PRI Principles for Responsible Investment

RI TRANSPARENCY REPORT

2013/14

Mergence Investment Managers

UNEP Finance Initiative Changing finance, financing change | United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the PRI website, ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2013-14 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six Principles for Responsible Investment. It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted. This results in some Principles not being explicitly highlighted. For instance, Principle 1 and 2 cannot be implemented without implementing Principle 3, but there are cases when Principle 3 is not explicitly highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
🏳	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

PRI disclaimer

This document is based on information reported by signatories and responses have not been independently audited by the PRI Secretariat, PRI working groups, or any other third party. While this information is believed to be reliable, no representations or warranties are made as to its accuracy and no responsibility or liability can be accepted for any error or omission.

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Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	n/a							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Segregated mandates or pooled funds	🔒	n/a							✓
OO 08	Breakdown of AUM by market	✓	Private							✓
OO 09	Additional information about organisation	✓	Private							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	Public							✓

Overarching Approach				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OA 01	RI policy and other guidance documents	✓	Public							✓
OA 02	Publicly available policies / documents	✓	Public						✓	
OA 03	Policy components and coverage	✓	Public	✓	✓					
OA 04	Conflicts of interest	✓	Public							✓
OA 05	RI goals and objectives	✓	Public							✓
OA 06	Main goals/objectives this year	✓	Private							✓
OA 07	Governance, management structures and RI processes	✓	Private							✓
OA 08	RI roles and responsibilities	✓	Public							✓
OA 09	RI in performance management, reward and/or personal development	✓	Private							✓
OA 10	Collaborative organisations / initiatives	✓	Public				✓	✓		
OA 11	Promoting RI independently	✓	Public				✓			
OA 12	Dialogue with public policy makers or standard setters	✓	Private				✓	✓	✓	
OA 13	ESG issues in strategic asset allocation	✓	Private	✓						
OA 14	Allocation of assets to environmental and social themed areas	✓	Private	✓						
OA 15	ESG issues for internally managed assets not reported in framework	✓	Private							✓
OA 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
OA 17	RI/ESG in execution and/or advisory services	🔒	n/a	✓	✓					
OA 18	Innovative features of approach to RI	✓	Private							✓
OA 19	Internal and external review and assurance of responses	✓	Private							✓

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Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Private	✓						
LEI 02	Description of ESG incorporation	✓	Private	✓						
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Private	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Private	✓						
LEI 06	Types of screening applied	🔒	n/a	✓						
LEI 07	Processes to ensure screening is based on robust analysis	🔒	n/a	✓						
LEI 08	Processes to ensure fund criteria are not breached	🔒	n/a	✓						
LEI 09	Types of sustainability thematic funds/mandates	✓	Public	✓						
LEI 10	Description of ESG integration	✓	Private	✓						
LEI 11	Review ESG issues while researching companies/sectors	✓	Public	✓						
LEI 12	Processes to ensure integration is based on robust analysis	✓	Private	✓						
LEI 13	Aspects of analysis ESG information is integrated into	✓	Private	✓						
LEI 14	ESG issues in index construction	🔒	n/a	✓						
LEI 15	How ESG incorporation has influenced portfolio composition	✓	Private	✓						
LEI 16	Incorporation of ESG issues has improved financial/ESG performance and reduced risk	✓	Private	✓						
LEI 17	Examples of ESG issues that affected your investment view / performance	-	n/a	✓						
LEI 18	Disclosure of approach to ESG incorporation	✓	Public		✓				✓	

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PRI Principles for Responsible Investment

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Private		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising engagement activities	🔒	n/a		✓					
LEA 06	Objectives for engagement activities	🔒	n/a		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Private	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Private		✓					
LEA 12	Engagements on E, S and/or G issues	✓	Private		✓					
LEA 13	Companies changing practices / behaviour following engagement	-	n/a		✓					
LEA 14	Examples of ESG engagements	✓	Private		✓					
LEA 15	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 16	Description of approach to (proxy) voting	✓	Private		✓					
LEA 17	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 18	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 19	Confirmation of votes	✓	Private		✓					
LEA 20	Securities lending programme	✓	Private		✓					
LEA 21	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 22	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 23	Proportion of ballot items that were for/against/abstentions	✓	Private		✓					
LEA 24	Shareholder resolutions	-	n/a		✓					
LEA 25	Examples of (proxy) voting activities	✓	Private		✓					
LEA 26	Disclosing voting activities	✓	Public		✓				✓	

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PRI Principles for Responsible Investment

Mergence Investment Managers

Reported Information

Public version

Organisational Overview

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PRI Principles for Responsible Investment

Basic Information

OO 01 | Mandatory | Gateway/Peering | General

OO 01.1 Select the services you offer.

☑ Fund management

% of assets under management (AUM) in ranges

- ○ <10%
- ○ 10-50%
- ◉ >50%

☐ Fund of funds, manager of managers, sub-advised products

☐ Other, specify

☐ Execution and advisory only services

OO 02 | Mandatory | Peering | General

OO 02.1 Select the location of your organisation's headquarters.

South Africa

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- ◉ 1
- ○ 2-5
- ○ 6-10
- ○ >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

23

OO 03 | Mandatory | Descriptive | General

OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- ○ Yes
- ◉ No

OO 04 | Mandatory | Gateway/Peering | General

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PRI Principles for Responsible Investment

OO 04.1 Indicate the year end date for your reporting year.

31/08/2013

OO 04.2 Indicate your total AUM at the end of your reporting year.

	trillions	billions	millions	thousands	hundreds
Total AUM		11	475	764	632
Currency	ZAR				
Assets in USD		1	111	128	548

OO 04.3 Indicate the level of detail you would like to provide about your asset class mix.

◉ Approximate percentage breakdown to the nearest 5% (e.g. 45%)

○ Broad ranges breakdown (i.e. <10%; 10-50%; >50%)

OO 06 | **Mandatory** | **Descriptive** | **General**

OO 06.1 To contextualise your responses to the public, indicate how you would like to disclose your asset class mix.

◉ Publish our asset class mix as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	69.15	0
Fixed income – corporate	7.66	0
Fixed income – government	1.59	0
Fixed income – other	7.16	0
Private debt	0	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	2.64	0
Hedge funds	0	0
Forestry	0	0

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Farmland	0	0
Inclusive finance	0	0
Cash	11.8	0
Other (1), specify	0	0
Other (2), specify	0	0

○ Publish our asset class mix as broad ranges

○ Publish our asset class mix as per attached file (the following image formats can be uploaded: .jpg, .jpeg, .png,.bmp and .gif)

Gateway asset class implementation indicators

OO 10 | **Mandatory** | **Gateway** | **General**

OO 10.1 Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.

☑ We incorporate ESG issues into investment decisions on our internally managed assets

☑ We engage with companies on ESG issues via our staff, collaborations or service providers

☑ We cast our (proxy) votes directly or via service providers

☐ None of the above

OO 11 | **Mandatory** | **Gateway** | **General**

OO 11.1 Indicate if in the reporting year you incorporated ESG issues into your investment decisions and/or your active ownership practices in the following internally managed asset classes.

☐ Fixed income – corporate

☐ Fixed income – government

☑ Fixed Income – other

☐ Commodities

☐ Cash

☐ None of the above

OO 11.3 Additional information. [Optional]

The majority of our assets under management are in listed equities, and this is thus where the majority of the incorporation of ESG issues into our investment decisions takes place. This is also where you would see our active ownership practices.

OO 12 | **Mandatory** | **Gateway** | **General**

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OO 12.1	The modules and sections that you will be required to complete are listed below. They are based on the percentages provided in your AUM breakdown and your responses to the gateway indicators. Note, you are only required to report on asset classes that represent 10% or more of your AUM. You may report voluntarily on any applicable modules or sections by selecting them from the list. Direct - Fixed Income and Infrastructure are always voluntary.

Core modules

☑ Organisational Overview

☑ Overarching Approach (including assets which do not have a separate module)

RI implementation directly or via service providers

Direct - Listed Equity incorporation

☑ Listed Equity incorporation

Direct - Listed Equity active ownership

☑ Engagements

☑ (Proxy) voting

Closing module

☑ Closing module

Note: Please make sure your response to this indicator is complete and confirmed before you progress. Your response will determine which tailored modules and sections you will be presented with.

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PRI Principles for Responsible Investment

Mergence Investment Managers

Reported Information

Public version

Overarching Approach

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PRI Principles for Responsible Investment

Responsible investment policy

OA 01	Mandatory	Gateway/Core Assessed	General

OA 01.1 Indicate if you have a responsible investment policy.

- ○ Yes
- ◉ No

OA 01.2 Indicate if you have other guidance documents or more specific policies related to responsible investment.

- ◉ Yes
- ○ No

OA 01.3 Provide a brief description of the key elements of your responsible investment policy or, if you do not have a policy, of your overall approach to responsible investment. [Optional]

ESG forms an intrinsic part of our investment ethos and thus of our investment philosophy / approach. It is embedded in our investment process as follows:

- Regular carbon screening and update of listed companies
- Conscientious proxy voting in the best interest of our clients, taking into account ESG issues (the triple bottom line)
- Active engagement with companies (by letter or in person) on ESG matters as appropriate

It inherently forms part of our qualitative risk assessment and scoring in determining the business risk of a company and thus its bearing on the cost of capital (WACC).

Specifically within our product offering, we have a range of impact and SRI Funds, notably:

- Mergence ESG Equity Fund
- Mergence High Impact Debt Fund
- Mergence SRI Fund
- Mergence Renewable Energy Debt Fund

OA 02	Mandatory	Core Assessed	PRI 6

OA 02.3 Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- ◉ Yes
  - ○ Yes, all
  - ◉ Yes, some

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OA 02.4	List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

Policy or document name	URL
Conflicts of Interest Policy	http://www.mergence.co.za/media/5330/conflicts%20of%20interest_published%20june2012.pdf
Corporate Governance Policy	http://www.mergence.co.za/media/10961/corporate%20governance%20and%20proxy%20voting%20policy%20(march%202014).pdf
Proxy Voting Policy	http://www.mergence.co.za/media/10961/corporate%20governance%20and%20proxy%20voting%20policy%20(march%202014).pdf

○ No

OA 03	Mandatory	Core Assessed	PRI 1,2

OA 03.1	Indicate the components/types and coverage of your responsible investment policy and guidance documents.

Select all that apply

Policy components/types	Coverage by AUM
☐ Policy setting out your overall approach ☑ (Proxy) voting policy ☑ Engagement/active ownership policy ☑ Specific guidelines on corporate governance ☐ Specific guidelines on environmental issues ☐ Specific guidelines on social issues ☐ Asset class-specific guidelines ☐ Screening/exclusion policy ☐ Other, specify ☐ Other, specify	◉ Applicable policies cover all AUM ○ Applicable policies cover a majority of AUM ○ Applicable policies cover a minority of AUM

OA 04	Mandatory	Core Assessed	General

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PRI Principles for Responsible Investment

OA 04.1	Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

◉ Yes

OA 04.2	Describe your policy on managing potential conflicts of interest in the investment process. [Optional]

A conflict of interest is a situation in which the interests of Mergence or of its associates, in the exercise of its activities, and the interests of its clients, are directly or indirectly in competition, and which could significantly prejudice the client's interests. This notion concerns Mergence in its capacity as an investment management company, all individuals working for Mergence (employees, associates, service providers, etc.), and the Mergence Africa Holdings Group. A conflict of interest may occur in the provision of an investment service (management under mandate, fund management and advisory services). A conflict of interest may be recognised (actually identified) or potential (conceivable).

Conflict of interest situations that could prejudice a client may take a variety of forms, whether or not Mergence suffers any financial loss and independently of whether the actions or the motivations of the employees involved are intentional. At least five types of situation are defined by Mergence to help determine whether a potential conflict of interest situation might occur:

- Mergence or an employee will realise a financial gain or avoid a potential loss at the client's expense,
- The interest of Mergence or an employee may be different from the client's interest;
- Mergence or an employee exercises the same professional activity as the client;
- Mergence or an employee is induced to favour one client over another (whether for financial reasons or otherwise);
- Mergence, or an employee will gain an advantage (financial or in kind) from a third party or another FSP in the execution of the service conducted on behalf of the client.

Mergence has identified specific potential conflicts of interest in relation to its activities. These may be encountered by Mergence or its associates when they deliver their services to clients. For each situation, Mergence has analysed whether the risk is actual or potential for one or more of its clients. To handle potential or actual conflict of interest situations, Mergence may:

- Conduct the transaction while, given the conflict of interest generated by it, implementing procedures that enable appropriate management of the situation in order to avoid damaging the interests of the client in question;
- Avoid conducting the transaction that would potentially generate a conflict of interest;
- Inform the client in the event that certain conflicts of interest cannot be properly handled and communicate the necessary information about the type and origin of the conflict of interest to the client, so that the client can make a fully informed decision regarding the proposed transaction.

○ No

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PRI Principles for Responsible Investment

Objectives and strategies

OA 05	Mandatory	Gateway/Core Assessed	General

OA 05.1 Indicate if your organisation sets objectives for its responsible investment activities.

- ◉ Yes

  OA 05.2 Indicate how frequently your organisation sets or revises objectives for responsible investment.

  - ◉ At least once per year
  - ○ Less than once per year

  OA 05.3 Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.

  - ◉ Quarterly
  - ○ Biannually
  - ○ Annually
  - ○ Every two years or less
  - ○ It is not reviewed

- ○ No

Governance and human resources

OA 08	Mandatory	Gateway/Core Assessed	General

OA 08.1 Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

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PRI Principles for Responsible Investment

	Roles present in your organisation

☑ Board members or trustees

- ☑ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- ☑ Oversight/accountability for responsible investment
- ☐ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ Other Chief-level staff or head of department, specify

☑ Portfolio managers

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Investment analysts

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☑ Dedicated responsible investment staff

- ☐ Oversight/accountability for responsible investment
- ☑ Implementation of responsible investment
- ☐ No oversight/accountability or implementation responsibility for responsible investment

☐ External managers or service providers

☐ Other role, specify

☐ Other role, specify

OA 08.2	Indicate the number of dedicated responsible investment staff your organisation has. [Optional]

	Number

3

Promoting responsible investment

OA 10	Mandatory	Core Assessed	PRI 4,5

OA 10.1	Indicate if your organisation is a member of and/or participant in any collaborative organisation or initiatives that promote responsible investment.

◉ Yes

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OA 10.2	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.

Select all that apply

☐ Asian Corporate Governance Association
☐ Association for Sustainable & Responsible Investment in Asia
☐ Australian Council of Superannuation Investors
☐ CDP Climate Change
☐ CDP Forests
☑ CDP Water

	Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic
☐ Moderate
☐ Advanced

	Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are members of the Carbon& Water Disclosure Projects.

☐ CFA Institute Centre for Financial Market Integrity
☐ Council of Institutional Investors (CII)
☐ Eumedion
☐ Extractive Industries Transparency Initiative (EITI)
☐ Global Investors Governance Network (GIGN)
☐ Global Real Estate Sustainability Benchmark (GRESB)
☐ Institutional Investors Group on Climate Change (IIGCC)
☐ Interfaith Center on Corporate Responsibility (ICCR)
☐ International Corporate Governance Network (ICGN)
☐ Investor Group on Climate Change, Australia/New Zealand (IGCC)
☐ Investor Network on Climate Risk (INCR)/CERES
☐ Local Authority Pension Fund Forum
☑ Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic
☐ Moderate
☐ Advanced

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PRI Principles for Responsible Investment

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We are a signatory to the PRI.

☑ Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify

AfricaSIF

Your organisation's role in the initiative during the reporting period (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We contribute and support AfricaSIF initiatives.

☐ Shareholder Association for Research and Education (Share)

☐ United Nations Environmental Program Finance Initiative (UNEP FI)

☐ United Nations Global Compact

☐ Other collaborative organisation/initiative, specify

☑ Other collaborative organisation/initiative, specify

Global Impact Investing Rating System

Your organisation's role in the initiative during the reporting year (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

As the first Global Impact Investing Rating System [GIIRS] rated Pioneer Fund in South Africa, we incorporate impact measurement based on Impact Reporting& Investment Standards [IRIS] into our investment process.

☑ Other collaborative organisation/initiative, specify

ASISA - Responsible Investing Committee

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Your organisation's role in the initiative during the reporting year (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We hold committee membership: ASISA - Responsible Investing.

☑ Other collaborative organisation/initiative, specify

Code for Responsible Investing South Africa [CRISA] Committee

Your organisation's role in the initiative during the reporting year (see definitions)

☑ Basic

☐ Moderate

☐ Advanced

Provide a brief commentary on the level of your organisation's involvement in the initiative. [Optional]

We hold committee membership: Code for Responsible Investing South Africa [CRISA].

○ No

OA 10.3 Additional information. [Optional]

In summary, some of the highlights of our collaborative efforts:

Members of the Carbon& Water Disclosure Projects;
As the first Global Impact Investing Rating System [GIIRS] rated Pioneer Fund in South Africa, we incorporate impact measurement based on Impact Reporting & Investment Standards [IRIS] into or investment process;
Committee membership: ASISA - Responsible Investing & Code for Responsible Investing South Africa [CRISA];
Contribute and support AfricaSIF initiatives.

OA 11	Mandatory	Core Assessed	PRI 4

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PRI Principles for Responsible Investment

OA 11.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

◉ Yes

OA 11.2 Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

☑ Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations

☐ Provided financial support for academic or industry research on responsible investment

☑ Encouraged better transparency and disclosure of responsible investment practices across the investment industry

☑ Spoke publicly at events and conferences to promote responsible investment

☑ Wrote and published in-house research papers on responsible investment

☐ Encouraged the adoption of the PRI

☑ Other, specify

RI research, articles, and opinion pieces in mainstream and industry media, including news and magazine publications, television etc.

○ No

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PRI Principles for Responsible Investment

ESG incorporation in actively managed listed equities

Implementation processes

LEI 03	Mandatory	Gateway/Core Assessed	PRI 1

LEI 03.1

Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies.

ESG incorporation strategy (select all that apply)

- ☐ Screening alone (i.e. not combined with any other strategies)
- ☐ Thematic alone (i.e. not combined with any other strategies)
- ☐ Integration alone (i.e. not combined with any other strategies)
- ☐ Screening + Integration strategies
- ☑ Thematic + integration strategies

Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)	% 100

- ☐ Screening + thematic strategies
- ☐ All three strategies combined
- ☐ No incorporation strategies applied

Total actively managed listed equities

100%

LEI 03.2

Describe your primary reasons for choosing a particular ESG incorporation strategy.

Thematic and integration strategies are applied to our listed equities as per Mergence houseview. ESG factors are integrated into the process by influencing the discount rate in our valuation process.

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LEI 03.3	If assets are managed using a combination of ESG incorporation strategies, describe briefly how these are used in combination. [Optional]

ESG factors are integrated into the process by influencing the discount rate in our valuation process.

(B) Implementation: Thematic

LEI 09	Mandatory	Descriptive	PRI 1

LEI 09.1	Indicate the type of sustainability thematic funds or mandates that your organisation manages.

- ☑ Environmentally themed funds
- ☐ Socially themed funds
- ☐ Combination of themes

LEI 09.2	Describe your organisation's processes for sustainability thematic funds. [Optional]

We construct equity funds that have an aggregate level of greenhouse gas emissions at a mandated limit below the benchmark.

(C) Implementation: Integration of ESG issues

LEI 11	Mandatory	Core Assessed	PRI 1

LEI 11.1	Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.

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ESG issues	Coverage/extent of review on these issues
Environmental	○ We systematically review the potential significance of environmental issues and investigate them accordingly ◉ We occasionally review the potential significance of environmental issues and investigate them accordingly ○ We do not review environmental issues
Social	○ We systematically review the potential significance of social issues and investigate them accordingly ◉ We occasionally review the potential significance of social issues and investigate them accordingly ○ We do not review social issues
Corporate Governance	○ We systematically review the potential significance of corporate governance issues and investigate them accordingly ◉ We occasionally review the potential significance of corporate governance issues and investigate them accordingly ○ We do not review corporate governance issues

Communication

LEI 18 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEI 18.1 Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.

◉ We disclose it publicly

Provide URL

http://www.mergence.co.za/publications/shareholder-activism

LEI 18.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

○ Yes

◉ No

LEI 18.3 Indicate the information your organisation proactively discloses to clients/ beneficiaries and/or the public regarding your approach to ESG incorporation.

Reporting to public	Reporting to clients/beneficiaries
◉ Broad approach to ESG incorporation ○ Detailed explanation of ESG incorporation strategy used	○ Broad approach to ESG incorporation ◉ Detailed explanation of ESG incorporation strategy used

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LEI 18.4	Indicate how frequently you typically report this information.

Reporting to public	Reporting to clients/beneficiaries
○ Quarterly or more frequently	○ Quarterly or more frequently
◉ Between quarterly and annually	◉ Between quarterly and annually
○ Less frequently than annually	○ Less frequently than annually
○ Other, specify	○ Other, specify

○ We disclose it to clients and/or beneficiaries only

○ We do not proactively disclose it to the public and/or clients/beneficiaries

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Mergence Investment Managers

Reported Information

Public version

Direct - Listed Equity Active Ownership

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Engagement

Overview

LEA 02	Mandatory	Gateway	PRI 1,2,3

LEA 02.1 Indicate your reasons for interacting with companies on ESG issues and indicate who carries out these interactions.

Type of engagement	Reason for interaction
Individual/Internal staff engagements	☑ To support investment decision-making (e.g. company research) ☑ To influence corporate practice (or identify the need to influence) on ESG issues ☑ To encourage improved ESG disclosure ☐ Other, specify ☐ We do not engage via internal staff
Collaborative engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via collaborative engagements
Service provider engagements	☐ To support investment decision-making (e.g. company research) ☐ To influence corporate practice (or identify the need to influence) on ESG issues ☐ To encourage improved ESG disclosure ☐ Other, specify ☑ We do not engage via service providers

Process

Process for engagements run internally

LEA 03	Mandatory	Core Assessed	PRI 2

LEA 03.1 Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

◉ Yes

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LEA 03.2	Describe how you identify and prioritise engagements.

Our Proxy Voting Policy identifies and guids our team on all possible engagement interactions and priorities. The outcome of these debates and discussions helps to identify further engagement interactions and priorities.

○ No

LEA 04	Mandatory	Core Assessed	PRI 2

LEA 04.1	Indicate if you define specific objectives for your engagement activities.

◉ Yes

- ○ Yes, for all engagement activities
- ◉ Yes, for the majority of engagement activities
- ○ Yes, for a minority of engagement activities

○ No

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.

◉ Yes

- ○ Yes, in all cases
- ◉ Yes, in the majority of cases
- ○ Yes, in the minority of cases

LEA 04.3	Describe how you monitor and evaluate the progress of your engagement activities.

We keep a record of all proxy voting and the subsequent actions of companies post voting.

○ No

General processes for all three groups of engagers

LEA 10	Mandatory	Gateway/Core Assessed	PRI 2

LEA 10.1	Indicate if you track the number of companies you engage with.

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Type of engagement	Tracking engagements
Individual / Internal staff engagements	◉ Yes, we track the number of our engagements in full ○ Yes, we partially track the number of our engagements ○ No, we do not track our engagements but can provide a reasonable estimate of our engagement numbers ○ No, we do not track and cannot estimate our engagements

Communication

LEA 15 | **Mandatory** | **Core Assessed** | **PRI 2,6**

LEA 15.1 Indicate whether your organisation proactively discloses information on its engagements.

◉ We disclose it publicly

please provide URL

http://mergence.co.za/publications/shareholder-activism

LEA 15.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

◉ Yes

LEA 15.3 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.

Engagement information disclosed

☐ Details of the selections, priorities and specific goals of engagement
☑ Number of engagements
☑ Breakdown of engagements by type/topic
☐ Breakdown of engagements by region
☐ An assessment of the current status of the engagement
☐ Outcomes that have been achieved from the engagement
☐ Other information

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LEA 15.4	Indicate how frequently you typically report engagements information.

- ○ Disclosed continuously (prior and post engagements)
- ○ Disclosed quarterly
- ◉ Disclosed annually
- ○ Disclosed every two years or less
- ○ Other, specify

○ No

○ We disclose it to clients and/or beneficiaries only

○ We do not proactively disclose it to the public and/or clients/beneficiaries.

(Proxy) voting and shareholder resolutions

Process

LEA 17	Mandatory	Descriptive	PRI 2

LEA 17.1	Indicate how you typically make your (proxy) voting decisions and what this approach is based on.

	Approach

◉ We use our own research or voting team and make our own voting decisions without the use of service providers.

	Based primarily on

- ◉ our own voting policy
- ○ our clients requests or policy
- ○ other, explain

○ We hire service provider(s) which make voting recommendations or provide research that we use to inform our voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.

○ We hire service provider(s) which make voting decisions on our behalf.

LEA 21	Mandatory	Core Assessed	PRI 2

LEA 21.1	Indicate if you ensure that companies are informed of the rationale when you and/or the service providers acting on your behalf abstain or vote against management recommendations.

◉ Yes, in most cases

○ Sometimes, in the following cases:

○ No

○ Not applicable as we and/or our service providers do not abstain or vote against management recommendations

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Outputs and outcomes

LEA 22	Mandatory	Core Assessed	PRI 2

LEA 22.1 For listed equities where you and/or your service provider has the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.

◉ We do track or collect this information

Votes cast (to the nearest 1%)

%

100

Specify the basis on which this percentage is calculated

○ of the total number of ballot items on which you could have issued instructions

○ of the total number of company meetings at which you could have voted

◉ of the total value of your listed equity holdings on which you could have voted

○ We do not track or collect this information

Communication

LEA 26	Mandatory	Core Assessed	PRI 2,6

LEA 26.1 Indicate if your organisation proactively discloses information on your voting activities.

◉ We disclose it publicly

provide URL

http://mergence.co.za/publications/shareholder-activism

LEA 26.2 Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

◉ Yes

LEA 26.3 Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

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Indicate how much of your voting record you disclose

- ◉ All voting decisions
- ○ Some voting decisions
- ○ Only abstentions and opposing vote decisions
- ○ Summary of votes only

Indicate what level of explanation you provide

- ◉ Explain all voting decisions
- ○ Explain some voting decisions
- ○ Only explain abstentions and votes against management
- ○ No explanations provided

LEA 26.4 Indicate how frequently you typically report voting information.

- ○ Continuously (primarily before meetings)
- ○ Continuously (soon after votes are cast)
- ○ Quarterly or more frequently
- ◉ Between quarterly and annually
- ○ Less frequently than annually
- ○ Other, specify

○ No

○ We disclose it to clients/beneficiaries only

○ We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

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