



Matrix Fund Managers – CRISA 2 Statement of Implementation

February 2023

At Matrix Fund Managers we take our fiduciary responsibilities as stewards of our clients' capital seriously. As an organisation we support the view that in fulfilling our fiduciary responsibilities to our clients, we can consciously seek out opportunities to positively influence the environment and society through our investment activities.

As long-term investors this includes taking responsibility for engaging with investee companies and holding them accountable, not only for their financial performance, but also their performance on environmental, social and governance (ESG) issues. As evidence of this commitment, we have adopted the CRISA principles and implement them within our investment process, as set out below.

Principle 1: INTEGRATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS

We see integrating ESG considerations into our investment process as predominantly a risk-mitigation objective with potentially return-enhancing benefits. We consider ESG integration as embedding ESG risk analysis across our entire investment process. This involves applying ESG factors in the (i) Screening phase, (ii) fundamental research phase as well as in the (iii) Portfolio Construction phase.

- i. **Screening:** In this part of the process, we look at research opportunities, especially those not in our current coverage. We do not apply any exclusionary or negative screening in our investment process. Our 4-factor screening model incorporates ESG factors in the Quality component of the overall score. The Quality score lowers the ranking of companies with higher ESG risks.
- ii. **Fundamental Research:** In this phase, we apply fundamental valuation and scenario analysis techniques which have embedded ESG factors to inform our investment case. We incorporate ESG issues in our different scenarios for the key drivers of the business and this feeds into our residual income valuation methodology. A higher discount rate will be applied to companies which reflect increased ESG risks.
- iii. **Portfolio Construction:** This part of the process relates to position sizing and managing portfolio exposure risks. The monitoring on material ESG risks supports how we manage this process over time. Where issues become of material concern, we will initiate a number of risk reduction and mitigation strategies such as engaging with the investee company and reducing or even exiting the position in our portfolio.

Additionally, we have a proprietary ESG scorecard which tracks ESG metrics which we believe can have a material impact to valuation across companies. Performance on these metrics is monitored over time and influences our positioning and portfolio exposure. Significant deterioration in a holding's ESG metrics triggers and informs our corporate engagement with Management.



Principle 2: DILIGENT STEWARDSHIP

As active owners and responsible stewards on behalf of our clients, we take our fiduciary responsibilities with the outmost of priority. Guided by our responsible investing policies, our ESG practices and processes are now synthesised within our overall investment process.

Our ESG policy provides a framework in which we integrate ESG factors into our investment processes. It further provides guidance on our approach to active corporate engagements.

Our Proxy Voting policy sets out Matrix's guidelines for the consideration, process and implementation of voting on shareholder resolutions. The overarching principle we apply when voting is that we must act in the best interests of our clients to maximise sustainable long-term returns.

All our proxy voting decisions, corporate engagements with management on ESG-related issues are recorded in the proxy voting register and the management engagement register respectively.

Principle 3: CAPACITY BUILDING AND COLLABORATION

We support this in principle and are prepared to collaborate with other shareholders in holding companies to account where ESG responsibilities are not being met.

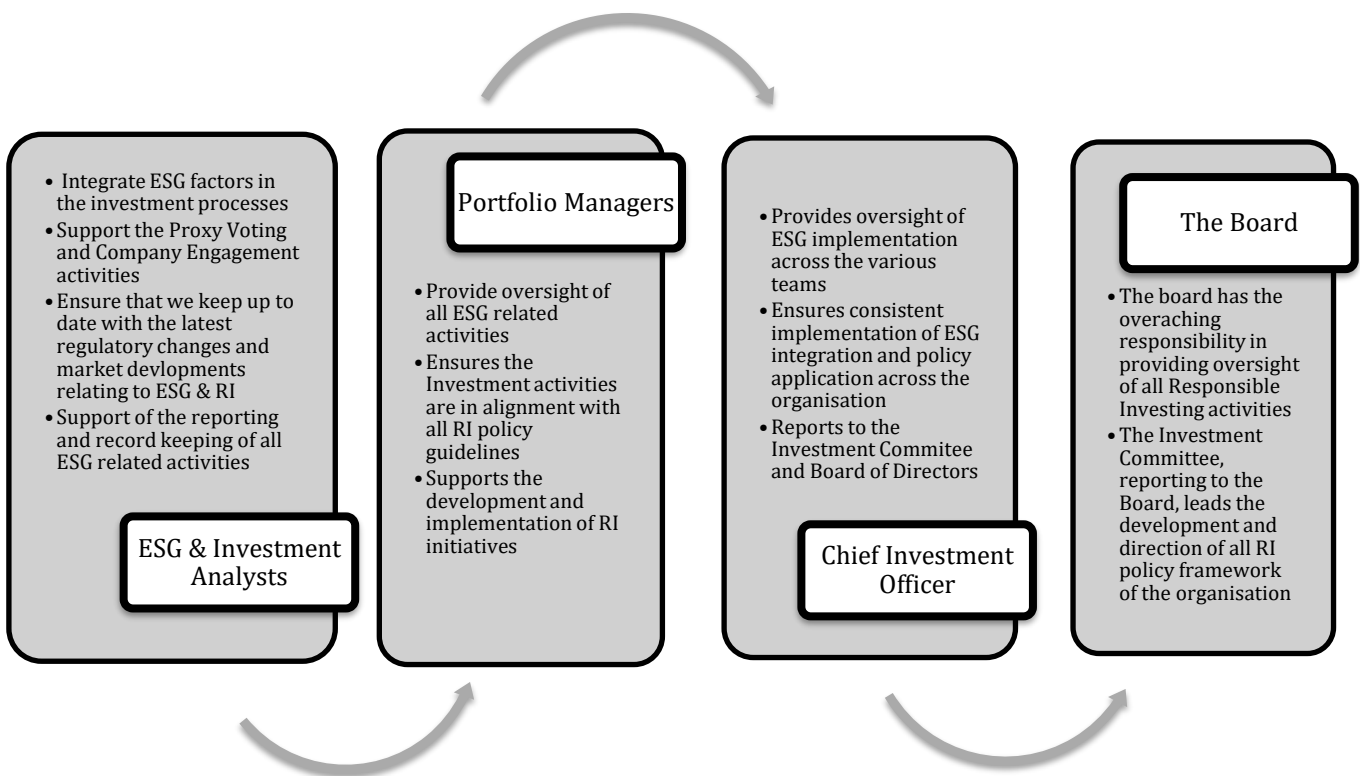
We are a member of ASISA and through our involvement we have been able to participate and support initiatives involving engagements on policy and regulatory developments within the financial industry. Additionally, we participate in various of their programmes relating to the education and development of the broader financial industry.

In addition to our alignment to CRISA principles, we are also a signatory to the Principles of Responsible Investing (PRI). Aligning with the PRI underpins our responsible investing function of fostering good governance, integrity and accountability in carrying out our investment activities.

Principle 4: SOUND GOVERNANCE

Sound governance structures are embedded in our organizational values and processes. Across the various business functions, it is the responsibility of everyone across Matrix to integrate ESG considerations in the execution of their functions.

The below diagram shows the allocation of roles and responsibilities of stewardship and responsible investment activities in our Equity investment processes.



Matrix Fund Managers operates in alignment with the Codes of Conduct applicable to Financial Services Providers in terms of the Financial Advisory and Intermediary Services Act. Our processes are designed to ensure that we comply with the relevant legal or voluntarily imposed regulations affecting the way in which we conduct business. The policies which are in place to fulfill these statutory obligations include:

- Conflict of Interest Management Policy
- Treating Customers Fairly Policy
- Complaints Resolutions Process

Each new employee is apprised of to inform them of their obligations and they are required to sign an acknowledgement of awareness and understanding of these policies. All staff members are required to sign an annual Staff Policy Compliance Declaration to confirm their ongoing understanding and compliance to the policies.



Principle 5: TRANSPARENCY

Our policies which provide a framework for our responsible investing activities are available on our website at: matrixfundmanagers.co.za. These policies, as listed below, are reviewed and updated on an ongoing basis.

- ESG Policy
- Proxy Voting Policy

Records of how we voted each event are maintained, along with our reasons for how we voted in the cases where we voted against or to abstain, and these are available on request to our clients. We do not currently publicly disclose the results of our votes.

A register of our corporate engagement activities is available on request. An overview of our corporate engagement and proxy voting statistics are presented in current and prospective client presentations.