

STEWARDSHIP REPORT
2024

MATRIX
FUND MANAGERS

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Published Date: April 2025

ABOUT US

Matrix Fund Managers is an owner-managed, diversified asset manager. We take an agile approach to active investing that benefits from our independent thinking and unconstrained style. Our core purpose is to consistently deliver expected returns and high-quality service for our institutional and retail clients.

Matrix Fund Managers was founded in 2006. Managing both hedge funds and traditional long-only portfolios, our key capabilities span across fixed income, equity and multi-asset portfolios in South Africa.

Matrix Fund Managers is a Level 1 B-BBEE Contributor in terms of the Amended Financial Sector Charter, committed to making a positive impact through ongoing transformation in our management, employment, procurement, and socio-economic development practices.

Our core group of highly qualified and skilled investment and business managers have worked together since inception and have a combined industry experience of more than 140 years. They are supported by an experienced operational team.

At Matrix Fund Managers we take our fiduciary responsibilities as stewards of our clients' capital seriously. This includes taking responsibility for engaging with investee companies and holding them responsible, 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 are a signatory to the PRI – the world's leading proponent of responsible investment.

Matrix is regulated by the South African Financial Sector Conduct Authority as an authorised Financial Services Provider with a Category I, II and IIA license (FSP 44663).

Investment Approach

We are pragmatic and opportunity driven, understanding and embracing the full risk spectrum to generate return. Mindful of clients' objectives, we apply a consistent investment process across the various asset classes and fund mandates. Our approach draws on central research and shared idea generation.

MATRIX AT A GLANCE

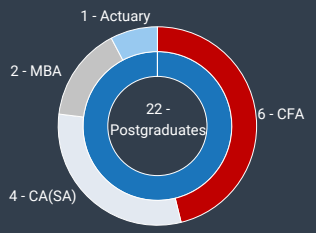
Diversified Investment Manager

Management Controlled

Cape Town Based

30 Staff Complement

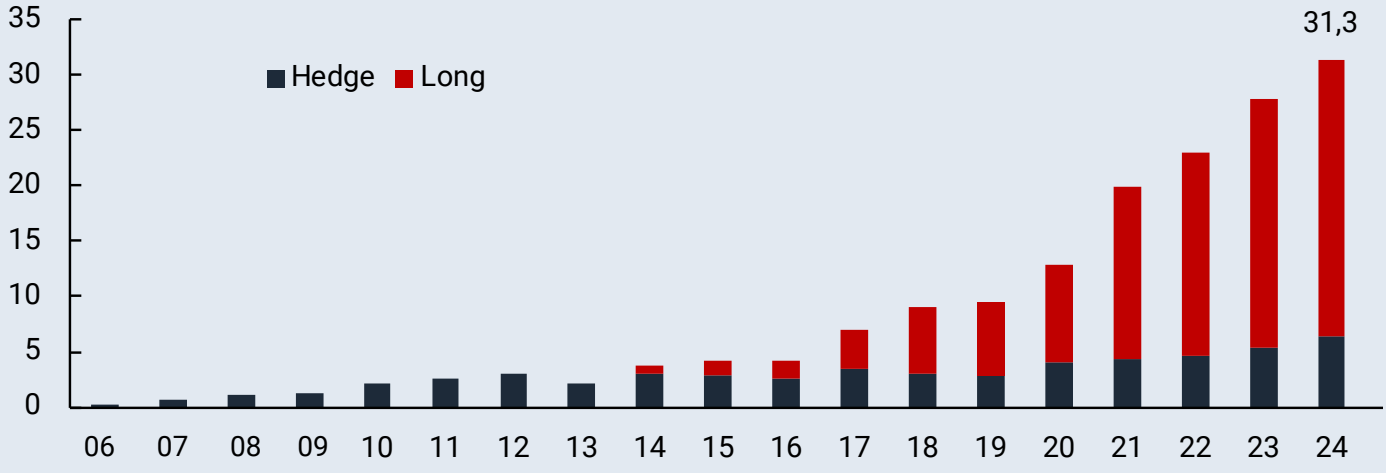
300 + years combined work experience



Hedge Funds since 2006
Award winning performance
AUM of R6.5 billion

Long Portfolios since 2014
Strong growth in recent years
AUM of R24.8 billion

AUM Growth (R billions)



FOREWORD

Vision & Purpose

I have great pleasure in presenting our 2025 Stewardship Report to you.

At Matrix Fund Managers, we strive to invest responsibly on behalf of our clients and to be a responsible investment manager. Increasingly, both institutional and retail investors are demanding greater accountability and transparency from those entrusted with managing their assets and this growing demand is accelerating a broader shift within the asset management industry towards deeper, more meaningful stewardship. At Matrix, we view this not only as a responsibility, but also as an opportunity to build lasting trust and credibility with our clients through diligent and ethical fund management.

Active ownership

However, our commitment goes beyond industry trends. At Matrix, we are deeply committed to our purpose. We take our fiduciary duty seriously, fully aware of our legal and ethical obligations to act in the best interests of our clients. We believe that stewardship, practised through active ownership and engagement with the companies in which we invest, contributes to sustainable corporate management, sound governance, and long-term value creation.

To support this commitment, we adhere to the Second Code for Responsible Investing in South Africa, 2022 (CRISA 2) and are proud signatories of the Principles for Responsible Investment (PRI). These frameworks are foundational to our investment philosophy and reflect the values that guide our business. We find the PRI initiative, while challenging, especially fruitful because it ensures accountability.

Our investments

Our engagement with investee companies is conducted through both proxy voting and direct company interaction. We have a formal proxy voting policy in place, which identifies executive remuneration as one of the most significant factors contributing to potential misalignment between shareholder interests and executive incentives. And we engage with companies where we have concerns around ESG issues or deteriorating ESG performance. A detailed analysis of our voting activity is provided in the main body of this document, and it will be evident that our voting patterns on executive remuneration reflect these concerns. We also report to you fully on all our engagements.

Progress in our Responsible Investing Activities

In 2024 we made meaningful progress in our stewardship journey. Firstly, we published our inaugural Stewardship Report. Secondly, in our second year of submitting our PRI assessment, we saw improvements in our scoring in the four out of the five modules. Thirdly, we made published a suite of Responsible Investing Policies that are aimed at entrenching our integration of responsible investing practices into our daily process. These are highlighted below:

The Matrix Climate Change Policy:

- Our Climate Change Policy provides broad guidelines for how we as an organisation view Climate Change as a systemic issue and how this translates into our investment processes.

The Matrix Listed Equities ESG Integration Policy:

- This policy details our approach towards integrating ESG-related risks into the listed equities assets. It provides details of the material ESG themes and risks which are integrated into our equities investment process and our approach towards executing our active ownership responsibilities.

Fixed Income ESG Integration Policy:

- This policy details our approach towards integrating ESG-related risks into the fixed-income assets. It provides an outline of how we consider ESG-related risks affect credit risk assessment of fixed-income assets.

CSI Initiatives

At Matrix Fund Managers, we believe that stewardship extends beyond responsible investing to include a meaningful contribution to the betterment of the world in which we live. In line with this belief, we have identified two impact areas for our corporate social investment (CSI) efforts. Given our relative size, we have chosen to concentrate our resources to maximise impact:

1. **Environmental conservation** – preserving the natural environment for future generations.
2. **Education and youth development** – empowering and equipping future generations to inherit and shape a better world.

In the field of education, our commitment is centred on developing the leaders of tomorrow. We support a primary school and contribute to the development of several rural secondary schools. More specifically, we have chosen to focus on enhancing mathematical and investment-related skills to foster talent within the financial sector. Internally, we are committed to transformation by nurturing talent from within, and actively contributing to the industry's skills base, even when doing so benefits our competitors.

Our environmental initiatives are centred around anti-poaching efforts and ranger protection. To deliver on these goals, Matrix has partnered with the Foundation for a Sustainable Future, a dual-purpose foundation that supports causes aligned with our corporate values and strategic CSI objectives.

Internal Transformation

Matrix Fund Managers is a Level 1 B-BBEE contributor, and we are actively committed to transforming our investment teams. As part of this ongoing journey, we recently implemented a staff share ownership scheme that has significantly increased black staff shareholding, from 3% to 8.5%. While this may appear modest in absolute terms, it reflects meaningful and sustainable progress toward transformation.

Importantly, our approach is deliberate and principled. We are not pursuing quick-fix empowerment deals with external parties who have no connection to our organisation. Instead, our goal is to build ownership from within, promoting and empowering individuals who are already part of the Matrix team. This approach fosters long-term value creation and alignment with our corporate culture.

Equally significant is our philosophy around ownership: shares are not granted, they are purchased. Every participant in the scheme, regardless of role or seniority, is treated equally. We believe this model reinforces accountability, shared commitment, and a sense of ownership across the business.

Ultimately, this reflects our belief in meaningful transformation and our vision for sustainable, inclusive growth.
We trust that this report clearly demonstrates our commitment to the principles and goals that underpin our approach to stewardship. These are not simply aspirations, they are standards to which we hold ourselves accountable, and to which we welcome your scrutiny. We appreciate your time and engagement, and we look forward to sharing our continued progress and the impact of our initiatives in future reports.



Eben Karsten,
Chief Executive Officer

"Responsibility equals accountability, accountability equals ownership, and a sense of ownership is the most powerful thing a team or organization can have." - Pat Summit

SUPPORTING THE TRANSFORMATION OF OUR INDUSTRY

The South African Asset Management industry, like many other industries in the country, is on a journey to transform and be more reflective of the wider demographics of the society it serves.

The data from the 2024 ASISA Industry Transformation Report, covering 98% of assets under management for Life Offices and 87% of AUM in the Asset Management industry, reflects the efforts of members in the industry towards building a transformed & inclusive industry. Three key takeaways can be drawn from the report that reflect the progress made by the industry and where future areas of focus need to be directed:

1. Between 2018 and 2023, approximately R12 billion has been invested towards the skills development of historically disadvantaged individuals in both the Life Office & Asset Management industries.
2. In terms of equity ownership, the Asset Management industry reached a net value of 37.58% in 2023, surpassing the B-BEE ownership target set for the industry.
3. The representation of Black women in executive management increased from 14.9% in 2018 to 25.5% in 2023, slightly below the 30% target. Similarly, the percentage of Black women in senior management was at 17.4% in 2023, a slight improvement from 15.6% in 2018 but still below the 30% target.

As Matrix Fund Managers, we share in the collective purpose of ASISA and all its members towards achieving meaningful transformation that enables inclusive economic participation and access to opportunities. In 2024, we partnered with other industry stakeholders in programmes that support this shared vision.

Matrix Fund Managers' Transformation Journey

We are committed to ongoing progress in our transformation journey, as we strive to contribute to the national imperative to improve access to opportunity and diversity within economy. Through the past four annual reviews we have maintained a Level 1 Contributor rating in terms of the Amended Financial Sector Charter.

Through deliberate and proactive planning and ongoing measurement, we continue to improve the outcomes in the measured elements under the Financial Sector Charter scorecard. We now have an 8% direct staff Black shareholding and a 30% total Black shareholding in terms of the ownership element and have achieved progressive improvement in the diversity of our team, most notably in our professional middle and junior management, in both gender and racial metrics. As an example, in early 2025 we created two trainee equity analyst roles and appointment talented Black female graduates to join the business. Closely aligned is the sustainable development of our team, where we invest in the skills development in both core industry skills, and advanced professional learning with CFA, MBA and Actuarial candidates receiving financial and study support.

Our procurement practices seek out appropriate suppliers that are similarly aligned, without compromising on quality or cost of services, while we have meaningful enterprise and supplier development support programmes in place.

As reported earlier we provide financial support to several NPO and outreach programs and schools, with a primary focus on educational initiatives.



"I am extremely proud of Matrix's commitment to transformation and specifically supporting gender diversity through the ASISA Fezeka Graduate Program, recruitment of female employees into the investment teams and upskilling our existing female employees. While there's certainly progress to be made, the deliberate efforts being put in place are a positive step toward creating more equal opportunities for women in the industry."

Roushana Dean, CFO at Matrix Fund Managers

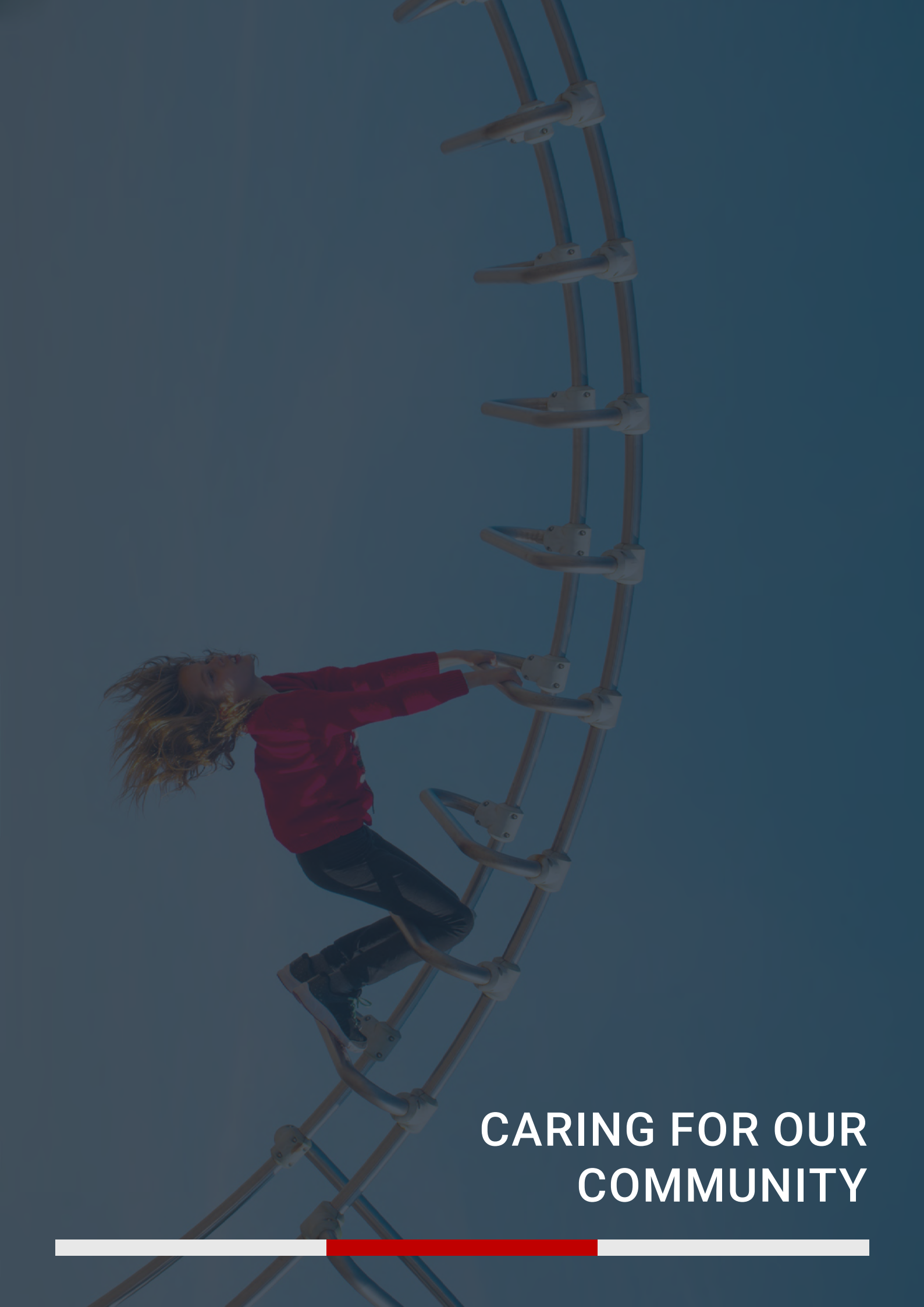
ASISA Fezeka Graduate Programme

The Fezeka Graduate Programme provides high-potential, black South African female graduates who want to build a career in investment management with the opportunity to participate in a structured development programme which provides theoretical knowledge, professional development and practical work experience within established top performing Investment Management businesses. Matrix was proud to provide funding and participate in this initiative in 2024. For 6 months, we welcomed Keasha Richards into our organization, where she gained valuable hands-on experience as she rotated between our different business units, predominantly with the investment team. We will continue this involvement in 2025.

CFA Society South Africa Day of the Girl

The objective of the initiative is to provide adolescent girls with valuable exposure to the financial industry, and specifically the investments industry, giving participants a realistic view of different roles and opportunities within the industry. It is envisioned that the opportunity for young girl learners to visit corporate establishments will have a profound impact on their ability to visualise investments as a career. For the programme, which is organized by the CFA Society South Africa, Matrix Fund Managers hosted six Grade 10 scholars from Grassy Park High School. The topics covered on the day included overview of the investment industry, talks from various staff members about their journey into the industry and fun learning activities.





CARING FOR OUR COMMUNITY

CSI INITIATIVES: QHAKAZA KUKHANYE FOUNDATION

Qhakaza Kukhanye Foundation (QKF) is a non-profit organisation dedicated to empowering youth from underserved communities in South Africa. The foundation's mission is to support learners, particularly those from rural and township schools, by addressing socio-economic challenges and providing academic, social, and leadership development. Operating primarily in Bizana, Eastern Cape, QKF offers a holistic support system that includes mentorship, academic tutoring, career guidance, leadership camps, and wellness programs.

Qhakaza Kukhanye is an Nguni phrase that can be translated to 'Be bright, so that there can be light', and aligns with the vision of the QKF, which seeks to draw out potential across all the young persons in their programme. The foundation aims to help youth achieve academic success and access opportunities in the job market, thereby contributing to the economic and social development of their communities.

Impactful Initiatives Include:

- **Career Guidance** - helping students understand career opportunities early on, giving them the tools to make informed decisions about their futures.
- **Basic Computer Literacy** - offering learners the skills they need to use technology effectively for academic purposes.
- **Living Allowance for Grade 12 Learners** - ensuring learners have the necessary resources to participate fully in their academic journey.
- **Employment of Tutors** - providing academic support through tutoring and mentorship, helping to improve confidence and academic performance.
- **Annual Stationery Distribution** - ensuring that students from disadvantaged backgrounds have the necessary supplies to succeed in their studies.
- **Leadership Camps** - cultivating effective leadership through engaging activities that promote teamwork and self-confidence.
- **Mentorship** - one-on-one mentorship starting from Grade 9, ensuring learners have guidance in both academic and personal development.
- **Not Pregnant Campaign** - educating learners on family planning and contraceptives to reduce teenage pregnancy and keep students focused on their studies.



Over the past two years, Matrix Fund Managers has partnered with the Qhakaza Kukhanye Foundation through the provision of financial support for their various activities. The contributions have been essential in ensuring the continuity and expansion of QKF's initiatives, enabling the foundation to reach more learners in need. Through this partnership, Matrix Fund Managers has helped strengthen QKF's ability to provide resources and mentorship to students, facilitating a positive change in the lives of youth from disadvantaged backgrounds.

Over recent years, Matrix has been intentional about partnering with organisations across the country that are making a meaningful contribution in their communities. Over the years, we have provided financial support to organisations in the Western Cape, Eastern Cape, Kwa-Zulu Natal, Gauteng and to organisations that have a wider national footprint.





OUR STEWARDSHIP ACTIVITIES

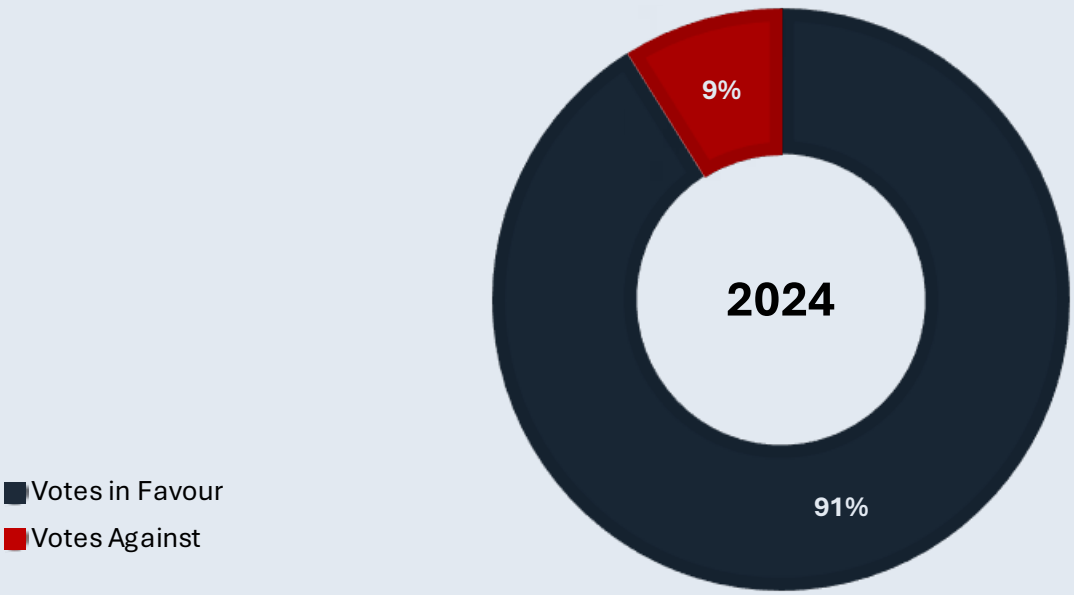
1.Proxy Voting Review

Proxy voting is one of the several activities available to shareholders which can influence the governance and actions of investee companies and these decisions form an important part of Matrix's active ownership responsibilities.

Our proxy voting actions are guided by our Proxy Voting Policy, which sets out guidelines for how we vote on shareholder resolutions. The proxy voting process remains unchanged: the investment analysts covering a particular company, together with the ESG analyst, are responsible for making the proxy voting decisions and ensuring consistent application of the process across all investee companies. Oversight of this process is provided by portfolio managers.

In the 2024 calendar year, we voted in 43 AGMs and GMs. In total, we voted on 973 shareholder resolutions, where we voted of favour of 886 (91%) resolutions and voted against 87 (9%) shareholder resolutions as reflected in Figure 1 below. We did not have any abstentions.

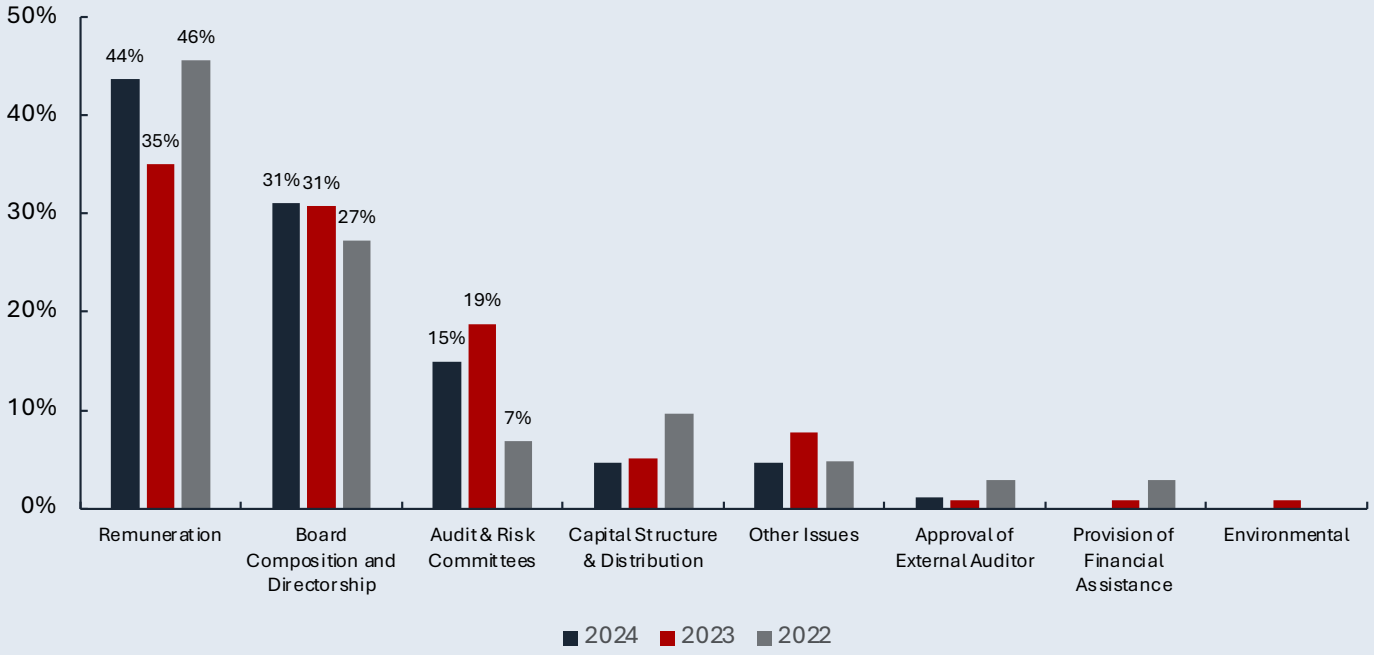
Figure 1: Summary of Proxy Voting



Looking at dissenting votes more closely provides a useful analysis of the areas where we had reservations or concerns about various shareholder resolutions. As seen in Figure 2, dissenting votes on remuneration, on the composition of the board and the makeup of the audit and risk committees, account for the majority of areas where we voted against the proposed resolutions over the past three years. Common reasons for voting against the (re)election of directors onto the board or subcommittees have been due to:

a) Concerns that the director is over-committed;
b) Concerns that the director is not independent;
c) Concerns around the long tenure of the director on the board; and
d) Concerns about the overall lack of diversity of theboard.

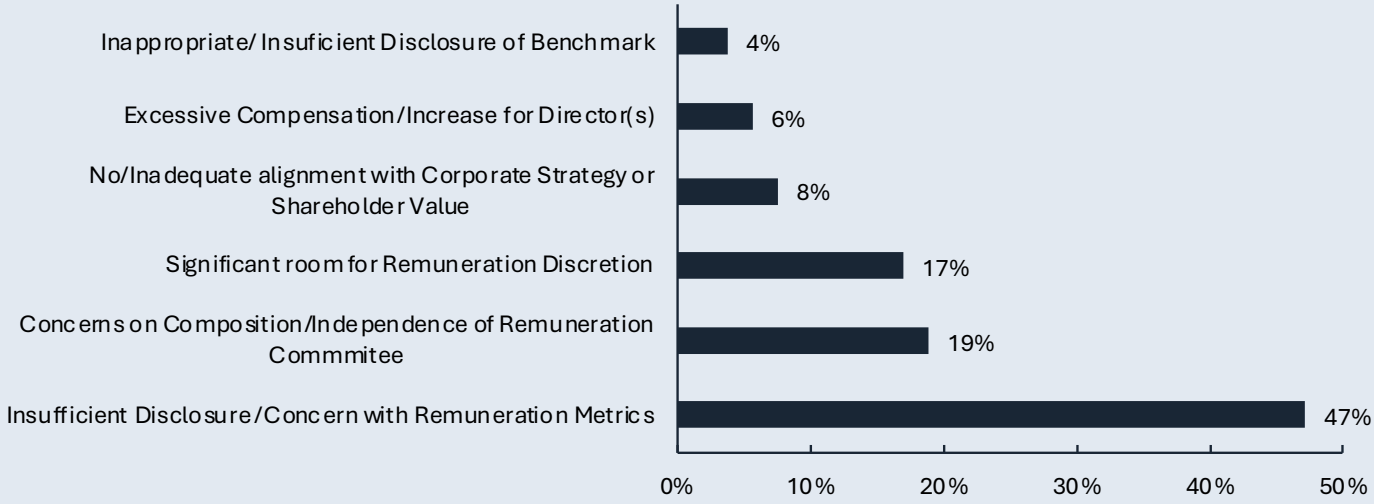
Figure 2: Dissenting votes by topic over the past 3 years



Consistent with previous years, resolutions related to remuneration continued to attract the highest level of dissenting votes. This is perhaps unsurprising, given that remuneration matters constitute the highest percentage of shareholder resolutions. In 2022, such resolutions comprised 31% of the total, increasing slightly to around 32% in both 2023 and 2024.

While investee companies have made significant strides over the years to improve their remuneration policies, we believe that there are certainly areas of further development that can be undertaken. As can be seen in Figure 3 below, nearly half of the dissenting votes on remuneration related to either the lack of sufficient disclosure of remuneration metrics or concerns about the choices of remuneration metrics being used. Other areas of our dissent were due to concerns in relation to the composition of the remuneration committees and the structure and design of the remuneration methodologies, which allow for significant room for discretion in the determination of executive compensation.

Figure 3: Reasons for dissenting votes related to remuneration



As guided by our proxy voting policy, we will support remuneration policies and structures which are aimed at both attracting, retaining and incentivising executives and, importantly, those that are aimed at enabling the realisation of the long-term strategy of the company.

As such we will support share resolutions in which, inter alia:

a) The performance metrics are clearly tied to the long-term business strategy and encapsulate value drivers within the control of the executives;
b) The performance measures are not susceptible to short-term share price performance or accounting manipulation;
c) The long-term performance incentive structures are aligned with financial and non-financial measures;
d) The remuneration committee is made up of majority independent non-executives;

2. Summary of Key Company Engagement

The South African economy has continued its lethargic performance in 2024 despite the improvement in sentiment across various measures. In 2024, the economy grew at 0.6% year-on-year (y/y), slightly down from 0.7% y/y in 2023. That means that since 2010, the economy has grown by an average of 1.3% y/y, far below the rate required to address SA's socio-economic challenges of high inequality, unemployment and poverty.

An improving energy supply from Eskom, lower inflation levels, reduction in interest rates and a positive outcome from the 2024 national election and the formation of a Government of National Unity were all not enough to provide a boost to the economy. In our engagements with company management teams, they continued to indicate a myriad of challenges that make operating in South Africa particularly difficult. Issues relating to poor service delivery, high levels of crime, an uncertain regulatory environment, port challenges, high electricity prices and a shortage of skilled labour are amongst some of the persistent challenges executives continue to highlight as areas of concern.

Outlined below are some of the recurring themes that emerged during our engagements with the management teams of various companies.

a) SA National Elections (pre/post) and formation of GNU

In a year during which approximately 25% of the world's population was expected to participate in national elections, political developments and regime changes naturally became key areas of focus. In South Africa, the 2024 general elections– the seventh held under the democratic dispensation– understandably dominated our attention, discourse and analysis throughout the year. Without exaggeration, the outcome of SA's election has heralded a new era of governance in the country.

The African National Congress (ANC) experienced a significant decline in support, securing only 40.2% of the national vote, down from 56% in 2019 and 62.2% in 2014. This decline of over 20% in support in a decade is a clear indication of growing public dissatisfaction with the ANC's governance and governing of the country. The election results paved the way for the establishment of a coalition government. Following intense negotiations and widespread public anticipation, a multi-party coalition government was ultimately formed.

The Government of National Unity (GNU), representing 10 political parties, announced three strategic priorities that will guide its focus:

a) Drive inclusive growth and job creation
b) Reduce poverty and tackle the high cost of living
c) Build a capable, ethical and developmental state.

The establishment of the GNU has been broadly welcomed and supported both locally and internationally. From a market perspective, the 100 basis point (bp) growth and political risk premium priced into South African bonds post May 2023, on the back of loadshedding and the Lady R debacle, has reversed.

The term and sovereign risk premia priced by SA assets compressed in the second quarter of 2024, such that the generic 10-year bond yield fell 80 bps, to end the quarter at 11.23%, and a further 100 bps by the end of 2024, to 10.23%. The reduction in SA's sovereign risk premia priced by bonds and the currency reduces upside risks to inflation and provided space for the central bank to cut rates.

b) Implementation of the Two-Pot Retirement System

The implementation of the two-pot retirement system, represented one of the most significant reforms in the country's pension fund system. Given the significance of the reform and its potential impacts on the real economy, it occupied significant attention in our discussions with companies throughout the year.

Under the two-pot retirement system, workers are allowed to make partial withdrawals from their retirement funds, while preserving a portion that may only be accessed on retirement. Under the previous system, employees would resign from their jobs in order to access their retirement savings during periods of financial stress. This leads to adverse economic effects and its detrimental to financial planning and retirement provisions.

It is hoped that under the new reform, workers can access short-term financial relief without resorting to resigning from employment whilst also improving their retirement outcomes. From the perspective of the retirement industry, the objective of the retirement reform is to minimise net outflows over time – currently, annual withdrawals from pension funds exceed annual contributions.

The reform is expected to have several economic and fiscal implications. The South African Reserve Bank (SARB) conducted empirical modelling under two scenarios – high withdrawal and moderate withdrawal – to provide an understanding of the likely impact of the reform on the economy (Table 1). Under both scenarios, it is assumed that the withdrawals will be split in half between consumption and debt reduction[1].

Table 1: Two-Pot System Withdrawal Scenario Analysis

	High-withdrawal scenario	Moderate-withdrawal scenario
Cumulative pension fund withdrawals: 4Q2024 to 2026	R186 billion	R81 billion
Cumulative household disposable income: 4Q2024 to 2026	R143.6 billion	R63.4 billion
Impact on GDP	+0.3% in 2024; 0.7% in 2025	+0.1% in 2024; 0.3% in 2025
Impact on inflation	+0.2% in 2025; 0.3% in 2026	+0.1% in 2025; 0.1% in 2026

Source: SARB

As shown above, the impact of the two-pot system will have a marginal short-term, cyclical uplift on GDP figures. Additionally, it will likely lead to a marginally higher inflation profile over the medium term.

In January 2025, the South African Revenue Service (SARS) reported that a total of 2,403,379 tax directives were approved for funds to be released in terms of withdrawals from the savings withdrawal benefit under the two-pot system, totalling a gross value of about R 43.42 bn. According to SARS, the high withdrawal applications could be linked to the challenging economic environment with which households must contend.

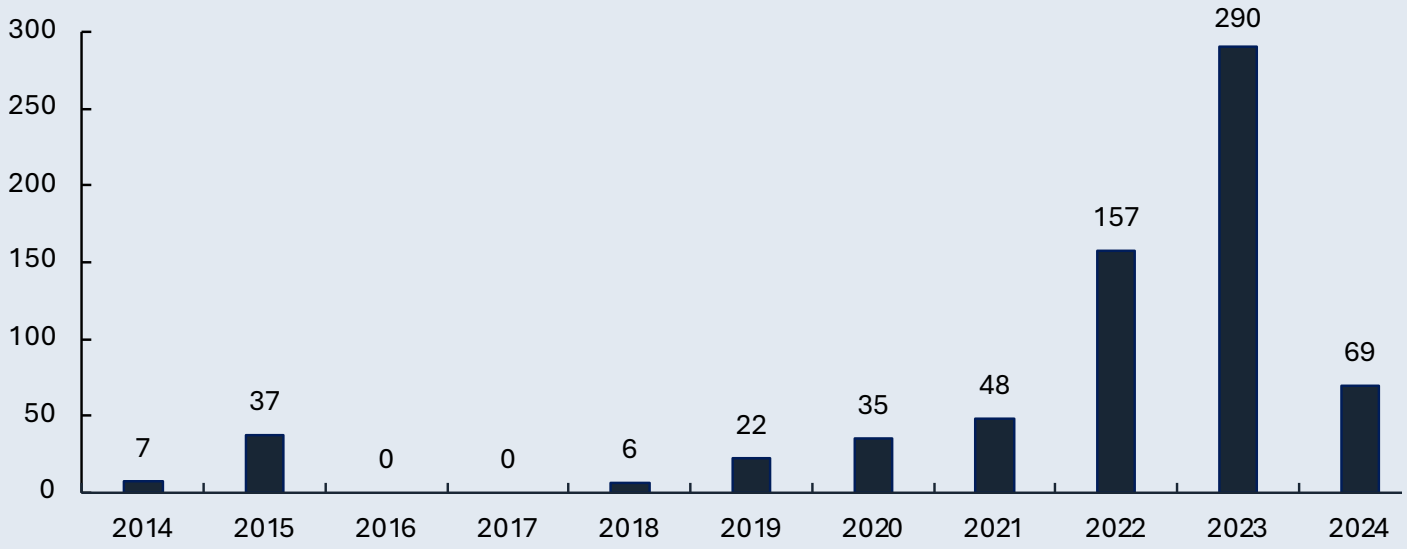
c) Infrastructure-related challenges – Electricity and Water

Improvement in Electricity Supply and Power Sector Reform

On 21 January 2025, Eskom celebrated 300 consecutive days without loadshedding, a milestone last observed in June 2018, nearly seven years ago. The significant reduction in unplanned outages had led to an improvement in the Energy Availability Factor (EAF) and resulted in diesel savings of over R16 billion in the company's current financial year. In all, 2024 saw only 69 recorded days of loadshedding in the country, a marked improved from the previous two years (Figure 4)[2].

[1]SARB. (2024). Likely near-term macroeconomic impact of the implementation of the two-pot retirement saving system. SARB Special Occasional Bulletin of Economic Notes

Figure 4: Number of Loadshedding days



Source: CSIR

Furthermore, there have been a number of developments in the electricity market as reforms continue to take shape. The National Transmission Company of South Africa (NTCSA) began trading independently with effect from 1 July 2024. NTCSA is the first of the three Eskom divisions to be separated, in line with the government's 2019 roadmap to unbundle Eskom's operations. The NTCSA will mainly be responsible for operating the transmission system and the buying of electricity from Eskom and other independent power producers and the selling thereof to consumers.

Additionally, we saw the Electricity Regulation Amendment Act being promulgated into law. In signing the legislation, the Presidency mentioned that this would "open up pathways to greater competition and reduced energy costs; increase investment in new generation capacity to achieve energy security; establish an independent transmission company as the custodian of the national grid; and impose severe penalties for damage to and sabotage of infrastructure."

The positive developments at the power utility over the past year underscore the significant efforts made in recent years to enhance the performance of Eskom's electricity generation fleet. They also signal that the ongoing reforms in the electricity sector are beginning to yield tangible results. While reduced load shedding has led to lower diesel expenditure by both corporates and households, these savings have been counterbalanced by electricity tariffs rising well in excess of inflation. In 2024, the annual electricity tariff hike was 12.74%, following on from 18.65% in 2023 and 9.61% in 2022.

Persisting challenges in the supply of water

The ability to provide basic services to residents cannot be adequately fulfilled without the proper maintenance of infrastructure. Municipalities face the dual challenge of increasing demand for water services while also needing to address systemic issues in processes and infrastructure.

On the supply side, water challenges are persistent across the value chain. Of the seven water boards currently in operation, (a) two are facing imminent bankruptcy, (b) two are experiencing cash flow challenges but not facing immediate bankruptcy, (c) a further two are experiencing declining payment levels, whilst (d) only one is not experiencing municipal debt challenges. Ongoing non-payment for treated water by various municipalities, creates operational challenges for the water boards and, as a result, they will need National Treasury subsidies.

It is worth noting that in 2022, the Sedibeng Water Board was disestablished following severe financial constraints due to non-payment of municipal debt. The Vaal Central and Magalies Water Boards then took on the geographical services, staff, assets and liabilities of Sedibeng Water. The fact that both these water boards now face bankruptcy within the

[2]CSIR. (2025). Utility-scale power generation statistics in South Africa 2024

next six to 12 months shows that the reconfiguration attempts failed to address the underlying debt challenges while municipal debts continue to grow.

As noted in the Local Government Audit Outcomes of 2022/23, of the 247 municipalities which were audited, around R17 billion was spent on repairing and maintaining infrastructure assets. This equated to approximately 3% of the total value of these assets, significantly below the National Treasury's recommendation that municipalities should spend at least 10% of their total expenditure on capital expenditure. Additionally, the report notes that of the 108 municipalities audited on their water services and infrastructure, 19% were found not to have water service development plans, 15% did not have water infrastructure maintenance plans, and 12% did not perform conditional assessments of their water infrastructure.

The report goes on to emphasise further that "the failure to maintain and effectively upgrade water infrastructure together with inefficient water management practices threatens to disrupt the supply and availability of safe water for human consumption, agriculture, and trade and industry. If not addressed as a matter of urgency, these issues will continue to threaten the health of citizens, food security and future economic growth[3]."

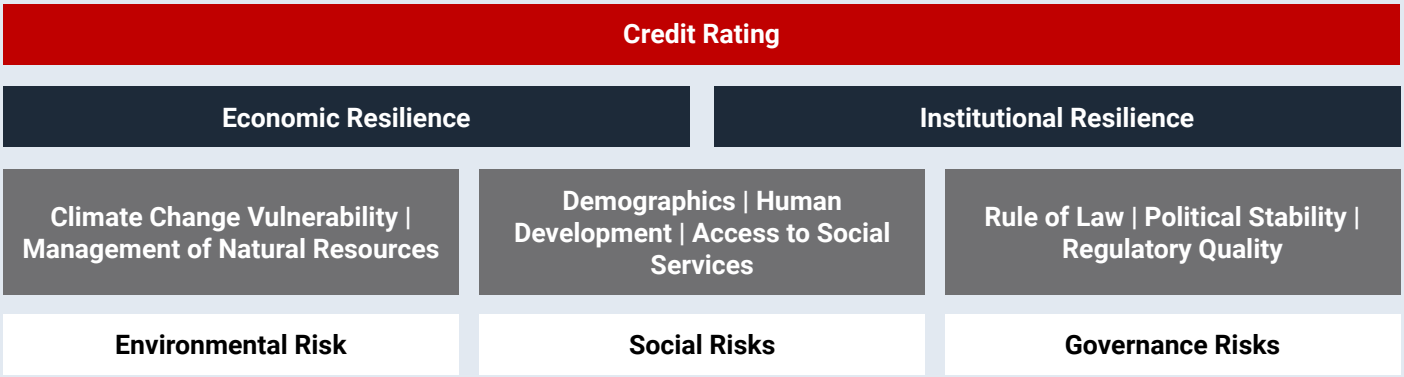
3. Stewardship in Fixed Income

In the past year, we embarked on a process to formalise our stewardship activities within the fixed income asset class. This process led to the development of our Fixed Income ESG Integration Policy. The policy outlines our approach toward ESG integration within our fixed income investment process. The majority of our fixed income assets are debt instruments issued or guaranteed by the National Treasury of South Africa, which include government fixed-rate bonds, floating-rate bonds, inflation-linked bonds and treasury bills.

As articulated in our Fixed Income ESG Integration Policy, when considering ESG integration for sovereign bonds, we look at how ESG risk factors can impact the overall credit rating of a sovereign through the economic and institutional resilience channels:

- **Economic Resilience Channel:** In the analysis, we explore how environmental and social risk factors can have an impact on the fiscal and economic performance of a country. Here we consider the ability of the sovereign to sustain long-term economic performance in light of these considerations.
- **Institutional Resilience Channel:** Here we review the strength of governance institutions of the country. The strength and the well-functioning of government institutions can meaningfully impact the ability and willingness of the sovereign to honour its debt obligations.

Figure 5: Matrix Sovereign ESG Fixed Income Assessment:



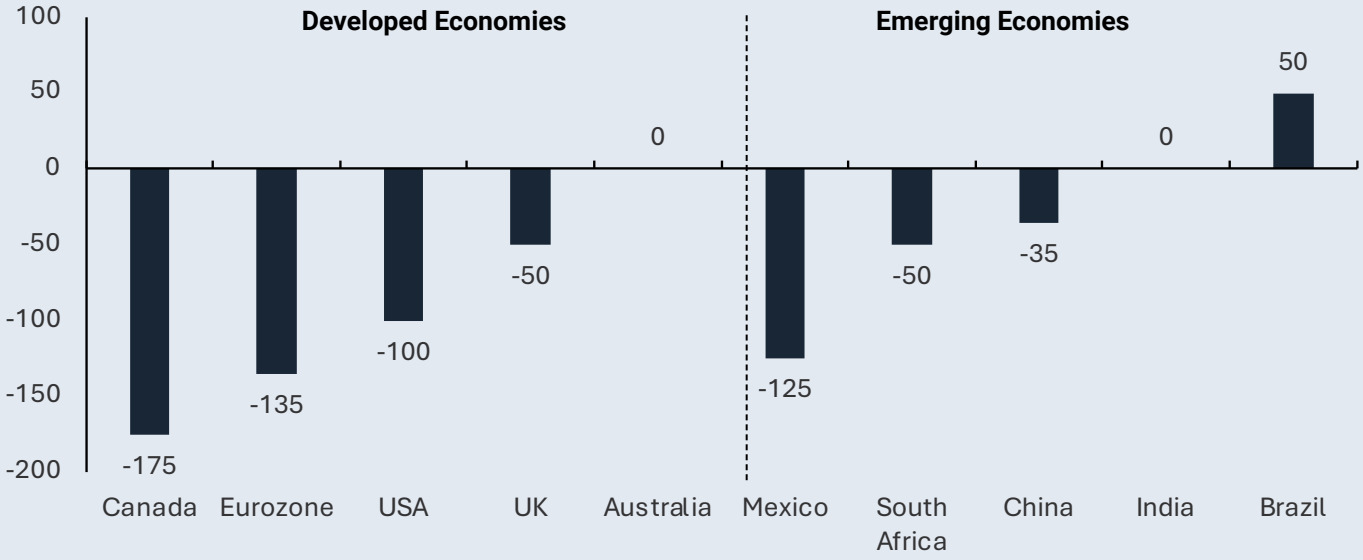
Turning to fixed income related engagements, these would entail engaging with state departments and state-affiliated companies and agencies. These are organisations and departments that would be involved in developing or implementing government policies and programmes. We summarise some of the engagements with key state agencies below. For monetary policy, we summarise some of the topical matters discussed with Monetary Policy Committee (MPC) members from the SARB over the calendar year. In looking at fiscal policy, we summarise engagements with officials from the Project Management Office in the Presidency, who spearhead activities at Operation Vulindlela.

a) Monetary Policy - Engagements with Monetary Policy Committee Members

Global and Domestic Inflation Dynamics

Globally, across both developed and emerging markets, including South Africa, we saw a welcome slowdown in inflation levels. This led to various economies initiating monetary policy easing cycles through cutting interest rates, most prevalent in the second half of 2024. In the US, inflation decelerated to an average of 3.2% in 2024 from 4.1% in 2023. The Eurozone's inflation averaged 2.4% in 2024 from an average of 2.9% in 2023, while domestically inflation in 2024 averaged 4.4% from 6% the previous year.

Figure 6: Changes in policy rates of select countries (in bps)



As can be seen in Figure 6, a number of central banks cut interest rates in 2024 in line with falling inflation rates in their economies. In our sample of countries, only Brazil saw an increase in the official policy rate in 2024 of 50 bps, following cuts of 200 bps in 2023.

In South Africa, the SARB implemented a cumulative policy rate cut of 50 bps in 2024, followed by a further 25 bp reduction at the first MPC meeting of 2025. The easing in domestic inflation was largely driven by a marked slowdown in food and fuel prices, coupled with an appreciation of the local currency. **In a country where poorer households allocate a disproportionately high share of their income to food and fuel, the moderation in these prices provides much-needed relief, after multiple years of a constrained consumer environment.**

Implementation of GFECRA

In the 2024 Budget Speech, the Minister of Finance announced a reform to the settlement framework for the Gold and Foreign Exchange Contingency Reserve Account (GFECRA), following an agreement between the SARB and National Treasury.
The GFECRA is an account maintained by the SARB that records profits and losses arising from foreign currency reserve transactions, serving as a buffer against currency volatility. Since 2003, as a result of the sustained depreciation of the South African rand, the balance in the GFECRA has grown to over R500 billion. An agreement was reached to partially settle this account.

As tabled in the 2024 Budget Review, National Treasury will receive R150 billion over the next three financial years, disbursed in three tranches: R100 billion in 2024/25, followed by R25 billion in each of the subsequent two years. According to National Treasury, these GFECRA proceeds will be used to reduce government debt over the medium term.

As a consequence, debt-service costs, the largest-growing component of public expenditure in recent years, are estimated to decline by R30.2 billion over the same period. With the GFECRA distribution as the main contributor, the national debt to GDP ratio is expected to peak at 75.3% in 2025/26 (a notable improvement from the 77.7% projected in the 2023 MTBPS), with a downward trajectory anticipated thereafter based on the 2024 Budget.

Debt stabilisation remains a central fiscal policy objective. In the current fiscal year, debt-service costs absorbed about 21 cents of every rand of revenue collected, surpassing allocations to key sectors such as basic education, social pro-

[3]AGSA. (2024). Consolidated General Report on Local Government Audit Outcomes 2022-23

tection and health. In addition, South Africa's elevated debt profile has prompted investors to demand higher risk premiums as reflected in the steeper average yield curve slope – relative to most emerging markets – since 2010.

Lowering of the Inflation Target

Over recent years, a key topic to emerge in the macroeconomic policy space, has been whether to lower South Africa's current inflation target band of 3-6%, with calls for it to be brought more in line with our global trading partners and to move from a range target to a point target. South Africa's inflation rate remains above the global average of 4.0% and its main trading partners i.e. Germany (2.0%), US (2.0%), China (2.5%) and UK (2.6%). Only India (7%) remains an outlier. The persistent inflation differential necessitates a steady depreciation of the rand's exchange rate, creating a feedback loop in which a weaker currency places upward pressure on inflation.

While a lower inflation target offers clear benefits – such as more predictable investment and savings returns, as well as clearer relative price signals – international experience indicates that point targets are generally more effective than range targets in anchoring inflation expectations. However, the short-term costs of lowering the target can be substantial: the SARB may be required to maintain interest rates higher for longer or could even need to raise interest rates. This would likely dampen consumer demand and place additional strain on an already sluggish economy.

In its 2024 Article IV Consultation on South Africa, the International Monetary Fund (IMF) suggested that policy reform towards a lower point target would support medium-term macroeconomic stability and confidence and reduce financing costs for the country. **The entity, however, cautioned that appropriate timing, careful design and coordination with the National Treasury would be required to help anchor expectations and minimise potential near-term impact on output and employment.**

Research commissioned by the SARB has shown that the sacrifice ratio – the cost of reducing inflation, measured as the amount of GDP growth lost for each percentage point of lower inflation – was negative when South Africa moved to an implicit target of 4.5% between 2016 and 2020[4]. This means that the disinflation trend over this period was not associated with output losses as a result of policy setting. The reasons for these reduced costs were, in part, due to the improved credibility of the SARB through clear and credible communication and inflation expectations which have become more forward-looking.

b) Project Management Office in the Presidency – Operation Vulindlela

Operation Vulindlela was established in 2020 as a joint venture between the Presidency and National Treasury to fast track the delivery and implementation of structural reforms. The reforms are critical for addressing the underlying causes of economic stagnation and high levels of unemployment.

Operation Vulindlela was established to support the implementation of reforms in three ways:

a)Monitoring and reporting on progress to identify challenges, sustain momentum and ensure accountability;
b)Facilitating technical support to enable the implementation of reforms; and
c)Providing recommendations to the president and cabinet where a decision or agreement is required.

Operation Vulindlela's mandate was to identify objectives, monitor progress on priorities, investigate and address areas where implementation was lagging and escalate matters for resolution where necessary. These efforts were underpinned by rigorous analysis and comprehensive information gathering.

[4]SARB. (2022). The short-term costs of reducing trend inflation in South Africa. Working Paper Series 22/08

The first phase of Operation Vulindlela was initiated to drive economic growth and job creation through five main objectives:

a) Stabilise the supply of electricity;
b) Create a competitive and efficient freight logistics system;
c) Reduce the cost and improve the quality of digital communication;
d) Ensure a stable, quality supply of water; and
e) Reform the visa regime to facilitate skilled immigration and support tourism

Table 2 provides a summary of the achievements across the various workstreams under the first phase of Operation Vulindlela in the 6th administration.

Table 2: Review of the first Phase of Operation Vulindlela

Objective	Reform Priorities	Achievements
1. Stabilise the supply of electricity	Enabling private investment in new generation capacity	Solar tax incentives introduced in March 2023 - Rooftop PV increased to 5.4GW by Feb 24 (from 2.5 GW in Dec 22)
	Separation of Eskom - Generation, Transmission, Distribution	National Transmission Company of South Africa operational from 1 July 24
	Establishing a competitive electricity market	Improving Eskom's operational performance
2. Create a competitive and efficient freight logistics system	Facilitating greater involvement of the private sector	Selecting an equity partner for the Durban Container Terminal (DCT) Pier 2 - July 23
	Improve operational performance	Transnet has completed accounting separation of its operations and rail infrastructure units
		Appointment of a permanent board for Transnet National Ports Authority (TNPA).
3. Reduce the cost and improve the quality of digital communication	Release of additional spectrum and downstream reforms to accelerate the rollout of infrastructure	The auction of high demand spectrum was completed by ICASA in March 2022, ending a ten-year delay
	Lowering the cost of data and improving network reach and quality	Revenue generated from the auction amounted to approximately R14.4 billion, directly contributing to the national fiscus
		Analogue transmission was switched off on 31 July 2023 for frequencies above 694 Megahertz (MHz).
4. Ensure a stable, quality supply of water	Ambitious reform strategy aimed at ensuring a sustainable supply of quality water	Reinstatement of the Blue, Green, and No Drop water quality monitoring system
		Reducing the processing time for water use license applications - 72% processed within 90 days vs 300 days
		Water Partnership Office, at DWS with DBS, has been able to secure funding in excess of R4 billion
5. Reform the visa regime to facilitate skilled immigration and support tourism	Streamline the visa application process	Updating the Critical Skills List for the first time since 2014 - which is updated on an ongoing basis
	Introduce new visa categories to attract highly skilled personnel	Roll out of eVisa system to 34 countries in total, with visa waivers in place for the majority of remaining countries.
	Enable foreign investment	Launch of the Trusted Employer Scheme - to recruit foreign talent, including reduced application requirements and faster processing times

Setting Priorities for Phase II of Operation Vulindlela

In his opening of parliament address, under the 7th democratic administration, the president announced the second phase of Operation Vulindlela. Initial priority will be aimed at continuing the momentum from the previous phase of Operation Vulindlela and to follow through on the implementation of the ongoing reforms in order to maximise their potential impact.

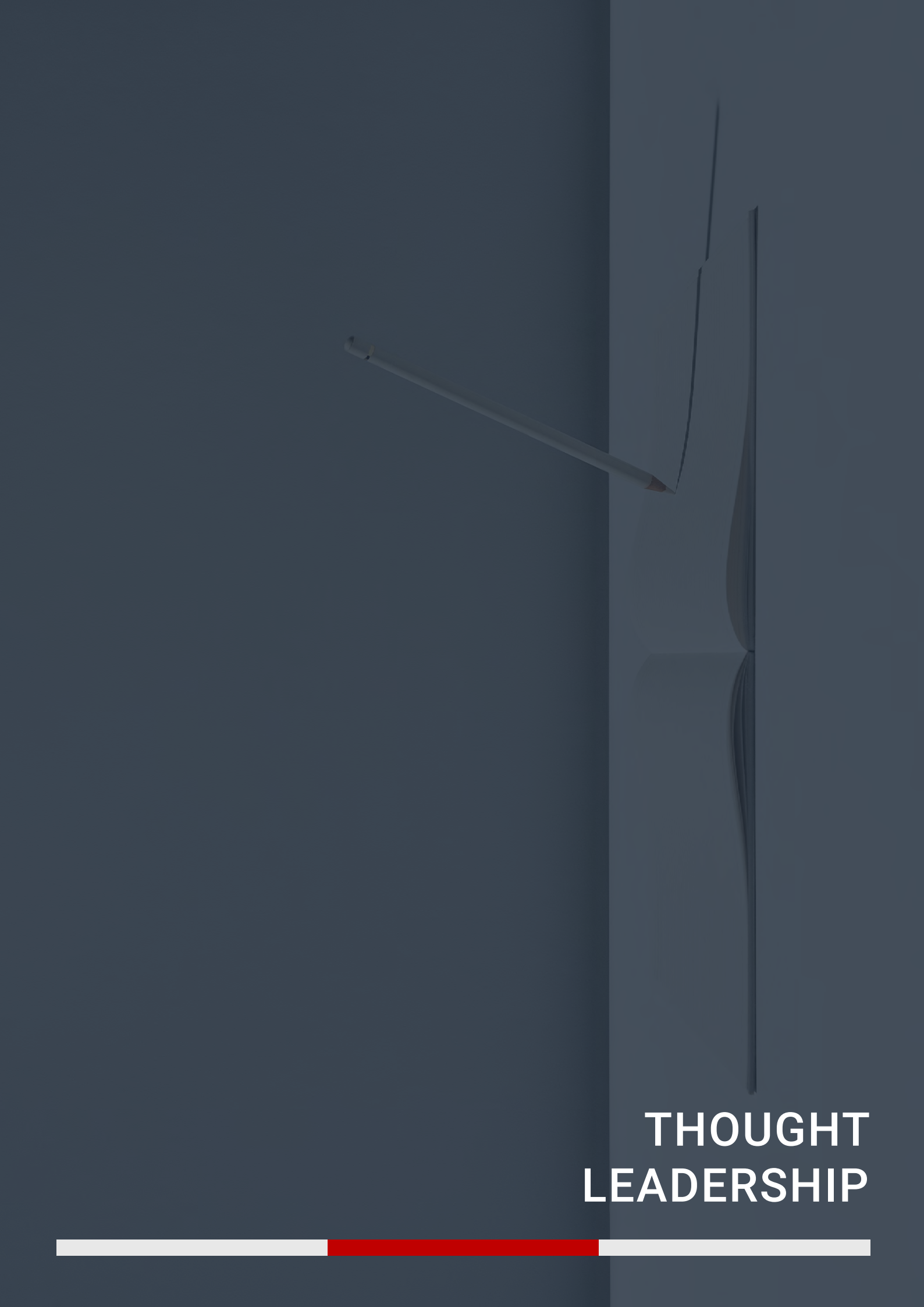
Operation Vulindlela's second phase will focus on:

a) Reforming the local government system to address service delivery challenges;
b) Harnessing digital public infrastructure as a driver of growth and inclusion; and
c) Addressing spatial inequality, which remains a stumbling block to economic growth.

To address spatial inequality, efforts will be directed towards accelerating the release of public land for social housing and realigning housing policy to empower individuals to access affordable homes in locations of their choice.

Economic modelling conducted by the Bureau of Economic Research (BER), reveals that the effective implementation of existing structural reform plans has the potential to raise domestic economic growth to above 3% year-on-year. Key variables incorporated into the model include improvements in the EAF, investment in grid infrastructure and new power generation, expanded rail and port capacity, as well as increased investment in water infrastructure and local.

At Matrix Fund Managers, we continuously monitor and assess the progress of reforms implemented by the current administration, including those beyond the scope of Operation Vulindlela. Engagements with a range of government stakeholders and policymakers serve as valuable inputs into our research, analysis and broader investment decision-making processes.



THOUGHT LEADERSHIP

GREEN IS THE NEW GOLD
- COPPER DEMAND AND SUPPLY DYNAMICS

Anthony de le Cour – Senior Equity Analyst, Matrix Fund Managers

Copper remains one of the stronger commodity stories so far this year. Underpinned by a longer-term supercycle thesis, copper has benefited near term from favourable supply/demand fundamentals particularly as mined supply growth slows more than expected. The potential levelling of tariffs remains a threat clouding the near-term outlook, both in terms of tariffs on copper itself as well as the potential growth scare arising from and escalating tariff war scenario. Nevertheless, the longer-term bull thesis for copper persists, underpinned by the continued need for the electrification of carbon abatement strategies as well as, potentially, future investment in generative AI infrastructure.

Figure 1: London Mercantile Exchange Real Copper (Cu) Price ($/t – Inflation adjusted)



Source: Datastream

Copper's supercycle secular thematic

A commodity supercycle presupposes a strong secular growth trend in demand that surpasses the supply response's ability to satisfy that demand. This results in prices remaining above what fundamentals, be it the marginal cost of production or the incentive price required to bring on new supply, would otherwise suggest. Strong demand itself is therefore usually not sufficient to underpin a supercycle but would need an accompanied inhibited supply response relative to that demand. With respect to copper, the supercycle thesis began to take hold toward the end of 2020.

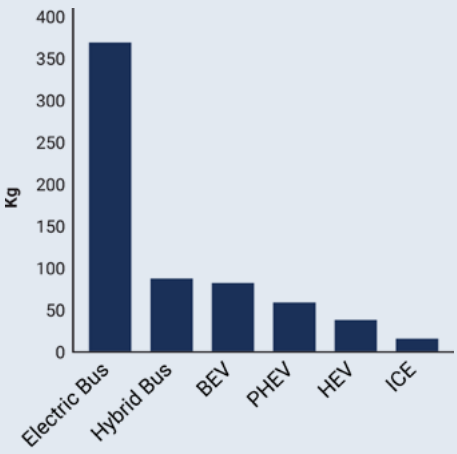
Decarbonisation is the engine of demand

For copper demand, the supercycle is rooted in the realisation that decarbonisation and the achievement of global climate change goals will rely extensively on the carbon abatement strategies of electrification, renewable power and the roll-out of the infrastructure required to support these.

Practically, this involves the growth of electrical vehicles (EV), renewable power such as solar and wind, and energy storage solutions. Several commodities stand to benefit from this resource-intensive endeavour, but copper stands out as the primary "green" metal beneficiary because it possesses a variety of properties making it one of the most versatile materials available: it has longevity, is ductile, highly conductive, has low reactivity and is more abundant than precious metals with similar properties.

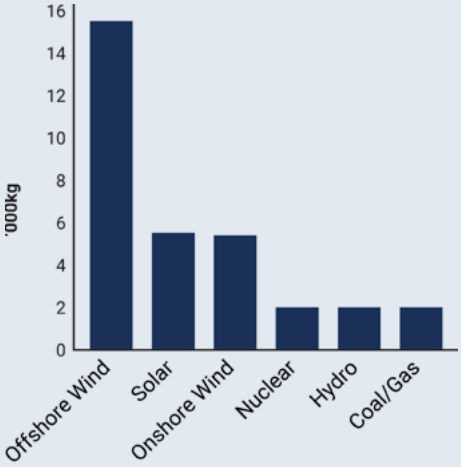
Achieving carbon net zero scenarios by 2050 will require a significant investment in electrification and renewable power, both of which have a high copper intensity compared to the more traditional uses of copper. Battery electric vehicles (BEVs), for example, utilise about 5.5x more copper than internal combustion engines (ICE). Plug in hybrids (PHEVs) about 4x more (Figure 2). Wind and solar renewable power are almost 3x more copper intensive than traditional power sources (Figure 3).

Figure 2: Copper Content by Vehicle Type



Source: Goldman Sachs

Figure 3: Copper intensity per MW of power capacity

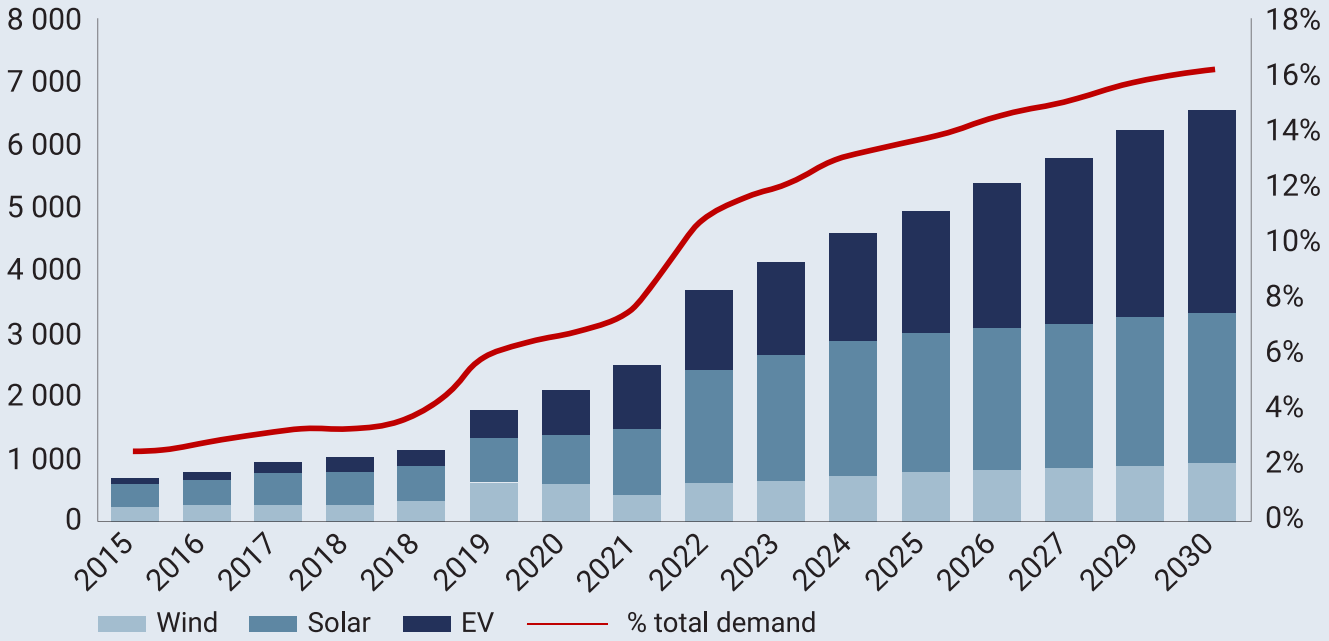


Source: UBS

There have been some recent setbacks in the energy transition story, such as falling rates of BEV adoption, however, the bullish thesis is on track. 2023 recorded a 35% increase in electric vehicles sales, 60% of which were sold in China. The International Energy Agency (IEA) expects copper demand from EVs to be the largest contributor to growth of the energy transition, increasing from 2% of total copper demand in 2023 to 13% of demand by 2050, in their net zero scenario. In 2010, renewable power accounted for 19.5% of global electricity production. By 2023 this has increased to 30% and Goldman Sachs estimates that to meet targets, it would need to increase to 75% of by 2050. Again, China leads the charge and is on track to achieve its 2030 target of 1200GW wind and solar installation by the end of this month. In 2023 alone, China installed 293GW of wind and solar capacity, more than the entire installed capacity of the U.S. at the beginning of the year.

Despite forecasting risk these top-down secular demand numbers, are compelling. For context, in 2023 refined copper demand was 26mt. The IEA, in its Global Critical Minerals Outlook of 2024, estimates that a quarter of this could be attributed to clean energy demand. It further estimates that in a “net zero” scenario demand for refined copper will grow from 26mt to almost 40mt with clean energy demand increasing to 50% of demand from the current 25%. The implication on copper demand is significant. In its base case, UBS estimates that copper required for energy transition alone will require about ~540kt per annum (excluding traditional demand) (Figures 4) and should be considered in the context of an industry that added an average of ~525kt refined copper, per annum, over the prior four years.

Figure 4: Copper demand from EV & Renewables



Source: UBS

What is this I hear about data centres?

Until very recently, the bullish demand thesis on copper was dominated by the energy transition debate above. Recently, the narrative pivoted to the potential demand emanating from the increasingly bullish expectations of Generative Artificial Intelligence (GenAI) investment and, specifically in copper's case, the demand from GenAI data centres. Data centres are huge warehouses that house the servers and processing units providing the computational resources required to train and run the GenAI models.

What is new, is how power-hungry GenAI computing is. Goldman Sachs estimates that a ChatGPT search consumes 10 times the power of a Google search. A Carnegie Mellon study estimates that generating a single image using GenAI uses as much energy as half a smartphone charge. Given this power demand, plans are in place to build data centres with 10 times the power capacity of those currently used for more traditional data storage and cloud computing services, an endeavour that is expected to require significant amounts of copper.

There are two important points to note about the rise of the GenAI debate as it pertains to copper demand. The first is that there is a very significant degree of uncertainty around how copper demand for GenAI and datacentres will play out. Whilst estimates of the copper intensity of data centres exist, these vary extensively and are mostly based on outdated studies. Then there is also the additional power generation required to power the data centres, another source of debate. Analysts make the point that traditional, less copper intensive power generation, for example nuclear, may need to be used. Other contributors to high uncertainty include how many data centres will ultimately be needed as well as the speed at which these can or will be rolled out. Finally, a likely change in technology (as is recently evidenced by the introduction of Deepseek) as the industry matures rounds off the list.

The second point is that despite this uncertainty, a new source of significant copper demand is being incorporated in resource analysts' supply and demand modelling. Whilst still less than that required for energy transition, these numbers are not inconsequential. Morgan Stanley's recent base case update incorporates an additional cumulative 640kt of copper demand to 2027.

The supply response challenge

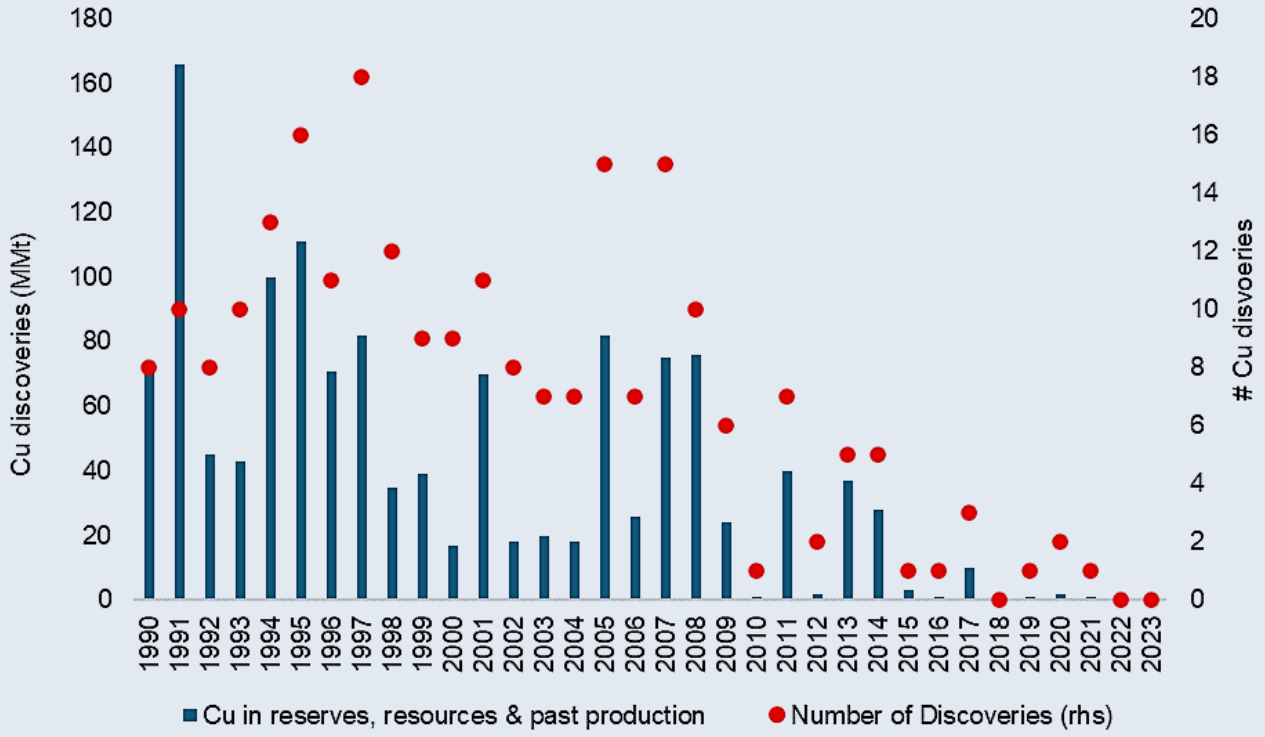
The other side of the copper supercycle equation is whether there is line of sight to a supply response sufficient relative

to the bullish demand thesis. Simply put, the supply response to what has ostensibly been positive medium- and long-term demand signalling has been underwhelming.

Rising ESG concerns and regulatory hurdles have increased the complexity, difficulty and cost of successfully progressing investment decisions. This has been exacerbated by mining companies increasing capital discipline, focusing on returns to shareholders ahead of investment in new projects. Many mining companies have adopted a strategy of "show me the prices" first, before investing. Together with declining grades, an ageing asset base and long development times, the view is one of an industry increasingly unprepared for the future.

The ability to develop growth volumes starts with the pool of potential shovel-ready deposits, as well as the time taken to bring those deposits to market. The trend of major new copper discoveries, tracked by S&P Global, continues to decline (Figure 5). It notes that discoveries in the last decade account for only 14 of the 239 deposits discovered since 1990, with just four discoveries in the past five years (note that a threshold limit of at least 500k metric tons is applied). This lack of new major discoveries is the result of the industry's continued focus on brownfield assets (known assets already developed) at the expense of exploration.

Figure 5: Copper in major discoveries by year

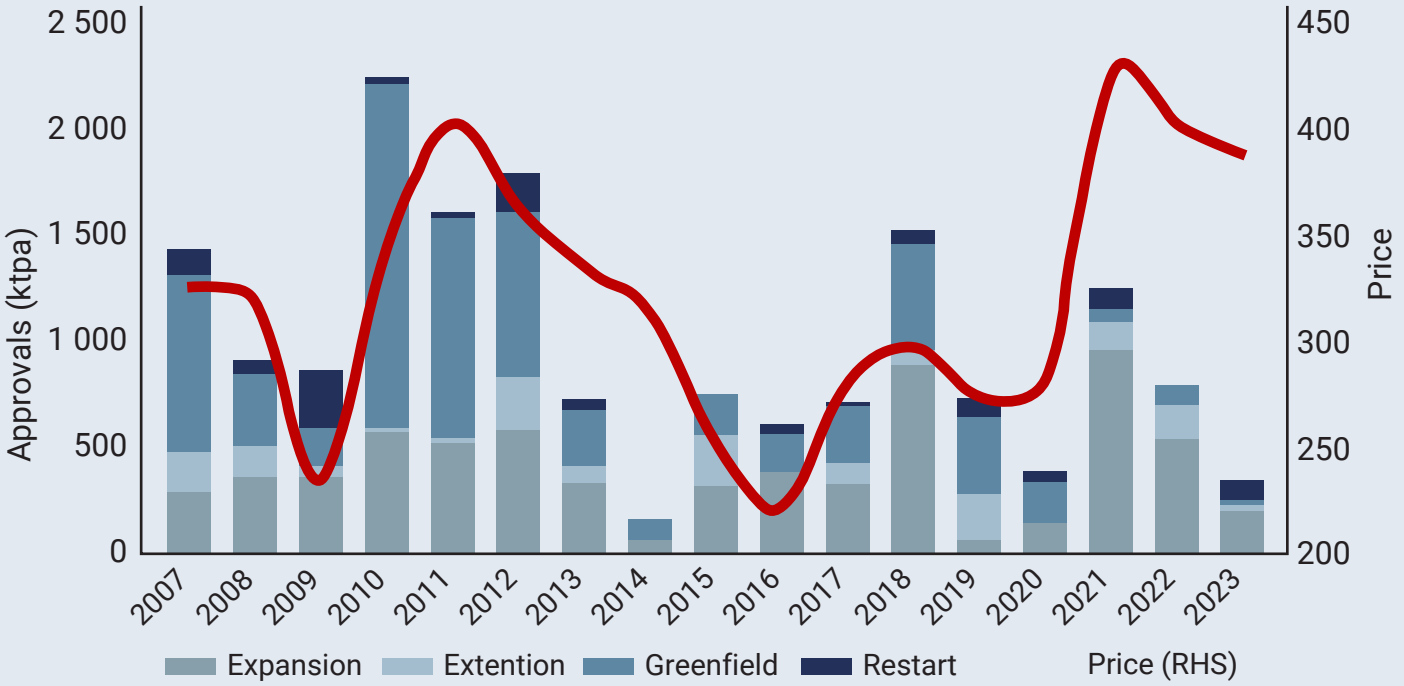


Source: S&P Global

Whilst fewer major discoveries are being made, the time taken to develop those discoveries is also increasing. S&P Global notes that the average lead time (time from discovery to production) of new mines that started between 2005 and 2009 was 12.7 years, whilst for those that started between 2020 and 2023 it was 17.9 years, the result of longer exploration, permitting and studies. This is not to say that there aren't growth options currently in the pipeline but rather that the further out we look the more time, and costs are involved. Goldman Sachs highlights that the lead time on a greenfield project once an investment decision is taken is currently six to eight years.

Despite an increase in lead times, the industry appears to have been deferring these long-term investment decisions. One reason is the collapse in pricing between 2011 and 2015 which significantly stressed the industry at the time. The high prices during the 2000s commodity supercycle incentivised a significant investment in new copper projects (Figure 6). When prices crashed, so did project approvals. This resulted in a step change lower in the volume of mine capacity brought online from 2015. Whilst prices recovered in 2021, project approvals have yet to follow as companies prioritise capital discipline and shareholder returns.

Figure 6: Copper project approvals (ktpa)



Source: UBS

Unsurprisingly, given the above, a review of visible projects out to 2030 highlight a supply gap of ~5mt. Interestingly a similar looming supply gap was visible in 2011, but ultimately never materialised. Demand was less than initially expected whilst a rally in the copper price was sufficient to incentivise enough mine supply and new projects to fill the gap. A key question then is whether this time is different? Usually, the answer to this would be no, as history has a habit of repeating itself. The long-term demand thematic as described above is compelling, but bear-case projections exist along with the bull. Technology may change, new substitutes developed, or some other unforeseen demand destruction occur.

In terms of supply, in commodities it is commonly understood that the cure for high prices, is high prices. What is different this time (at least to date) is that the current higher copper prices have yet to incentivise the same supply response that they have done in the past and, with lead times increasing, the window for new approvals to meaningfully bridge this gap is fast closing. This at a time where persistent deficits over recent years have reduced what inventory cushion the industry once had.

Conclusion

What all this means is that, to satisfy the future demand from energy transition copper, prices will likely need to remain high. The incremental ounces required to satisfy this demand will have to come either from older (brownfield) operations that are higher cost than current operations or they will have to come from new (greenfield) operations in riskier jurisdictions that are more expensive to build than current operations, once again requiring high prices to justify.

There is also the possibility that if the required projects are not approved soon, demand may systematically exceed the available supply, while inventories are low, resulting in a significant spike in copper prices. High prices now will continue to be needed to have any hope of incentivising the amount of supply required for most base demand projections. The copper price is therefore likely to continue to trade well above fundamental support such as current marginal costs would suggest.



Anthony de le Cour
Senior Equity Analyst

SOUTH AFRICAN MINES
– A MUCH SAFER PLACE FOR WORKERS

Thato Kola, ESG Analyst – Matrix Fund Managers

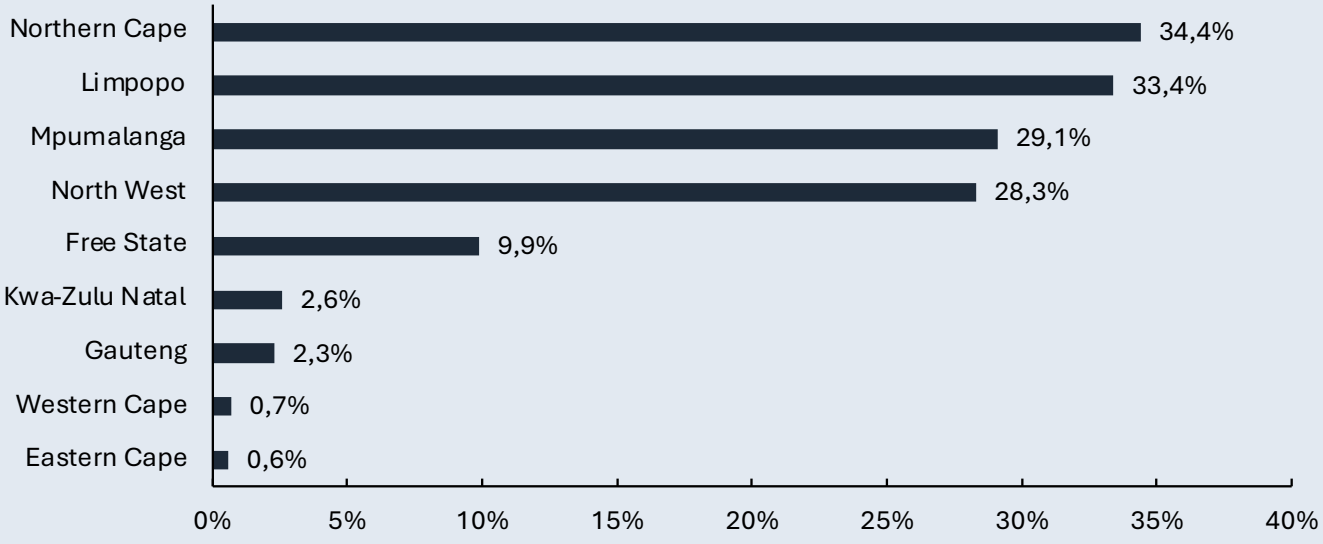
The mining industry in South Africa, more than any other economic industry, has been uniquely interwoven with the history and socio-economic developmental story of the country. The discovery of gold in the Witwatersrand goldfields towards the end of the 19th century led to the foundation of Johannesburg, which was to later become the largest and most vibrant city and a hub of economic activity in the country. The demand for labour in the gold mines attracted large flocks of migrant workers from all parts of the country and the rest of Southern Africa. For decades to come, gold mining flourished and supported the development of supplementary industries and infrastructure advancement across the country.

Importance of the Mining Industry in South Africa

Today, South African mines produce a large variety of minerals. The country is the leading producer of platinum, vanadium, vermiculite, manganese and chromium. Other major minerals produced include gold, coal, titanium, nickel, uranium, diamonds, tin and copper[5].

While the mining industry's contribution to the overall GDP in the country has diminished over time, the industry remains key to the economic performance of the country. By the end of 2023, mining accounted for 445 653 direct jobs, paid over R14.4 billion in royalties and contributed about 7.53% to the domestic GDP[6] . In regions where mining operations are present, the industry is significantly important. In four of the nine provinces, mining is the single largest economic contributor to provincial GDP (Figure 1). In the actual mining communities, the mines are the biggest employers and support many auxiliary services. The mines provide community investments in the form of houses, schools, clinics and even the maintenance of local infrastructure.

Figure 1 : Mining industry's contribution to provincial GDP in 2022



Source: The Minerals Council of South Africa

The Social Cost of Mining

Whilst mining has been an integral fabric of the South African economy, it has also come with significant social trade-offs. Mining communities have been one of the main epicentres of communicable diseases, especially TB and HIV. In

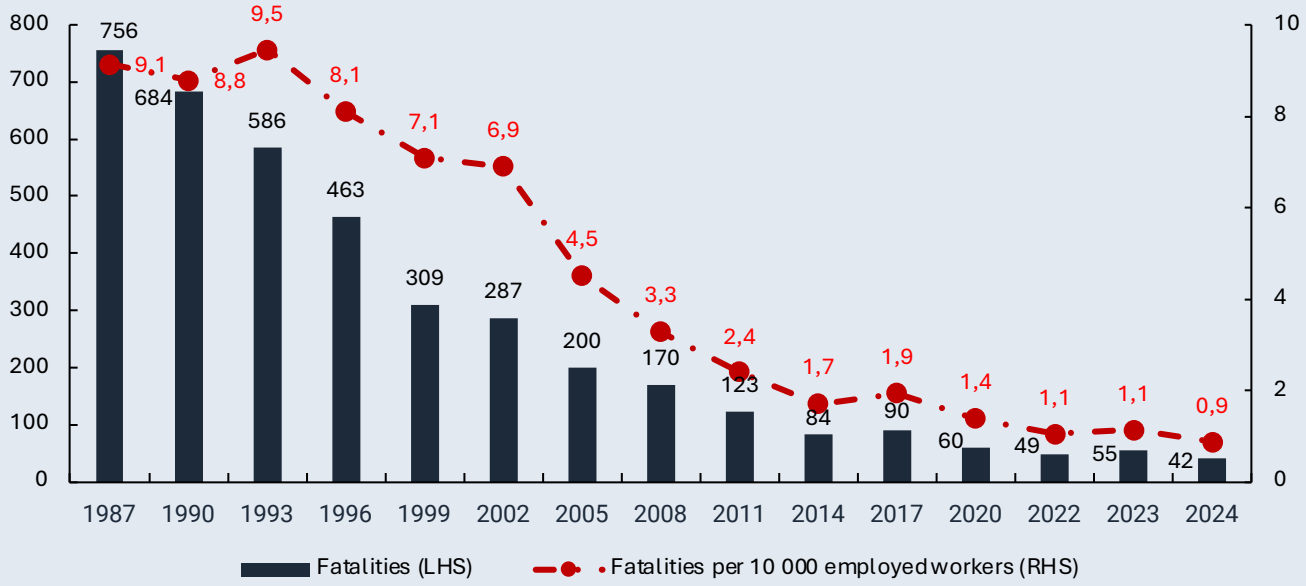
[5]South African Institute of Race Relations. (2019). Why Mining Still Matters: The Socio-economic Importance of the Mining Industry
[6]Minerals Council of South Africa. (2024). Integrated Annual Review 2023.

the early 2000s, at the height of the TB epidemic, incidence rates in the mining industry were about seven times the rates in the general population. By 2006, pulmonary TB (46%) and silico-TB (8%) accounted for more than half of the five most frequently reported occupational diseases[7].

The South African mining industry has been synonymously associated with a history of unacceptably high accident rates that have resulted in serious and disabling injuries and mass incidents of loss of lives. In 1995, led by Justice Leon, a Commission of Enquiry into Health and Safety in the mining industry was instituted. Evidence from the Commission revealed at the time, that over 69,000 mine workers had died and over 1 million serious injuries had been sustained since 1900[8].

As seen in figure 2 below, the mining industry has been the sight of thousands of fatalities over the decades. In 1987 a staggering 756 mine workers lost their lives working in South African mines. That translates to an average of 15 deaths a week across the industry, a truly shocking figure. Positively, there has been significant effort by various stakeholders to improve the health and safety of mineworkers over the past 36 years. By the end of 2024, the number of workers who lost their lives in the line of duty fell to only 42 – a truly remarkable progress over this period translating into a 94.4% decline in fatalities between 1987 and 2024. Even when adjusting for changes in employment numbers in the mining industry, the fatality statistics reveal a similar pattern. For every 10,000 miners employed in 1987, about 9.1 workers would go on to lose their lives, when compared to 0.9 in 2024. With 42 fatalities recorded, 2024 represented the best year in terms of preventing the loss of lives in the history of South African mines.

Figure 2: South African mining industry fatalities

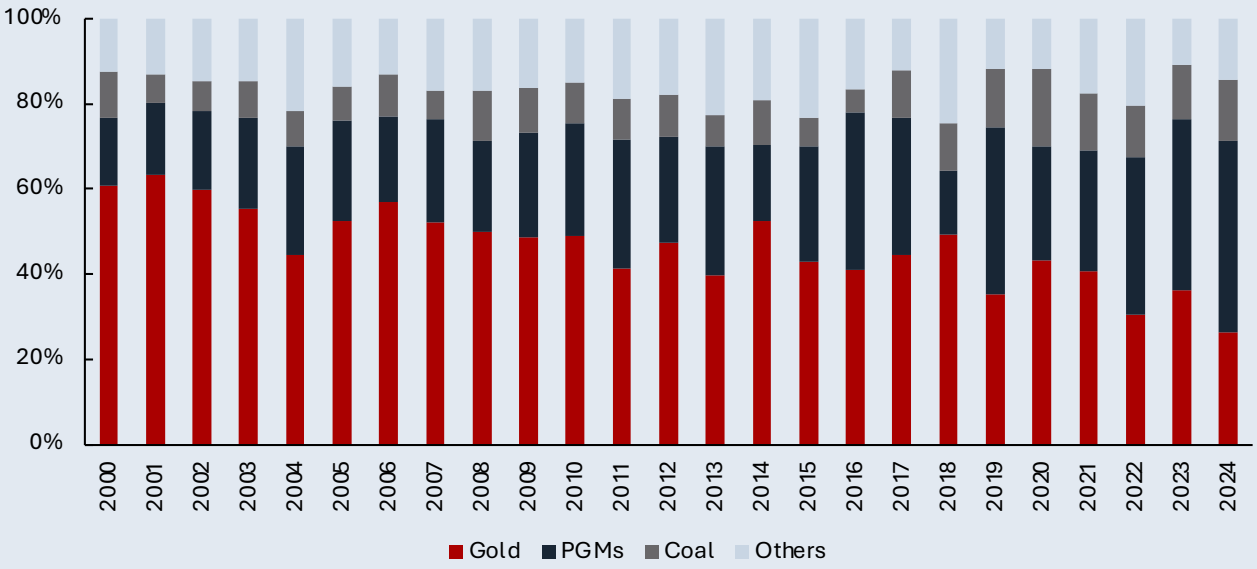


Source: Department of Mineral Resources & Energy, Matrix Fund Managers

The gold sector accounts for the highest safety incidents both in terms of number of injuries suffered and fatalities. Between 2000 and 2024, 1,796 workers lost their lives in gold mines in South Africa which accounts for just under 51% of all deaths in the entire mining industry over this period (Figure 3). The PGMs and the coal sectors contributed 24% and 9% of fatalities respectively, with the rest of the other sectors accounting for the balance of 16%. Similarly, 51% of all injuries reported between 2000 and 2023 occurred in gold mining operations. The relatively poor safety record of gold miners can in part be explained by the fact that eight of the world's 10 deepest mines are gold mines in South Africa. They have depths that make accessing and extracting reserves increasingly difficult and not only requiring higher capital intensity but also presenting increased risk to workers[9].

[7]Health Systems Trust. (2007). South African Health Review 2007
[8]Barry. (1995). Shifting the balance: The Leon Commission of Enquiry into health and safety in the mining industry.
[9]The World Bank. (2019). Digging Beneath the Surface. An Exploration of the Net Benefits of Mining in Southern Africa
[10]The Southern African Institute of Mining and Metallurgy. (2015). Mine Occupational Safety and Health Leading Practice Adoption System (MOSH) examined.
[11]Minerals Council of South Africa. (2024). Minerals Council's Zero Har Forum. MHSC Summit South Africa commits to new milestones on the mining industry's journey to Zero Harm.

Figure 3: Fatalities by the different commodities



Source: Minerals Council of South Africa

As mining activities extend deeper, the risk of seismicity and seismicity-induced fall of ground will likely increase. It is thus no surprise that the most common cause of fatalities in the mining industry is as a result of fall of ground. Between 2000 and 2023, the 1,343 mine workers died as a result of falls of ground incidents, accounting for just under 40% of all causes of fatalities. Other common causes of loss of lives are due to incidents related to use of machinery, transportation and mining, explosives, fires and conveyance incidents.

Legislative Reforms and the Tripartite Structures

Earlier findings from the Leon Commission revealed that mining companies had failed to:

(a) provide proper and effective health and safety training to employees,
(b) address the alarming rate of deaths and reportable injuries, and
(c) deal with mining-related hazards such as underground radiation and polyurethane hazards underground.

The Commission recommended the drafting of a Health & Safety in Mines Act which would be devoted to regulating health and safety in the mining industry. Supplementary structures would be formed to give effect to the Act and allow for equal tripartite representation of the government, organised labour and mining companies.

This led to the enactment of the Mine Health and Safety Act of 1996, which is the legislation governing health and safety in the mining industry of South Africa. Important tripartite structures that underpin the implementation of the Act include the Mine Health and Safety Inspectorate (MHSI) and the Mine Health & Safety Council (MHSC). The MHSI is responsible for the promotion of health and safety through investigations and conducting enquiries into causes of accidents, initiating research and publishing of health and safety data. Additionally, the MHSI has the powers to issue directives for taking corrective action, halting activities that pose imminent and high levels of risk to health and safety and the issuance of fines. On the other hand, the MHSC's functions involve the assessment of the health and safety of the mining industry, conducting of research, proposing policy and legislative reforms and providing advice to the Minister responsible for Minerals Resources[10].

The recently held Mine Health and Safety Tripartite Summit in 2024, draws on the concerted effort by all stakeholders to continue to strive for the improved well-being of mine workers. As with previous editions of the Summit, the overriding goal is to eliminate occupational diseases, injuries, and fatalities at our mines, thereby attaining the goal of Zero Harm. Since 1994, reported injuries have decreased by 78% to 1,841 in 2024 from 8,347. Additionally, the mining industry has made significant progress into curbing cases of silicosis and noise-induced hearing loss, with reductions of 90% and 86% respectively between 2003 and 2022[11].

To address the health challenges in industry, the Masoyise Health Programme, a multi-stakeholder programme, was launched to fight against TB, HIV, occupational lung diseases and non-communicable diseases, including mental health. By the end of 2022, the TB incidence rate in the mining industry was 278/100,000 employees, which is well below the national incident rate of 537/100,000 people. By contrast, in 2003 the mining industry's TB incidence rate was 1,928/100,000 employees compared to the national rate of 245/100,000 people[2].

As evidenced above, the improvement of health and safety in South Africa's mining industry has been a collective effort since the early days of the democratic dispensation. Legislative reforms together with collaboration from various stakeholders, including the government, organised labour and employers have yielded dramatic improvement in the working conditions of mine workers.

Role of the Investment Industry

Today, South African mines are a much safer place to work in than they have ever been – fatalities, injuries and occupational diseases have fallen across various material metrics. The investment industry as shareholders in mining companies should be keenly monitoring the healthy safety performance of mining companies as they too have a significant role to play in the advancement of the welfare of mine workers.

In recent history we witnessed mining operations in listed companies grinding to a halt for a number of days following a mining disaster or continued mining safety incidents that regrettably resulted in loss of life. The events can cause a deterioration in staff morale and their ability to work optimally, which can affect overall productivity. Ultimately, unsafe working conditions have a direct impact on the operational and financial performance of mining companies and can lead to the erosion of shareholder value.

As the investment community, who have a vested interest in the efficient performance and wellbeing of mining operations, we should not be passive bystanders. As active owners, investors have an important role towards advancing and advocating for safer and healthier working conditions for mine workers.

Part of our duties as responsible asset owners and managers is to use the various stewardship tools and platforms available to us to advance worker welfare. We need to strongly articulate that despite meaningful progress highlighted above, any loss of life is still unacceptable. Every employee needs to come home safe, every single working day. Through engagements with company executives and their boards we must:

(a) advocate for continued capital allocation towards health and safety measures in mining operations with a focus on training and education,
(b) encourage adoption of appropriate technologies and automation of high-risk functions, and
(c) support the ongoing disclosure of relevant health and safety measures by companies in order to measure their progress.

Through proxy voting actions, investors should support remuneration policies which adequately reflect the link of executive remuneration with the health and safety performance of their mining operations.



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