Climate Change Policy Statement

Publish Date: June 2024

As responsible investment managers, Matrix Fund Managers acknowledge that climate change is a systemic issue. We anticipate that climate-related risks and the transition to a low-carbon economy will affect all economic sectors and industries, including the financial markets. In alignment with our overall responsible investing framework and in consideration of climate-related risks and opportunities, 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.

1. Summary of the Science

There is now overwhelming evidence for global climate change. The sixth assessment report by the Intergovernmental Panel on Climate Change (IPCC) revealed that because of anthropogenic activities, global surface temperatures were approximately 1.09 ^{o}C higher during 2011-2020 than they were during 1850-1900. Furthermore, each of the last four decades has been successively warmer than any decade that preceded it since 1850. Global surface temperatures are expected to increase until at least mid-century unless deep reduction in greenhouse gas emissions occur in the coming decades[1].

Climate change imposes considerable costs and disruptive risks on both current and future generations. It will have drastic and sizeable impacts on almost all aspects of human life. Warmer global temperatures will intensify global water cycles, bringing heavy precipitation and associated floods on the one hand and an increase in aridity, agricultural and ecological droughts on the other.

Specifically, climate change will bring about changes in crop yields, loss of land and capital due to sea level rise, capital damage from hurricanes, changes in fisheries catches, labour productivity changes and tourism flows, changes in health care expenditures due to diseases and heat stress, and changes in energy demand for cooling and heating. The result of this will have significant social and political implications, which could include social unrest and mass displacement[2].

Limiting global warming to 1.5°C will require rapid, deep and sustained reductions in global greenhouse gases[1]. It will further require the urgent scaling up of climate finance, capacity building and technological transfer to enhance adaptive capacity, strengthen resilience and reduce

[1] IPCC. (2021). Climate Change 2023: Synthesis Report. Summary for Policy Makers.
[2] United Nations. (2022). Carbon Pricing: A development and trade reality check.

vulnerability to climate change, whilst taking into account the priorities and developmental needs of developing countries[3].

2. Position on Climate Change

Matrix Fund Managers acknowledges that climate change is a common concern for humankind and one of the most defining issues of our generation. It poses a significant risk to the global economy, and is expected to be persistent, long-term and difficult to mitigate. Climate change will have a bearing on all asset types and sectors, meaning it will have an impact on asset valuations, capital flows and indeed portfolio returns. We further recognize that the global transition towards a low-carbon global economy will present both risks and opportunities that affect our core investment activities and how that affects our core mandate to deliver sustainable long-term value to our clients.

We support global action on climate change under the legally binding international treaty of the Paris Agreement which was adopted at the UN Climate Change Conference in Paris in 2015. Under the treaty, parties agreed to the overarching goal, which is to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change"[4].

South Africa is also a signatory to the Paris Agreement. We support South Africa's commitment to transitioning into a low-carbon economy through the communicated reduction in greenhouse gases emissions as outlined by the country's Nationally Determined Contribution (NDC), which is subject to regular review and update as per the Paris Agreement. In achieving the objectives of the South African NDC towards decarbonisation, we support the principle of equity and common but differentiated responsibilities and respective capabilities, in the light of different national circumstances. That is, the commitment to transition to a low-carbon economy must be implemented in the context of the unique socioeconomic and developmental challenges of the country.

South Africa has committed to "making its fair contribution to the global effort to stabilise GHG concentration in the atmosphere at a level that avoids dangerous anthropogenic interference with the climate system within a timeframe that enables economic, social, and environmental development to

[3] UNFCCC. (2021). Glasgow Climate Pact.
[4] UNFCCC. (2015). The Paris Agreement.

proceed in a sustainable manner"[5]. Additionally, we support the introduction of policies and legislative reforms that will support the country's climate change response to transition to a low-carbon economy in a sustainable manner.

Importantly, we support efforts for a Just Transition in pursuing our climate goals. As highlighted in the country's first update of their NDC report, "ensuring a just transition we will need to put measures in place that plan for workforce reskilling and job absorption, social protection and livelihood creation, incentivising new green sectors of our economy, diversifying coal dependent regional economies, and developing labour and social plans as and when ageing coal-fired power plants and associated coal production infrastructure are decommissioned"[6].

[5] Department of Forestry, Fisheries and the Environment. (2023). South Africa's 5th Biennial Update Report (Bur-5) To The United Nations Framework Convention On Climate Change.
[6] RSA. (2021). South Africa's First NDC: 2020/21 Update.

3. Implications for our investment approach

a. Screening

We do not apply any screening towards our responsible investing approach. That is, we do not have a systemic criterion to include, exclude or even tilt our allocation away from certain activities, companies or sectors. In the South African context, this approach is not ideal given the already small and shrinking liquid investment universe.

b. High - emitting sectors

Five economically important, high-emitting sectors are responsible for 90% of the world's total emissions. These are energy, transport, real estate, industry and agriculture. These sectors will require large investments to support their decarbonation efforts. The successful transition of these sectors can have a meaningful impact towards reducing global carbon emissions. As such, we support the continued investment of companies in these sectors, specifically towards companies who have been able to develop credible transition plans that will have a meaningful real-world impact in reducing their carbon footprints.

c. Integration

We have integrated material ESG considerations into our entire investment process. This includes climate-related risk measures. Our internally developed ESG scorecard includes metrics that measure carbon-emission intensity adjusted for company revenue, across our investment universe. This allows us to measure the progress of companies over time in terms of their progress towards the decarbonisation of their business operations.

d. Stewardship

As active owners on behalf of our clients, we will use our stewardship responsibilities to advocate for positive climate action amongst our investee companies. For proxy voting, we will support climate-related resolutions that support improved disclosure of climate-related activities and associated risks. In terms of company engagements, we will engage with management on issues related to their transition pathways and encourage efforts to develop credible, science-based and sustainable decarbonisation plans.

e. Collaboration

Through our membership in various industry bodies, we support the collaboration and participation towards policy development and action in support of positive climate-change related initiatives.