RI TRANSPARENCY REPORT

2013/14

Mergence Investment Managers
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:

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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

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### Principle

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<tr>
<td>LEA 17</td>
<td>Typical approach to (proxy) voting decisions</td>
<td>✓</td>
<td>Public</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 18</td>
<td>Percentage of voting recommendations reviewed</td>
<td>☺</td>
<td>n/a</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 19</td>
<td>Confirmation of votes</td>
<td>✓</td>
<td>Private</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 20</td>
<td>Securities lending programme</td>
<td>✓</td>
<td>Private</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 21</td>
<td>Informing companies of the rationale of abstaining/voting against management</td>
<td>✓</td>
<td>Public</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 22</td>
<td>Percentage of (proxy) votes cast</td>
<td>✓</td>
<td>Public</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 23</td>
<td>Proportion of ballot items that were for/against abstentions</td>
<td>☺</td>
<td>Private</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 24</td>
<td>Shareholder resolutions</td>
<td>±</td>
<td>n/a</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 25</td>
<td>Examples of (proxy) voting activities</td>
<td>✓</td>
<td>Private</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 26</td>
<td>Disclosing voting activities</td>
<td>✓</td>
<td>Public</td>
<td>✓ ✓ ✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Mergence Investment Managers

Reported Information

Public version

Organisational Overview

PRI disclaimer

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## Basic Information

### OO 01  Mandatory  Gateway/Peering  General

**OO 01.1** Select the services you offer.
- ☑ Fund management

<table>
<thead>
<tr>
<th>% of assets under management (AUM) in ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ &lt;10%</td>
</tr>
<tr>
<td>☐ 10-50%</td>
</tr>
<tr>
<td>☑ &gt;50%</td>
</tr>
</tbody>
</table>

- □ 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
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.

<table>
<thead>
<tr>
<th>trillions</th>
<th>billions</th>
<th>millions</th>
<th>thousands</th>
<th>hundreds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total AUM</td>
<td>11</td>
<td>475</td>
<td>764</td>
<td>632</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Internally managed (%)</th>
<th>Externally managed (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed equity</td>
<td>69.15</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – corporate</td>
<td>7.66</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – government</td>
<td>1.59</td>
<td>0</td>
</tr>
<tr>
<td>Fixed income – other</td>
<td>7.16</td>
<td>0</td>
</tr>
<tr>
<td>Private debt</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Private equity</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Property</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Commodities</td>
<td>2.64</td>
<td>0</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Forestry</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
Gateway asset class implementation indicators

**OO 10**

<table>
<thead>
<tr>
<th>Gateway</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OO 10.1</strong></td>
<td>Select the responsible investment activities your organisation implemented, directly and/or indirectly, for listed equities in the reporting year.</td>
</tr>
<tr>
<td>☑ We incorporate ESG issues into investment decisions on our internally managed assets</td>
<td></td>
</tr>
<tr>
<td>☑ We engage with companies on ESG issues via our staff, collaborations or service providers</td>
<td></td>
</tr>
<tr>
<td>☑ We cast our (proxy) votes directly or via service providers</td>
<td></td>
</tr>
<tr>
<td>☐ None of the above</td>
<td></td>
</tr>
</tbody>
</table>

**OO 11**

<table>
<thead>
<tr>
<th>Gateway</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OO 11.1</strong></td>
<td>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.</td>
</tr>
<tr>
<td>☐ Fixed income – corporate</td>
<td></td>
</tr>
<tr>
<td>☐ Fixed income – government</td>
<td></td>
</tr>
<tr>
<td>☑ Fixed Income – other</td>
<td></td>
</tr>
<tr>
<td>☐ Commodities</td>
<td></td>
</tr>
<tr>
<td>☐ Cash</td>
<td></td>
</tr>
<tr>
<td>☐ None of the above</td>
<td></td>
</tr>
</tbody>
</table>

**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.
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

<table>
<thead>
<tr>
<th>Module</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct - Listed Equity incorporation</td>
</tr>
<tr>
<td>Listed Equity incorporation</td>
</tr>
<tr>
<td>Direct - Listed Equity active ownership</td>
</tr>
<tr>
<td>Engagements</td>
</tr>
<tr>
<td>(Proxy) voting</td>
</tr>
</tbody>
</table>

### 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.
Mergence Investment Managers

Reported Information

Public version

Overarching Approach

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## Responsible Investment Policy

### OA 01
#### 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
#### OA 02.3
Indicate if your other policies or guidance documents related to responsible investment are publicly available.

- ☐ Yes
  - ☐ Yes, all
  - ☐ Yes, some
OA 02.4
List these other policies or guidance documents related to responsible investment that are publicly available and their URLs.

<table>
<thead>
<tr>
<th>Policy or document name</th>
<th>URL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict of Interest Policy</td>
<td><a href="http://www.mergence.co.za/media/5330/conflicts%20of%20interest_published%20June2012.pdf">http://www.mergence.co.za/media/5330/conflicts%20of%20interest_published%20June2012.pdf</a></td>
</tr>
</tbody>
</table>

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

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

OA 04
Mandatory
Core Assessed
General
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
## Objectives and strategies

<table>
<thead>
<tr>
<th>OA 05</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OA 05.1</strong></td>
<td>Indicate if your organisation sets objectives for its responsible investment activities.</td>
<td>☑ Yes</td>
<td></td>
</tr>
<tr>
<td><strong>OA 05.2</strong></td>
<td>Indicate how frequently your organisation sets or revises objectives for responsible investment.</td>
<td>☑ At least once per year</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ Less than once per year</td>
<td></td>
</tr>
<tr>
<td><strong>OA 05.3</strong></td>
<td>Indicate how frequently your organisation formally reviews performance against its objectives for responsible investment.</td>
<td>☑ Quarterly</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ Biannually</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ Annually</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ Every two years or less</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ It is not reviewed</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>☐ No</td>
<td></td>
</tr>
</tbody>
</table>

## Governance and human resources

<table>
<thead>
<tr>
<th>OA 08</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>General</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OA 08.1</strong></td>
<td>Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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]

<table>
<thead>
<tr>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
</tr>
</tbody>
</table>

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
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
- 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

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.
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

<table>
<thead>
<tr>
<th>Your organisation’s role in the initiative during the reporting period (see definitions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Basic</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Your organisation’s role in the initiative during the reporting year (see definitions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Basic</td>
</tr>
</tbody>
</table>

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
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 11.1
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
Mergence Investment Managers

Reported Information

Public version

Direct - Listed Equity Incorporation

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# ESG incorporation in actively managed listed equities

## Implementation processes

<table>
<thead>
<tr>
<th>LEI 03</th>
<th>Mandatory</th>
<th>Gateway/Core Assessed</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 03.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>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.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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
- [x] Thematic + integration strategies

<table>
<thead>
<tr>
<th>Percentage of active listed equity to which the strategy is applied (estimate +/- 10%)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

- [ ] Screening + thematic strategies
- [ ] All three strategies combined
- [ ] No incorporation strategies applied

<table>
<thead>
<tr>
<th>Total actively managed listed equities</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
</tr>
</tbody>
</table>

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

(B) Implementation: Thematic

<table>
<thead>
<tr>
<th>LEI 09</th>
<th>Mandatory</th>
<th>Descriptive</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 09.1 Indicate the type of sustainability thematic funds or mandates that your organisation manages.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Environmentally themed funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Socially themed funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Combination of themes</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 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

<table>
<thead>
<tr>
<th>LEI 11</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEI 11.1 Indicate if E, S and G issues are reviewed while researching companies and/or sectors in active strategies.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## ESG issues

<table>
<thead>
<tr>
<th>ESG issues</th>
<th>Coverage/extent of review on these issues</th>
</tr>
</thead>
</table>
| 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**

<table>
<thead>
<tr>
<th>LEI 18.1</th>
<th>Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☑ We disclose it publicly</td>
</tr>
</tbody>
</table>

**Provide URL**

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

<table>
<thead>
<tr>
<th>LEI 18.2</th>
<th>Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>☑ Yes</td>
</tr>
<tr>
<td></td>
<td>☐ No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LEI 18.3</th>
<th>Indicate the information your organisation proactively discloses to clients/beneficiaries and/or the public regarding your approach to ESG incorporation.</th>
</tr>
</thead>
</table>
|          | ☑ Broad approach to ESG incorporation  
                       ☑ Detailed explanation of ESG incorporation strategy used |
|          | ☑ Broad approach to ESG incorporation  
                       ☑ Detailed explanation of ESG incorporation strategy used |
Indicate how frequently you typically report this information.

<table>
<thead>
<tr>
<th>Reporting to public</th>
<th>Reporting to clients/beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>○ Quarterly or more frequently</td>
<td></td>
</tr>
<tr>
<td>✰ Between quarterly and annually</td>
<td></td>
</tr>
<tr>
<td>○ Less frequently than annually</td>
<td></td>
</tr>
<tr>
<td>○ Other, specify</td>
<td></td>
</tr>
<tr>
<td>○ Quarterly or more frequently</td>
<td></td>
</tr>
<tr>
<td>✰ Between quarterly and annually</td>
<td></td>
</tr>
<tr>
<td>○ Less frequently than annually</td>
<td></td>
</tr>
<tr>
<td>○ Other, specify</td>
<td></td>
</tr>
</tbody>
</table>

○ We disclose it to clients and/or beneficiaries only
○ We do not proactively disclose it to the public and/or clients/beneficiaries
Mergence Investment Managers

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.
## Engagement

### Overview

<table>
<thead>
<tr>
<th>LEA 02</th>
<th>Mandatory</th>
<th>Gateway</th>
<th>PRI 1,2,3</th>
</tr>
</thead>
</table>

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

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

### Process

#### Process for engagements run internally

<table>
<thead>
<tr>
<th>LEA 03</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2</th>
</tr>
</thead>
</table>

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

☐ Yes
LEA 03.2 Describe how you identify and prioritise engagements.

Our Proxy Voting Policy identifies and guides 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.
## Type of engagement

<table>
<thead>
<tr>
<th>Tracking engagements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual / Internal staff engagements</td>
</tr>
<tr>
<td>□ Yes, we track the number of our engagements in full</td>
</tr>
<tr>
<td>□ Yes, we partially track the number of our engagements</td>
</tr>
<tr>
<td>□ No, we do not track our engagements but can provide a</td>
</tr>
<tr>
<td>reasonable estimate of our engagement numbers</td>
</tr>
<tr>
<td>□ No, we do not track and cannot estimate our engagements</td>
</tr>
</tbody>
</table>

## Communication

<table>
<thead>
<tr>
<th>LEA 15</th>
<th>Mandatory</th>
<th>Core Assessed</th>
<th>PRI 2,6</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEA 15.1</td>
<td>Indicate whether your organisation proactively discloses information on its engagements.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ We disclose it publicly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 15.2</td>
<td>Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Yes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEA 15.3</td>
<td>Indicate what engagement information your organisation proactively discloses to clients/beneficiaries and/or the public.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engagement information disclosed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Details of the selections, priorities and specific goals of engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Number of engagements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☒ Breakdown of engagements by type/topic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Breakdown of engagements by region</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ An assessment of the current status of the engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Outcomes that have been achieved from the engagement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Other information</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please provide URL: [http://mergence.co.za/publications/shareholder-activism](http://mergence.co.za/publications/shareholder-activism)
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

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

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
## 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](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.
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