited amendments to Regulation 28 on 1 July 2022, defining infrastructure as "physical assets or technology constructed, developed or maintained with the main goal of providing services or facilities for the benefit of South Africa's people, business and economy".

The amendments includes an increase in a pension fund's allowable investment in South African infrastructure to 45% across listed and unlisted assets and limits exposure to a single issuer or project to 25%.

The amendments came into effect in January 2023.



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

South Africa's Trans-Caledon Tunnel Authority (TCTA)

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 TCTA acts as an agent for the Department of Water and Sanitation, being responsible for the funding, implementation, operation and maintenance of infrastructure projects.

Currently 6 projects are under debt management, 3 projects are at the implementation phase, 4 assets are under operation and maintenance, 2 are on hold and 3 are advisory projects.

Implications for TCTA

In their Corporate Plan for 1 April 2023–31 March 2025, TCTA notes that the recent state of the economy has not been conducive to infrastructure development. Issues such as low employment levels impede the ability of households to pay for services, while unforeseen setbacks such as the KZN floods and credit risk downgrades raise the cost of capital, making it difficult to undertake large or complex projects. These have directly affected TCTA's progress in some projects.

Nonetheless, promising developments include deep reforms underway in the energy and transport sectors to improve efficiency, reliability and cost-effectiveness through competition. Furthermore, an independent regulator in the transport sector will encourage competition and regulate third-party access to the network, starting with Durban's Pier 2 and Ngqura container terminals. South Africa's energy transition is accelerating, with renewables and gas poised to play a central role. The REIPPP program has attracted overwhelming interest from independent power producers eager to develop new generating capacity at record-low prices. Eskom forecasts R1.2 trillion in investment through 2030, promising a significant boost to economic growth.

Lesotho Highlands Water Project (LHWP)

The TCTA raised a round of funding for the continued development of the LHWP in May 2021, which Sygnia participated in through its Infrastructure Portfolio. 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.





Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

On a recent visit to the LHWP Phase 2 construction site, funders witnessed the progress made since 2018 despite challenges encountered in the transition from Phase 1. The TCTA Senior Project Finance Manager confirmed that the project is on track to meet its 2028 completion deadline. Once completed, LHWP-2 will increase the annual transfer of water from Lesotho to South Africa by 63%, from 780 million m³ to 1 270 million m³.

Renewable Independent Power Producer Programme (REIPPP)

With South Africa's energy shortage highlighted by indefinite load-shedding, there is a clear demand for alternative energy sources.

The REIPPP has been recognised internationally and has been well supported over the past 10 years. The 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 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.

Bid window 6 was for 4 200 MW: 3 200 MW from wind projects and 1 000 MW from solar photovoltaic projects. The last date for bidders to register to participate was 22 September 2022.

REIPPP Bid Window 6 procurement is on track, with six preferred bidders announced in December 2022 and March 2023. This significant milestone brings us closer to the realisation of new renewable energy projects that will boost South Africa's energy transition to achieve climate goals and reduce its reliance on fossil fuels.





Multi-manager portfolios

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

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 the 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.

Engagements Sygnia's local managers have had in the past year include:

- **Sasol:** Engaged with management about safety standards, decarbonisation and ESG targets forming part of the remuneration key performance indicators.
- **Sappi:** Engaged with management on carbon reduction targets for scope 1 & 2 GHG emissions.
- **Mr Price:** Engaged with management on topics relating to the supply chain, increasing carbon disclosure for Task Force on Climate Related Financial Disclosures (TCFD) reporting and board independence.
- **The Foschini Group:** Engaged with management about remuneration policies.
- **South32:** Engaged with management on environmental risks relating to manganese assets and tailings dam.
- **Exxaro:** Engaged with management on topics including board composition and independence, remuneration policy and better use of the TCFD framework.
- **Thungela:** Engaged with management about their Climate Transition Plan assessment.
- **Fortress Income Fund:** Engaged with management about stakeholder rights.

- **Anglo American:** Engaged with management about their remuneration policy.
- **NextEra Energy:** Engaged with management about issues relating to environmental issues, carbon disclosure and decarbonisation as well as governance and board composition and independence.





Private investments

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

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. 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 the University of Oxford. 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.

The University of Oxford 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, university spin-outs averaged four to five companies per year, but following the creation of OSE they average between 10 and 30 per year.

OSE has raised £858 million in permanent capital from external investors. As at 30 June 2023, OSE's strong balance sheet had an estimated £395 million of cash to deploy should opportunity present itself. Since inception, OSE has invested £600 million in over 80 spin-outs. The company has brought in over £1.5 billion of co-investments and 200 spin-out co-investors.

The portfolio delivered an internal rate of return of 23% between September 2015 and June 2023, and the portfolio of spin-outs was valued at around £804 million at 30 June 2023. The net asset value increased from £1.00 per share in June 2015 to £1.59 per share in June 2023.

OSE investments at 30 June 2023

OSE is actively focused on a diverse portfolio of companies, spanning three high-growth, high-impact sectors, namely:

- **Life sciences:** Novel platforms, technologies and approaches advancing the discovery of new therapeutics and vaccines to treat and prevent a range of diseases. Examples of companies: Vaccitech, Evox, OMass
- **Health tech:** Medical devices, tools, digital diagnostics, AI-powered clinical imaging, virtual reality and solutions to improve healthcare delivery. Examples of companies: Ultromics, Amber Therapeutics, Caristo Diagnostics
- **Deep tech/Software/AI:** Investments across six sub-sectors: cleantech, agritech, software & AI, industrial internet of things, quantum and mobility. Examples of companies: Evolito, First Light, PQ Shield

Highlights for the OSE portfolio this year include:

- Over 20 spin-outs have been incorporated or are in the process of incorporation, with more activity expected through to year end. OSE receives founders' shares before investing.
- OSE has invested in six new spin-out investments year to date. The most recent two companies were invested in Q2:



Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

HOME

- Beacon Therapeutics is building a new generation of gene therapies to restore and improve the vision of patients with retinal diseases.
- ISOgenix is a gene therapy platform to treat genetic diseases.
- Ultromics' EchoGo Heart Failure is the first AI-based heart failure diagnostic tool to get CMS approval for new-technology add-on payments.
- Fluorok showcased its revolutionary new and much safer approach to producing fluorochemicals in the journal Science, taking a step towards net-zero emissions in the fluorochemical industry.
- Caristo is testing its CaRi-Heart® diagnostic tool in five NHS trusts in the UK to help doctors evaluate heart risks more accurately.

Braavos Capital II LP Investments

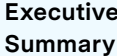
Impact investing

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.

- **Osler:** Osler is developing a blood sampling and testing device to test for biomarkers. The diagnostic device can take a drop of blood and accurately test for a large number of biomarkers, thereby offering customers access to decentralised diagnostics and to conduct tests for health markers of interest.
- **Oxehealth:** Oxehealth provides monitoring services intended to deliver continuous, medical-grade, contact-free vital signs monitoring. The company's monitoring services provide digital video cameras to monitor human activity and vital signs and low-cost digital video camera sensors, enabling clinicians and caregivers to care for vulnerable, sick and elderly people.

- **Oxccu:** Oxccu has developed a renewable technology intended to deliver a circular economy for fuels, chemicals and plastics. The company's technology promises to combine carbon dioxide from the air with hydrogen from water and renewable electricity to make fuels, chemicals and biodegradable plastics, enabling clients to use sustainable products.





CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

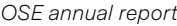
Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook





Conclusion

Executive Summary

Introduction

CSR

ESG Integration

Collaboration

Year in Review

Proxy Voting Outcomes

Passive Investing

Fixed Income

Sygnia Infrastructure

Multi-Manager Portfolios

Private Investments

Conclusion and Outlook

In a year marked by unprecedented global and local challenges, Sygnia will persevere with optimism and determination for the coming year.

Following the urgency expressed in COP27, COP28 is expected to deliver a comprehensive global stocktake to evaluate and update countries' climate plans. The summit will be held in Expo City, Dubai in November/December 2023. Among other things, it will aim to showcase a doubling of adaptation finance, a critical step in supporting developing countries to withstand the impacts of climate change.

Through negotiations, we also hope that a peaceful resolution will come about for the wars between Russia and Ukraine as well as Palestine and Israel.

Sygnia remains steadfast in its commitment to environmental, social, and governance principles and will continue to invest in green activities to support issuing companies for the intended ESG activity and to encourage other companies to follow suit.

Sygnia has made further progress in its diversity and inclusion goals, with an increasing number of women and people of colour in the business. The company is proud to have Magda Wierzycka and Niki Giles back in the roles of CEO and Financial Director respectively.

Sygnia's commitment to making saving and investments easy and accessible is reflected in its low fees and educational campaigns. The company understands that financial literacy is essential for building a more equitable society, and it is committed to doing its part to empower individuals to achieve their financial goals.

Sygnia's commitment to governance is evident in its transparent practices and support for anti-corruption organisations. It understands that good governance is essential for a thriving society, and Sygnia is committed to playing its part to build a more just and equitable South Africa.

Though Sygnia's contributions may be small, their impact is significant, and the Group will continue to innovatively direct its efforts and influence to make a positive difference.

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