

IMPACT REPORT

2024

CREATING SUSTAINABLE SHARED VALUE



MERGENCE



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Reporting period: 1 January 2023 – 30 December 2023

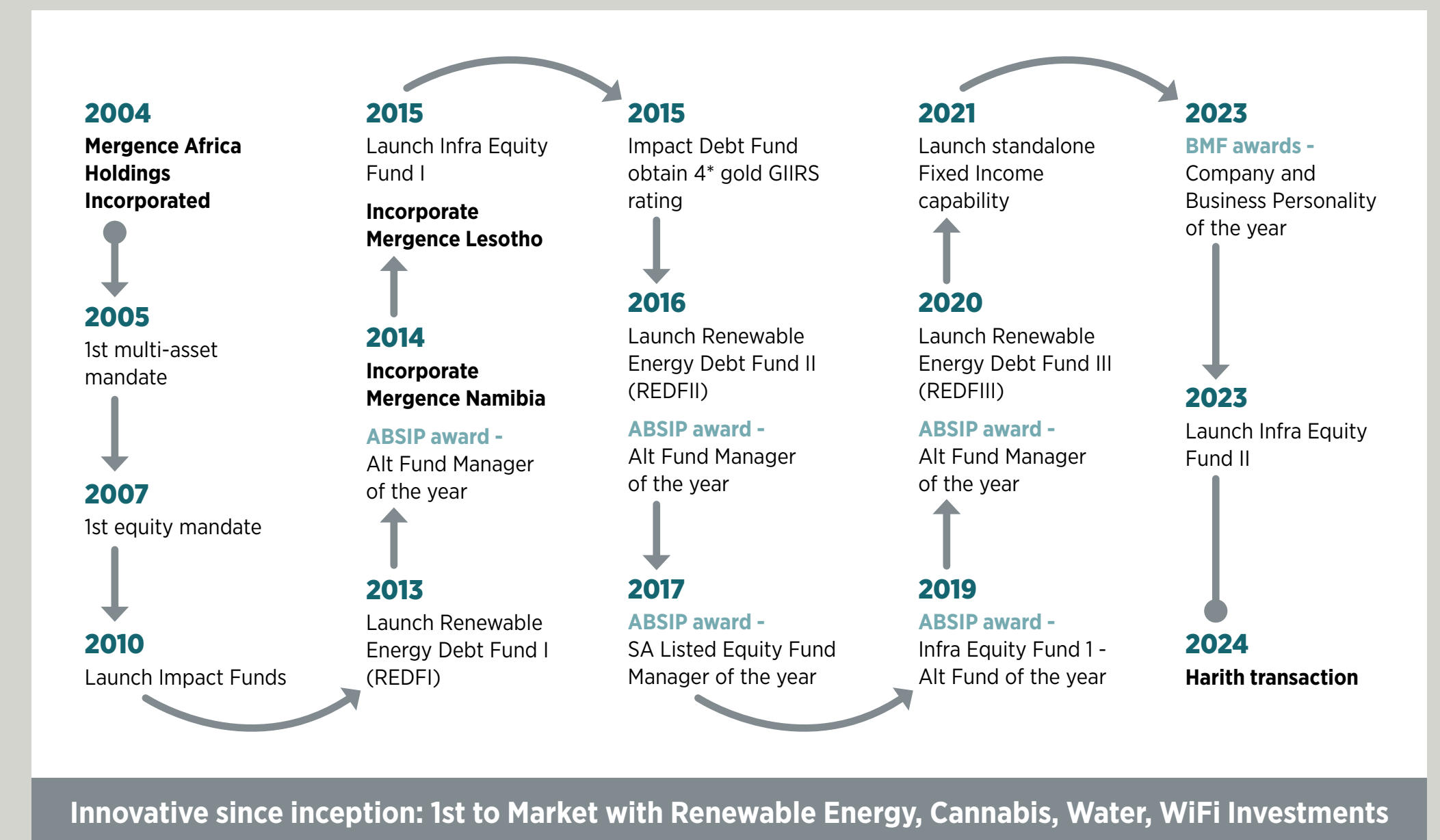


MESSAGE FROM SHOLTO

This year Mergence celebrates its 20th anniversary. It is a time for us to reflect on the journey, be proud of what we have achieved, and thank all stakeholders for their support along the way.

The timeline below outlines the significant milestones in our journey of development. Initially focusing on a multi-asset offering, we expanded our expertise to include specialist equities, enhancing our capabilities in public markets across specialist equity and multi-asset classes. Moreover, we pioneered the entry into the private markets arena over 14 years ago, introducing a range of innovative impact funds that invest in sectors aligned with the National Development Plan's objectives.

Sholto Dolamo
Managing Director





In terms of assets under management, public markets remain our mainstay, with 87% of AUM, while our private markets capability is growing fast, with an impressive track record. We are also working hard at an increased retail market strategy with the launch of some new funds as discussed by my colleagues further on in this report.

In all areas, Mergence has always been a forerunner and innovator. To give just a few examples, we were among the first to make public our proxy voting and write about responsible investing; we were one of the early participants in funding a total of 16 projects across wind and solar energy under the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP); and we are the only asset manager with a stake in the two privately owned water concessions in South Africa, Siza Water in KwaZulu Natal and Silulumanzi in Limpopo, by means of a Public Private Partnership we have with SA Water Works (SAWW).

Water challenges

Siza Water celebrated its 25th anniversary in March 2024 and the Deputy Minister of Water and Sanitation David Mahlobo lauded the project which has recently received Green Drop certification and supplies free water daily to 450,000 customers, 300,000 of whom are served classified as indigent communities.

It is no secret that “water-shedding” in parts of South Africa is looking increasingly likely. We commend the government on establishing the Water Partnership Office in the Development Bank of SA to bring together the Department of Water and Sanitation, National Treasury, other departments, and financiers to work together with municipalities on long-term solutions. We believe the SAWW-Mergence PPP model could be replicated nationwide.



An exciting partnership with Harith General Partners

In February 2024, the merger transaction with Harith General Partners, as announced in October 2023, was successfully finalised. Harith, a renowned Pan-African investor and developer of infrastructure projects across the continent, brings invaluable synergies to the partnership.

The shared strategic objective underlying the acquisition transaction is to position Mergence as a formidable, black-owned, and diversified entity poised to emerge as an African financial services champion in both public and private markets. This union is expected to amplify the unique strengths, expertise, and experience of both financial sector players.

Mergence contributes significant expertise and experience in public markets investment to the transaction. As a result, we anticipate Regulation 28 benefits, enabling portfolio diversification, risk management, enhanced liquidity, consideration of Environmental, Social, and Governance (ESG) factors, and compliance with various African regulatory frameworks.

In the realm of private markets, the combined expertise and collaborative advantages of Harith and Mergence will expand the scope of private market offerings, including unlisted debt and equity products. This aligns with our vision of expanding into additional African markets beyond our existing presence in the Southern African Development Community (SADC).

Furthermore, amidst the proliferation of asset managers in recent years, this transaction reaffirms our role as a “consolidator” in the South African asset management industry. By combining forces with Harith, we are consolidating expertise, resources, and market presence to better serve our clients and drive positive impact across the continent.

As part of the transaction, Harith has acquired a 46% stake in Mergence Investment Managers, while an independent women-led group, Shandurwa, has acquired a 5% stake. This not only bolsters women’s participation in the infrastructure investment sector but also enhances diversity within Mergence’s management team.



Trustee education

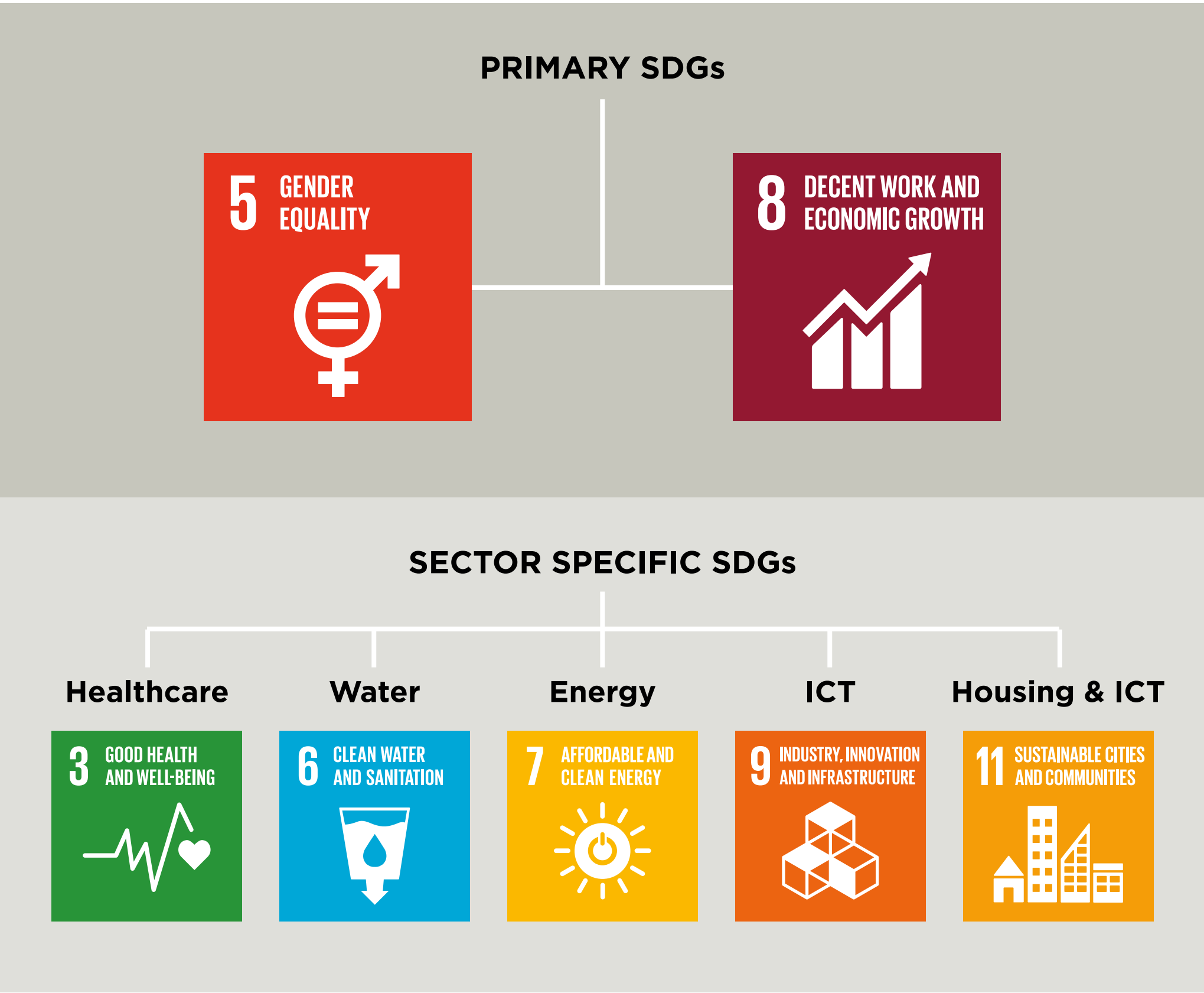
There is a significant opportunity for retirement fund trustees to gain a deeper understanding of infrastructure investment and its potential benefits, particularly in providing steady long-term returns and optimising the asset-liabilities ratio. We are eager to share our expertise in this area with boards of trustees, explaining the asset class and demonstrating how to include it in a balanced portfolio. This includes outlining its benefits and illustrating how it aligns with the changes to Regulation 28 of the Pension Funds Act.

ESG

Most readers will be aware of the backlash against ESG reporting, which had its roots in 2022 in the United States. The reasons are varied but relate in part to the challenge of obtaining the data to quantify impact as well as the practice of greenwashing, that is when companies falsely claim to be more environmentally friendly or socially responsible than they actually are.

Nonetheless, ESG reporting is not going away. On the contrary, a report presented by the World Economic Forum at the 2023 Davos Forum titled “Here’s why we must not lose sight of the importance of ESG despite the recent backlash”, firmly states the case for ESG and impact investing, pointing out that it is the consideration of non-financial information to enable better decisions that, if done properly, should lead to sustainable economic growth.

It is within this context that Mergence continues to invest in alignment with specific Sustainable Development Goals and refine the ESG process within the investment process in both our private and public markets teams. In 2023 we also commissioned a first-of-its kind report by EY to quantify the social impact generated by one of our investee companies, the affordable living company, Live Easy, as reported elsewhere in this impact report.





The macro forward picture

In February, the Finance Minister presented the 2024 Budget within the most challenging and difficult economic and socio-political environment, possibly since 1994. He had to strive for a delicate balance, tackling difficult fiscal choices after more than a decade of low growth. Given weak growth in the economy over the 2023/24 fiscal year, there was a substantial decline in gross tax revenue and a need for great investment by both the public and private sectors.

Infrastructure was again identified as a means of stimulating growth; over the next three years government plans to invest R943.8 billion in infrastructure. National Treasury has revealed the planned establishment of an infrastructure finance and implementation support agency during the 2024/25 fiscal year to coordinate the planning and preparation of large PPPs and to crowd in private-sector finance and expertise.

The authorities are proposing amendments to the PPP regulatory framework aimed at fostering increased utilisation of PPPs, particularly in sectors such as rail, ports, and water infrastructure. This initiative seeks to leverage private financing and capitalise on private-sector efficiencies. We welcome these amendments and encourage the authorities to maintain open dialogue and ongoing consultation with industry players.

Conclusion

There are many moving parts both globally and locally in the months ahead. 2024 is not just an election year. It's perhaps the election year. Globally, more voters than ever in history will head to the polls as at least 64 countries (plus the European Union)—representing a combined population of about 49% of the people in the world—are meant to hold national elections, the results of which, for many, will prove consequential for years to come. The other factor is the tragic ongoing conflict in parts of the world potentially impacting on markets.

At Mergence we will continue to hold steady, sticking to our tried and tested investment philosophy and process, following developments closely and continuing to invest for the benefit of our clients.

I trust you will find value in reading our latest Impact Report.

Sholto Dolamo

Managing Director

What happens when you dream big?

My first job was as a boy entrepreneur collecting bottles for recycling in Soweto where I stayed. Life happened and I had some wonderful opportunities, including the chance to do an MBA in the USA.

Along the journey, my dream has always been to establish a world-class African financial services enterprise overlooking the sea. Today, that dream is a reality. We invite you to visit us at the Cape Town Cruise Terminal in Cape Town.

We thank all those who have contributed to the ongoing growth of Mergence – clients and staff alike. I would also like to thank Sholto Dolamo for his excellent stewardship of Mergence Investment Managers.

Masimo Magerman

Non-Executive Chairman





MESSAGE FROM BRAD

Successful investing and sustainable business practices are influenced by various factors, including a diversified stream of income, teams with diverse skills and demographics and extensive experience. As a firm, we continue to cultivate and develop all these elements.

Our investment capability in public markets constitutes the mainstay of our overall capacity, boasting a robust team known for its thorough analysis and insightful media commentary.

Recognising the evolving needs of our clientele, we are expanding our retail offering to include a money market fund which was launched in January 2023, in addition to our traditional institutional business. This move aligns with the current market conditions, which favour fixed income, and reflects our aggressive expansion of this capability over the past 18 months.

As part of our global multi-asset portfolios and as a potential standalone offering for clients, in February 2024, we introduced the Mergence International Global Quant Equity Fund, a JSE-listed actively managed ETF (AMC). This fund draws allocations from our global balanced and CPI + 4% funds, aiming to outperform the MSCI World Index through a multi-factor quant approach. Despite being in its nascent stages, the fund has shown promising performance, surpassing its benchmark since inception.

Private markets, as emphasised elsewhere in this report, represent a significant and expanding capability for Mergence, with assets under management currently totalling approximately R4.5 billion.

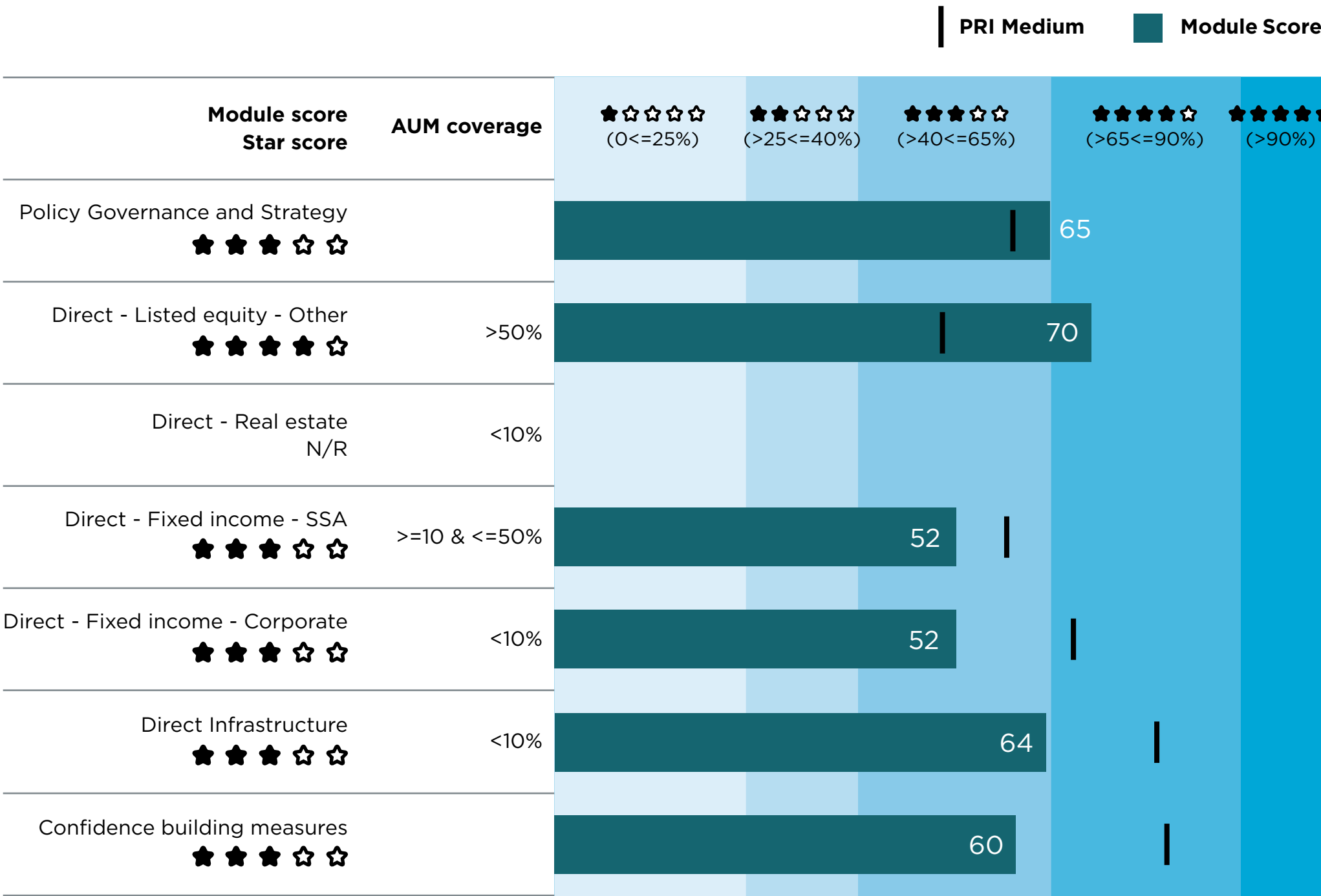
As a firm, and with myself as CIO, we actively seek synergies between public and private markets to foster cooperative efficiencies and drive innovation. For instance, seven years ago, we launched the Mergence Infrastructure & Development | Bond Composite Fund, an infrastructure-focused fund blended with a listed component for liquidity. Since its inception, this fund has consistently outperformed the ALBI benchmark by 0.9%.

Brad Preston
Chief Investment Officer



PRI assessment

As a committed signatory to the Principles for Responsible Investment (PRI), endorsed by the UN, we undergo a thorough annual evaluation to gauge our performance and identify areas for enhancement. In 2023, our scores in Policy Governance and Strategy, as well as Direct-Listed-Equity-Other, surpassed the PRI median, reflecting our dedication to responsible investment practices. Our scorecard is summarised as follows:



While we voluntarily completed the Fixed Income and Infrastructure sections of the PRI assessment, we acknowledge areas where our performance falls below the PRI median as opportunities for improvement, particularly as our AUM expand in these domains. This evaluation serves as a constructive impetus for our ongoing commitment to advancement in responsible investment principles.

Conclusion

Finally, I trust you are finding value in our weekly “Market Snippets,” where I analyse data to provide insights into market developments, macro-economic trends, and explore topical issues such as Rugby World Cup forecasts or election results.

Brad Preston
Chief Investment Officer





PUBLIC MARKETS

The public markets team has welcomed notable additions over the past year, accumulating a total of 145 years of collective experience.

Within the listed equity investment team, we are proud to introduce two female and one male investment professionals who have joined us during this period.

Malose Mamashela brings over a decade of industry experience as a qualified engineer with a degree in investment analysis from the University of Cape Town. She spearheads investment analysis and ESG integration within the Chemicals and Precious Metals equity sectors.

Returning to Mergence in June 2023, **Salome Maruma** serves as a senior equity analyst focusing on the Retail sector. Armed with a BCom Honours in Financial Management from the University of Pretoria and having successfully passed Level II of the CFA program, Salome brings nearly eight years of experience in the financial services industry, including roles at other local asset managers and UBS investment bank. Her reintroduction enriches our equities team with valuable knowledge and maintains gender balance.

Keagan Martin, who joined in September 2023 as a junior investment analyst, holds a BCom Honours in Finance & Investments degree and previously served as a client relationship manager at Mergence. With his qualifications, a keen interest in investments since his university days, and deep familiarity with our organisational culture, Keagan is well-suited for the investment analyst role. He will further our bottom-up equity research coverage and ESG assessment within the domestic Industrials sector.



Malose Mamashela



Salome Maruma



Keagan Martin



Peter Takaendesa
Head: Equities



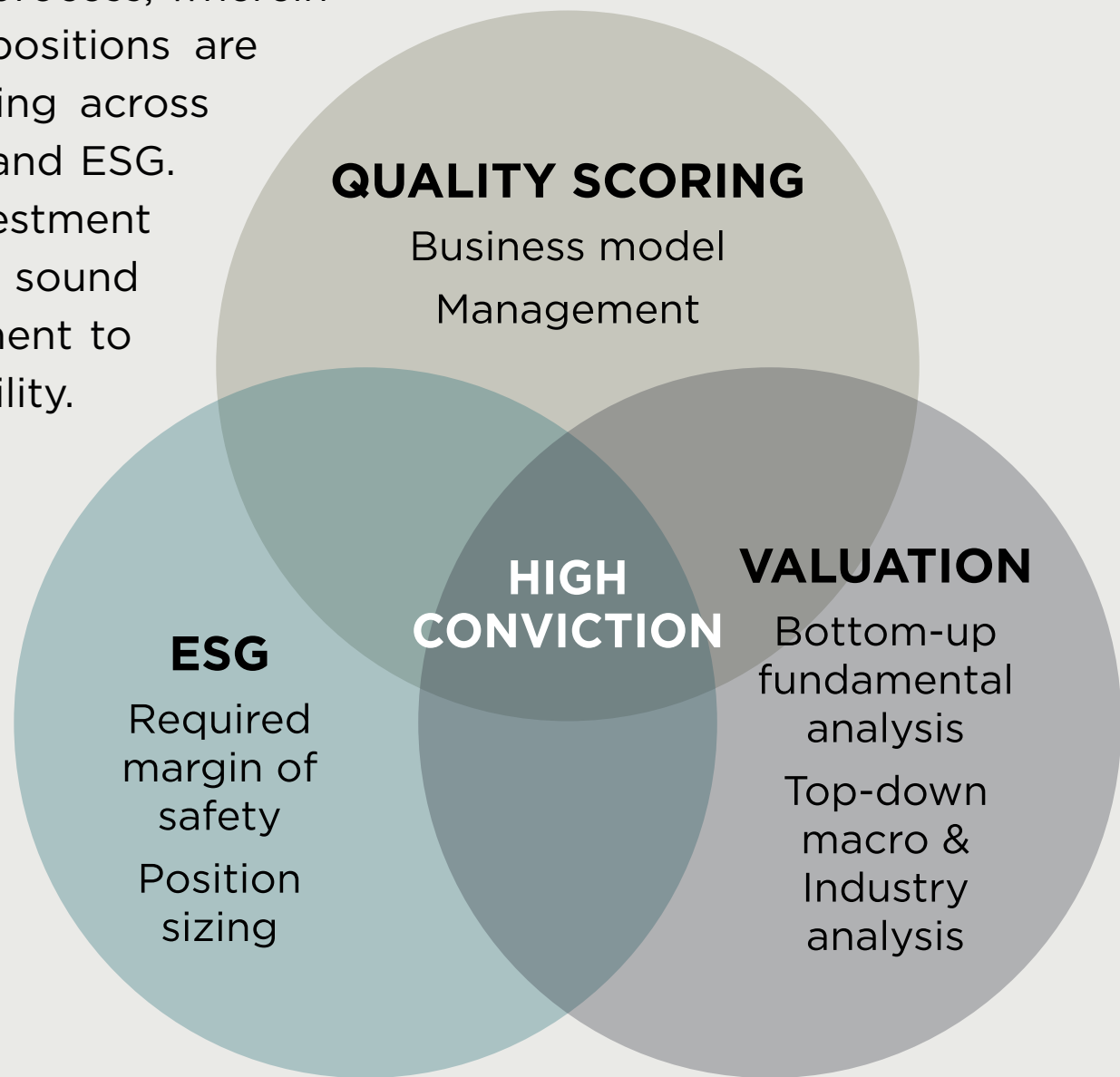
Investment philosophy & process

Over the years, our commitment to responsible investing and stewardship has remained steadfast. Guided by principles outlined in frameworks such as King IV and the PRI, we have consistently adhered to our investment philosophy and process.

Our investment philosophy is rooted in pragmatism, acknowledging that markets may not always efficiently reflect available information in the short term. This recognition enables us to capitalise on market inefficiencies and generate excellent investment returns, in line with our dedication to responsible investing.

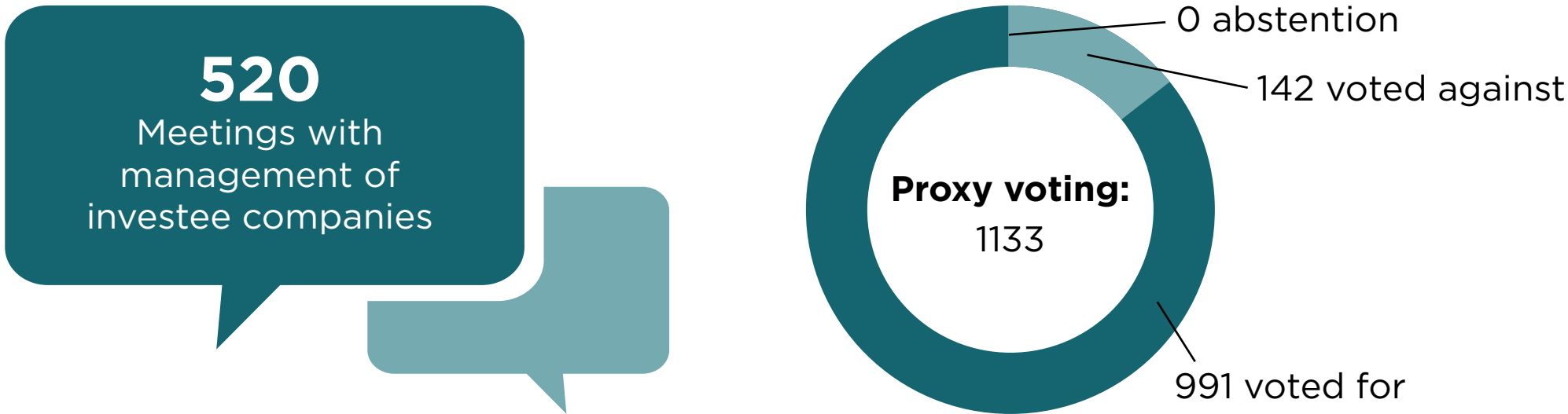
At Mergence, we recognise the diversity of investment approaches and styles over time. Our investment processes are meticulously designed to capture prevailing opportunities while integrating ESG considerations. We have refined our ESG process, infusing a responsible investing ethos throughout our investment approach, treating ESG factors as a separate pillar alongside Quality and Valuation.

Illustrated below is our investment process, wherein high-conviction ideas and active positions are identified through rigorous screening across all three pillars: Quality, Valuation, and ESG. This approach ensures that our investment decisions are not only financially sound but also aligned with our commitment to responsible investing and sustainability.



As detailed in our 2022 Impact Report, our ESG framework emphasises integration (as described above) and engagement with management. We actively participate in meetings with investee companies and exercise our voting rights at shareholder meetings on behalf of our clients. We believe that constructive dialogue with invested companies is more effective than exclusion from our investment universe. Should enhanced engagement fail to yield the desired change, we may explore alternative actions, including collaboration with other shareholders or, as a last resort, divestment and exclusion.

Snapshot of our engagement for 2023:



Refinement of the proxy voting process

We have enhanced our proxy voting policy to align with the latest best practices. Key updates include:

- Addition of granularity to considerations around non-executive director election, governance, and audit committee membership.
- More prescriptive requirements for voting on remuneration committee membership and non-binding resolutions.
- Updates to considerations regarding the placing of unissued shares under control of directors, allowing flexibility for management teams with proven capital allocation track records.

Our updated proxy voting policy is available upon request.

Peter Takaendesa

Head: Equities

CLIMATE-RELATED

In response to the heightened levels of loadshedding experienced in 2023, our engagement efforts over the past year have centred on climate change, particularly discussions regarding strategies to reduce reliance on Eskom coal-fired power through renewable and alternative energy projects.

> 10GW of renewable energy in SA likely to be operational by 2025		
Projects	Technology	MW
Sasol Air Liquide	Wind & Solar	1800
Anglo American	Wind & Solar	601
Seriti	Wind & Solar	450
Glencore	Solar	400
Tronox	Solar	200
Richards Bay Minerals	Solar	200
Sibanye Stilwater	Solar	175
Impala	Wind & Solar	150
African Rainbow Minerals	Solar	100
Rustenberg Platinum	Solar	100
Exxaro	Solar	80
Harmony	Solar	30
Amazon	Solar	10
Total private sector embedded generation		> 4.0 GW
Rooftop PV (Residential + Commercial / Industrial)		1.0 GW / year*
REIPPP BW 5		2.6 GW
REIPPP BW 6		1.0 GW
Energy imports / Karpowership		1.0 GW
Total		c. 10.0 GW

Source: Investec Securities

*likely to double by 2025





While our engagements have been numerous, we offer select examples below to provide insights into the breadth of topics covered:

Anglo American Group

(Anglo American, Anglo American Platinum, Kumba Iron Ore)



- Investment plans to decarbonise South Africa's grid with renewable energy projects
- Discussed and tracked progress on their partnership with EDF Renewables through the Envusa Energy joint venture, where they will be an offtaker through wheeling agreements.
 - More specifically, we gained a greater understanding of the joint venture as well as the potential and practical executability of the large 3GW to 5GW target, i.e., whether the plans are actually backed up by a detailed plan in areas with transmission points and substations.
 - We keenly follow their progress on the 1st phase 600MW target. 520MW is to come from three Koruson 2 projects – with off-takers being Amplats 461MW, Kumba Kolomela 11MW, and De Beers Venetia 48MW.
- We discussed and tracked progress on their behind-the-metre plans.
 - Anglo American Platinum is implementing 100 MW at Mogalakwena Mine, 125 MW at Amandelbult Complex, and 35 MW at Unki Mine.
 - Kumba Iron Ore is installing 65 MW at Sishen Mine.

Aspen Pharmacare



- We discussed their plans to reduce emissions and their aim to become off-grid by 2025 at their Eastern Cape manufacturing facility.
- In terms of emission reduction, they are transitioning steam production input from Heavy Fuel Oil to Biomass. This change will result in emissions dropping to less than 10% of the South African legal standard, reducing CO2 emissions by 8,500 tons per annum.
- Regarding energy security, they are implementing a Refuse Derived Fuel project. This 20MW plant is intended to make their entire site off-grid by 2025. The plant will utilise waste that would have otherwise been sent to landfill to replace Eskom coal-fired power. The waste collection supply chain should also have a positive impact on employment.



Sasol

- Ongoing engagement to assess progress and viability of plans to decarbonise operations, with a focus on South African operations through:
 - Renewable energy projects
 - Efforts to transform feedstock by reducing coal usage and incorporating gas, green hydrogen, and other renewables.

These engagements reflect our commitment to promoting sustainable practices and encouraging corporate responsibility among invested companies. We continue to advocate for initiatives that align with environmental stewardship and contribute to a more sustainable future.



PRIVATE MARKETS

The Mergence private markets offering continues to grow in size and importance, invested across a range of sectors, including affordable rental accommodation, clean energy, aquaculture, microfinancing, and water. Two new fund launches are propelling us into the next phase of growth. While executing on the growth agenda, we remain true to our philosophy of **creating sustainable shared value** for our clients, focusing on delivering a blend first and foremost of financial returns and secondly, social returns.

In South Africa, we have launched the Mergence Infrastructure and Development | Equity Fund II with a target size of R2 billion, following the success of Fund I, which has reached close. Our Fund II investments are guided by the megatrends we identify as most relevant and promising, including water & sanitation, and private power generation & supply. We expect the State to issue a Request for Proposals in the second half of 2024 for the private sector to assist with renewal and expansion of SA's grid infrastructure. A request for information was recently issued by a large metro in SA where Fund I's water assets, Silulumanzi and Siza Water, were lauded as examples of successful PPPs in the Water Sector. With our footprint in water, energy and digital infrastructure, we are very well placed to take advantage of these opportunities for our clients.

In Namibia, we are launching Fund II following Fund I, which is fully invested, and where we are harvesting the investments in the renewable energy and bulk servicing sectors. The target size for Fund II is N\$750 million, and the focus is shifted towards real assets.

Impact measurement - Our ESG management system (ESGMS) requires investee companies to provide regular and detailed data collection and statistics on the impact they generate. As a first-of-its-kind report in SA, together with our investee company Live Easy, we commissioned a report by EY to quantify the impact of this innovative affordable rental housing project.

We also show below what the Ejuva renewable energy plant in Namibia has achieved in terms of corporate social investment.

SAVCA award - One of our investee companies, Thusong Financial Services, which is a microlending company in Lesotho, was a finalist in the small companies category at the prestigious southern African Venture Capital and Private Equity Association (SAVCA) Awards held in May 2024.

Finally, in addition to our education campaign aimed at fostering a deeper understanding of infrastructure as an asset class for trustee and consultants, we continue to contribute to the debate by regularly speaking at conferences and sharing thought leadership through media channels including print, radio and television.



Kasief Isaacs
Head: Private Markets



Case Study | Private Markets

AFFORDABLE RENTAL ACCOMMODATION



There is a dire need in South Africa to provide affordable rental accommodation to the so-called gap market - those within the R10,000 to R20,000 monthly income bracket who require their own living space, which is safe and close to their place of work.

In 2022, Mergence invested in Live Easy via our Infrastructure & Development | Equity Fund. We identified Live Easy as a prime mover in offering people living in otherwise unsuitable or undesirable conditions a safe, secure, and well-managed living environment. The average rental is R3,500. We wrote about this unique project in the 2022 Mergence Impact Report.

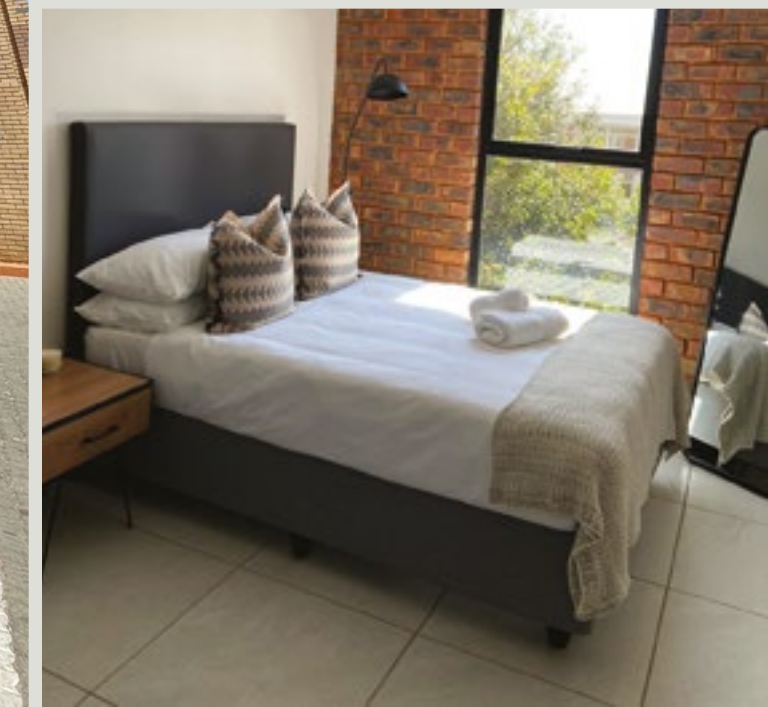
Obtaining adequate and standardised data for ESG investing poses a challenge, as it is crucial for investors to accurately measure the impact of their investments and avoid any accusations of greenwashing. In 2023, we successfully quantified Live Easy's impact by conducting a comprehensive analysis of its Social Return on Impact (SROI) through a research study commissioned with EY.

The impact

The EY report revealed that, on average, Live Easy's tenants were able to reduce their travel time and distance travelled to work by 50%, their carbon footprint related to transport by 71%, and increase their savings by 132% since moving into Live Easy's buildings.

By calculating the potential SROI, Mergence can report back in detail to its investor clients, and Live Easy can positively demonstrate how its affordable housing solutions provide numerous social and financial benefits to tenants beyond just providing accommodation.

Importantly, the study allows us to move forward into further growth measured against a baseline and armed with an improved understanding of various growth drivers.



More about Live Easy

Live Easy, co-founded by entrepreneurs James Huff and Jeffrey Froom 12 years ago, stands as one of South Africa's leading affordable housing rental lifestyle brands. Currently, it boasts 4,500 units across 10 sites in Gauteng, with an additional 1,500 units under development across 16 buildings, aiming for national expansion. The company identifies housing opportunities by repurposing underperforming real estate buildings to provide affordable homes, known as "nanos," averaging 18m², equipped with essential amenities like a kitchenette and bathroom. Situated near transport nodes and business hubs, Live Easy offers 24/7 security, biometric access, workspaces with WiFi, lounges, playgrounds, retail shops, and more, making it especially appealing to young women who constitute 60% of its tenant profile.

MICROFINANCE



Mergence is invested in Thusong Financial Services, a regulated microfinance organisation based in Lesotho, where it is estimated that Thusong is currently the third-largest microlender. It is the first locally owned (67% local) microlender of this size, with market share estimated at 7.5% from 1% less than 24 months ago. The company has ambitions to become a regional player and has sent expressions of interest to eSwatini, Botswana, and Namibia-based companies for potential acquisitions.

Thusong was created with the aim of providing financial inclusion to individuals who are unable to fully access financing from the major commercial banks. The company's focus is on providing social impact loans that help improve the lives of their clients. These payroll-based products include incremental housing, education, and healthcare loans.

The impact

Since our investment, Thusong Financial Services has experienced significant growth, with its loan book expanding from R5 million to R94 million, and it is projected to reach R132 million by the end of 2024. The number of active clients has surged from 271 in June 2021 to 2,148 to date, with only three formal complaints registered since the company's inception. This growth has also led to the creation of 45 new jobs, including key roles such as Finance Manager, Marketing Manager, Team Leaders, and agent positions. Moreover, a mobile loan origination application has been developed, enabling agents to initiate loans remotely, enhancing accessibility and efficiency in service delivery.



Mergence has implemented impact metrics that Thusong reports on every year. These metrics are designed to ensure that the company has ESG targets:



Social - Specifically, we monitor the loan book to ensure that 80% of the loans are dedicated to impact lending such as incremental housing, healthcare, and education financing.



Environmental - Thusong has organised a cleaning campaign aimed at inspiring and empowering communities to clean up, fix up, and conserve their environment themselves. It also practises prudent recycling methodologies in all its branches.



Governance - To address gaps in governance and management, significant changes have been made at Thusong over the past 23 months. A well-functioning Board of Directors was introduced to provide strategic expertise and support to the Managing Director, who has since implemented key governance changes to shift the company from a family business to a corporate model.



Case Study | Private Markets

RENEWABLE ENERGY – COMMUNITY BENEFITS

Mergence Unlisted Investment Managers (Namibia) has been invested and actively involved in the Ejuva One and Ejuva Two solar plants in Gobabis, Namibia, since 2018, as part of the Namibian Feed-in Tariff programme (REFIT programme).

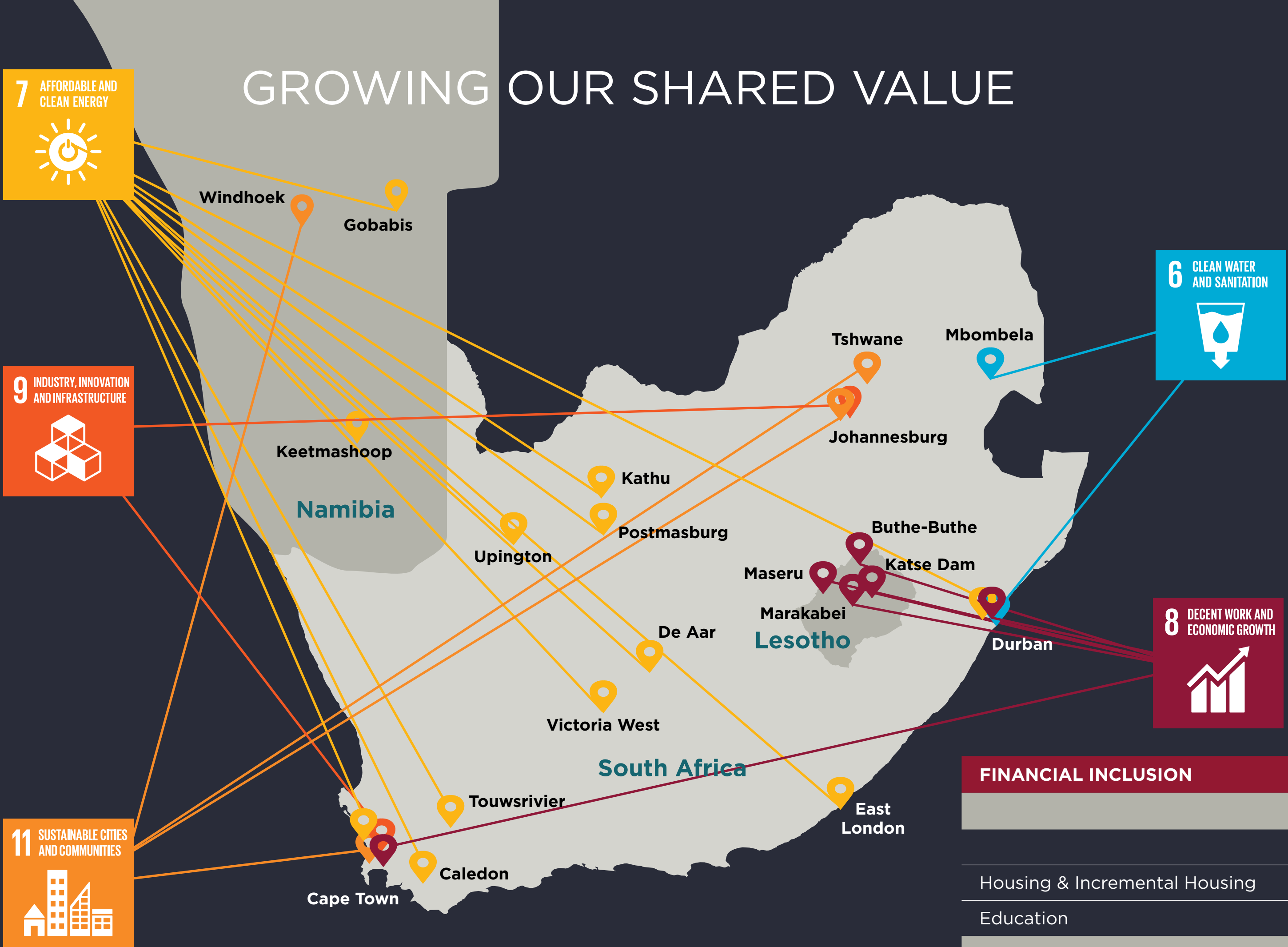
Our investment mandate includes monitoring and reporting on the projects' community impact. In December 2023, the Office of the Mayor of Gobabis organised a cleaning day for the local Old Age Home in Epako, supported by these solar projects.

This initiative aimed to provide essential supplies and improve living conditions for the elderly residents, while also honouring their contributions to the community. Additionally, Ejuva One and Ejuva Two contributed mattresses and funding for a Christmas lunch for the home's beneficiaries on 9 December 2023, further demonstrating the commitment to supporting the well-being of the local community.



GROWING OUR SHARED VALUE

CLEAN ENERGY	
Total	
Installed capacity (MW)	101 097
Greenhouse gas emission avoided (tonnes)	487 990
DIGITAL INFRASTRUCTURE	
Number of internet users/customers (total)	13 879
Increase in number of internet users/customers	1 743
Extension of fibre network coverage	1 001
Existing areas already serviced	11
New areas not serviced previously	3 129
AFFORDABLE HOUSING	
Tenants (all)	1 900
Occupancy rate	97%
Gender	
Male	42%
Female	58%
Age	
<20	23%
21-25	47%
26-35	15%
>35	15%
Income of tenants	
R5k-R10k	26%
R10k-R15k	33%
R15k-R20k	12%
R20k-R25k	21%
>R25k	9%



EMPLOYMENT		
Direct jobs	Sustained	7828
	New	1072
Indirect jobs		2095



WATER	
System capacity (KI)	48 803 600
Volume supplied (KI)	35 486 555
Water loss relative to total disbursed	9.5%
Wastewater (total volume)	
Water treated	14 218 668
Water available for reuse	54%
Client base	
Total	30 851
Increase (new clients)	2 271
Indigent clients served	12 814
Indigent communities served (increase)	2

FINANCIAL INCLUSION		
	Applications approved	Loan book
	9 472	646 225 305
Housing & Incremental Housing	45%	44%
Education	56%	58%
Client profile		
Customers (all)	12 060	
Female	49%	
Youth	19%	

PROCUREMENT	
Total procurement from domestic/local suppliers	60%

EMPOWERMENT AND TRANSFORMATION

Mergence has made transformation a top priority since its inception. As one of the early adopters of full diversity representation among asset managers in South Africa, our commitment to transformation remains steadfast. While achieving level 1 BEE verification, we view the Financial Sector Charter not as a mere checkbox exercise but as a valuable tool to guide our journey.

We have consistently been at the forefront of advocating for transformation within the asset management sector. We are dedicated to building upon our past achievements, with a special emphasis on empowering women, thereby contributing to the national goal of increased female empowerment.

Following on the transaction with Harith General Partners and Shandurwa, the only changes within our business were at the Board level. The new Board* comprises of the following members:



Sholto Dolamo
Managing Director



Fabian de Beer
Director



Masimo Magerman
Non-Executive Chairman



Lizeka Matshekga
Non-Executive Director



Tshepo Mahloele
Non-Executive Director



Sipho Makhubela
Non-Executive Director



Nyonga Fofeng
Non-Executive Director

**One final member from Shandurwa is currently being vetted for addition*



Our Executive Committee remains as is:

STRATEGY	CLIENTS	INVESTMENTS	OUR PEOPLE	FINANCE
Sholto Dolamo Managing Director	Semoli Mokhanoi Director SADC & Head: BD & Marketing	Bradley Preston Chief Investment Officer	Karen Wagner HR Executive	John Afordofe Chief Financial Officer
BSc (Chemistry), B Tech (Ceramic Science), MSc (Engineering), MBA	BCom (Accounting), BCom Hons (Fin Planning), MBA (Strategy)	BSc Hons, MSc (Financial Mathematics)	Diploma (HR Mgmt, Bookkeeping & Practical Accounting)	BCom (Accounting), PG Dip (Accounting), CA
2 years with Mergence; 18 years industry experience	7 years with Mergence; 23 years industry experience	19 years with Mergence; 19 years industry experience	10 years with Mergence; 34 years industry experience	6 years with Mergence; 12 years industry experience

Current score per element

Element	Actual Score	Target Score
Ownership	18.00	25
Management Control	16.17	20
Skills Management	15.72	23
Enterprise & Supplier Development	40.57	43
Socio-Economic Development	8.00	8
Total Score	98.46	119
LEVEL	1	



TOTAL STAFF
81% black (50% black female)



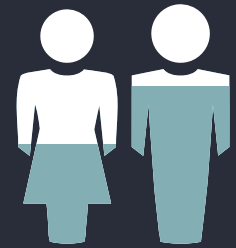
OWNERSHIP
78% black (6.3% black female)



BOARD MEMBERS
100% black (14% black female)



EXEC & SENIOR MANAGEMENT
80% black (20% black female)



INVESTMENT PROFESSIONALS
73% black (32% black female)



CORPORATE SOCIAL INVESTMENT

Mergence prioritises creating sustainable shared value and supporting disadvantaged communities through our Corporate Social Investment policy. Aligned with our strategic vision, our CSI initiatives aim to improve lives, nurture communities, and build lasting relationships with stakeholders. We focus on education, poverty alleviation, and skills development, alongside environmental conservation, job creation, and cultural programmes. Financial assistance targets organisations serving disadvantaged communities and promoting sustainability. We foster employee involvement in project selection and participation, ensuring alignment with our corporate objectives and community needs.

Transforming lives through education and sport

We have joined forces with Ubuntu Football Academy to create a significant difference in the lives of young talents, placing a strong emphasis on education and sports development. Through our partnership, we have extended bursaries to seven scholars enrolled in Ubuntu Football Academy's dual-career programme, and we are delighted to share that all seven scholars successfully completed their studies in 2023.

We recognise the importance of nurturing holistic development. Ubuntu Football Academy's unique approach combines elite soccer coaching with access to quality education and comfortable living arrangements. With our support, the bursary holders now have the opportunity to pursue their soccer aspirations while receiving a well-rounded education.

Our collaboration extends beyond financial assistance. In September 2023, Mergence and Ubuntu Football Academy co-hosted the inaugural Ubuntu Football Fundraiser, a day of festivities and competitive soccer matches at the Century City Fives Futbol Courts in Cape Town. This event brought together industry peers and asset managers, fostering unity while raising awareness and support for our shared mission.

Looking ahead to October 2024, we eagerly anticipate the next Ubuntu Football Fundraiser, building upon the success of the inaugural event. Through these initiatives, Mergence aims to strengthen community ties and uphold the transformative potential of education and sports.



Ronel Bantjes
Head: Marketing & PR





THE MERGENCE SUSTAINABILITY JOURNEY

Mergence has embarked on a sustainability journey, with our headquarters located at the Cape Town Cruise Terminal in the V&A Waterfront. As a premier destination, the V&A has stringent sustainability policies in place for tenants, which we fully adhere to.

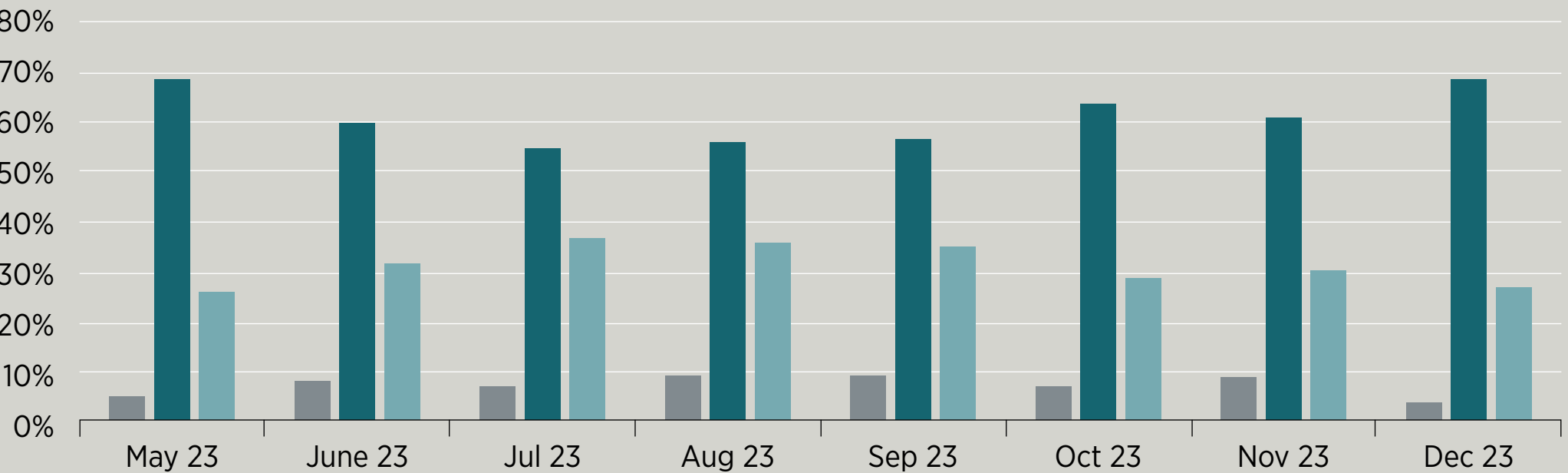
Waste recycling

Our staff actively participate in recycling, utilising the designated bins within our office premises. Our dedicated office support team is responsible for transferring all recyclables to the common area refuse room where the necessary wheelie bins and informative posters guide users in proper waste separation:



All the collected waste is transported to the V&A Waste Recovery and Recycling Centre for further sorting and disposal. This on-site facility is designed to handle up to 1,000 tons of waste each month.

Our waste disposal service provider meticulously records waste volumes and tracks all movements by category on-site. This data aids in measuring the V&A’s carbon footprint, with a summary of waste collected from the Cruise Terminal shared between Mergence and other tenants.



	May 23	June 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23
Recyclable	5%	8%	7%	9%	9%	7%	9%	4%
Recovered	69%	60%	55%	56%	57%	64%	61%	69%
Landfill	26%	32%	37%	36%	35%	29%	30%	27%

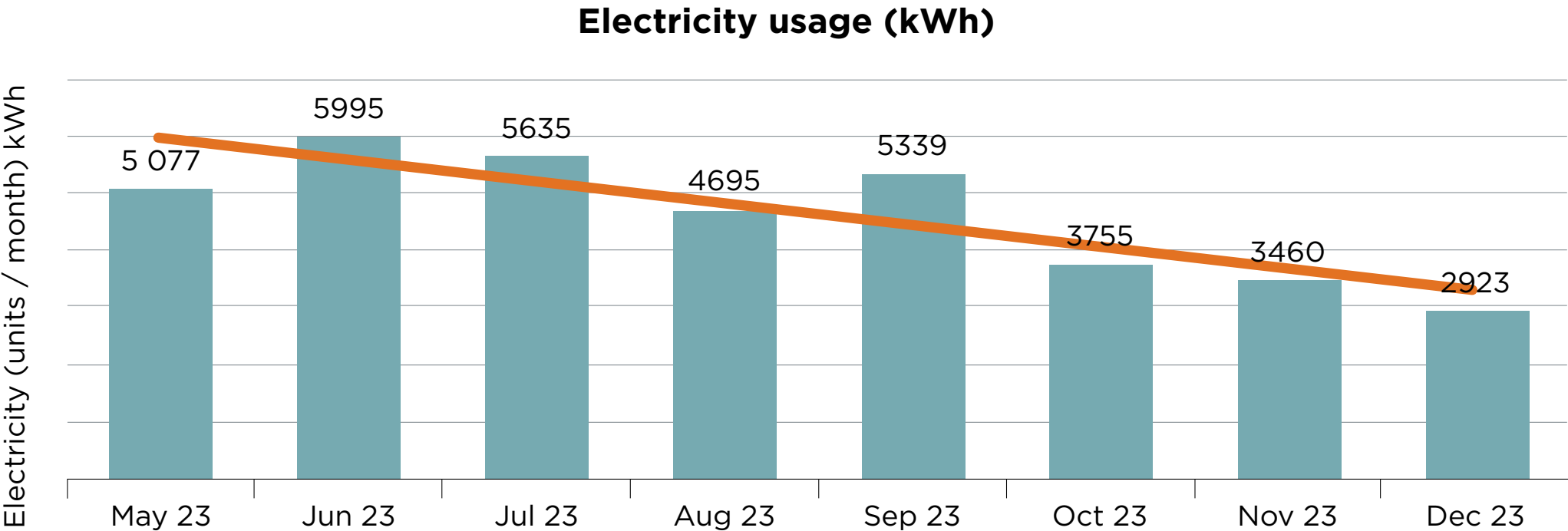
From May to December 2023, the data indicates that recycling accounted for 7%, recovery¹ of 61% and landfill waste for 32% of the total waste collected.

¹ Recovered waste encompasses materials diverted from landfill and processed for reuse, composting, or energy conversion, including organic waste and recyclables.



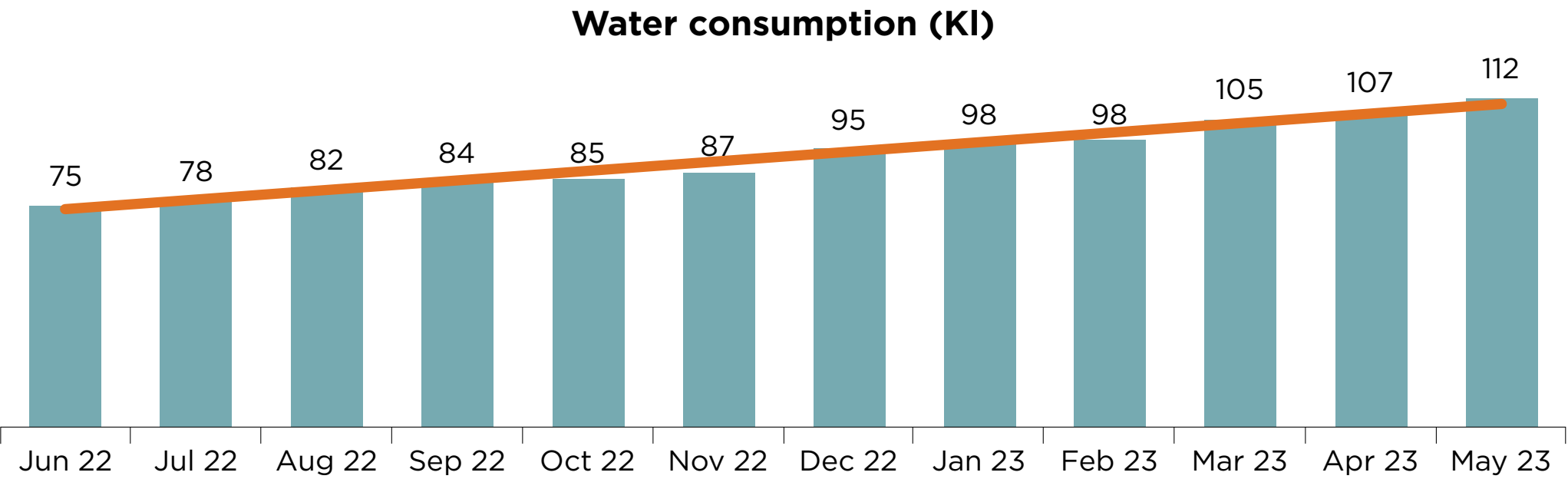
Electricity usage

In our Cape Town offices, we enjoy a dedicated Transnet electricity supply area, safeguarding our operations from the impacts of loadshedding. To foster energy conservation, we encourage our staff to switch off lights, air conditioners, and computers when leaving the office. Additionally, we've deployed an automated power-off system for our central air conditioning unit, set to deactivate at 19:00 daily, enhancing our energy efficiency efforts. The electricity consumption of the Cape Town Cruise Terminal from May 2023 to December 2023 indicates an overall decline, as depicted in the graph below.



Water usage

We are committed to reducing water consumption through various practices, including the use of disposable crockery and employing a dishwasher for cutlery and remaining dishes. However, we have observed a noticeable increase in our water usage during specific months, particularly during the cruise ship season at the Cruise Terminal. This season typically begins around November and extends until May of the following year, leading to heightened water usage during this period.



Carbon neutrality

For many years now we have commissioned a reputable third party, GreenEdge, to measure in detail and report on our carbon footprint.

We maintain our commitment to monitoring our carbon footprint, aligning with the international Greenhouse Gas (GHG) Protocol, which categorises emissions into three scopes:

- **Scope 1:** Direct GHG emissions, including self-generated energy
- **Scope 2:** Indirect GHG emissions stemming from our use of purchased electricity, heat, or steam
- **Scope 3:** Other indirect emissions, such as those from material and fuel extraction, outsourced activities, waste disposal, and more.

The table below provides the carbon emissions calculated for Mergence Investment Managers’ offices in Cape Town, Johannesburg, Windhoek, and Maseru for the May 2023 to December 2023 period².

Description	CO2e Kg
Scope 2: Office electricity usage	-23,036
Scope 3: Flights	112 034
Scope 3: Staff commuting	27 033
Scope 3: Car rental	23 193
Total carbon emissions to be offset for the 2023 period	139 224

¹ The reporting period is shorter as we are amending our reporting period going forward to be calendar years.

Noteworthy observations made during the assessment:

- GreenEdge confirmed that there are no outstanding offsets for the period reported.
- The carbon emissions calculations for the period May 2023 to December 2023 include 23,036 kg CO2e from office electricity usage. Historical data errors were corrected, resulting in adjustments to previous reporting periods. The net balance, after corrections, requires a credit of 23,036 kg CO2e.
- Air travel emissions amounted to 112,034 kg CO2e for the period, with a slight increase in per-passenger kilometre emissions due to changes in flight types.
- Staff commuting contributed 27,033 kg CO2e, considering various transportation modes and accounting for remote workdays.
- Car rental emissions totaled 23,193 kg CO2e, with data provided by Avis and Flight Centre showing consistent emission factors.

As in previous periods, we anticipate partnering with Credible Carbon to offset our emissions, likely through the Kuyasa project, which provides low-carbon housing in Khayelitsha, Western Cape. The project benefits households, promotes local job creation, reduces air pollution, and supports community development initiatives with carbon credit revenue.

John Afordofe
Chief Financial Officer

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