

# IMPACT REPORT

2026

CREATING SUSTAINABLE SHARED VALUE



MERGENCE



# CONTENTS

	Page
Message from the CEO	3
Public Markets	7
Private Markets	13
Diversity, Inclusion & Governance	24
Corporate Social Investments	26
Our Sustainability Journey	28



Reporting period: 1 January 2025 – 31 December 2025



# MESSAGE FROM THE CEO

We are proud to present our 2026 Impact Report, covering the period from 1 January to 31 December 2025. Since 2015, Mergence has voluntarily published an annual impact report - reflecting our long-standing belief that responsible investment, transparency and accountability are essential to long-term success.

At Mergence, our investment philosophy is centred on **CREATING SUSTAINABLE SHARED VALUE** - delivering sustainable financial returns for our clients while generating positive social and economic outcomes in the markets and communities in which we invest.

South Africa's economic environment over the past year has remained complex, but there are encouraging signs of gradual improvement. While growth remains modest and structural challenges persist, improving fiscal discipline, institutional reform and renewed policy focus suggest that the foundations for a more resilient economy are being laid.

For long-term savers and investors, this context matters. South Africa's retirement sector continues to play a critical role in mobilising domestic capital and directing it towards outcomes that support both financial returns and economic development. As asset managers, we carry a responsibility not only to deliver strong investment outcomes, but also to ensure that capital is deployed in ways that contribute positively to society.

*"The strength of Mergence lies in our people and our integrated investment capability across public and private markets. By continuously investing in our teams, our processes and our culture, we are building a business that is resilient, future-focused and deeply committed to responsible investment."*



**Sholto Dolamo**  
Chief Executive Officer

## Strengthening our investment foundations

Within this environment, Mergence has continued to strengthen its position as a differentiated investment manager. Movements in assets under management during the year were driven largely by market performance rather than significant net inflows, reinforcing our focus on what we can control: honing our investment skills, refining our processes and ensuring our platforms are optimally positioned to deliver consistent, above-benchmark risk-adjusted returns over the long term.

A key area of progress has been the continued development of our investment capabilities across both public and private markets. We have deepened expertise within our fixed income and multi-asset teams, supported by several internal promotions that recognise and strengthen talent across the firm. Further detail on our teams and leadership evolution is provided in the relevant sections of this report.

These efforts build on Mergence's established capabilities across equities, fixed income, multi-asset strategies, listed property and private markets, including private equity, private debt and infrastructure. Alongside product innovations such as the actively managed certificate launched in January 2024, this breadth of expertise strengthens our ability to construct diversified, actively managed portfolios that are resilient across market cycles.

What continues to distinguish Mergence is our integrated capability across public and private markets, underpinned by a strong culture of transformation and responsible investment. This positioning enables us to deploy capital thoughtfully - seeking not only competitive financial outcomes, but also meaningful and sustainable impact.



## Infrastructure as a driver of impact

Private markets have become an increasingly important component of our impact strategy. Through our unlisted investment platforms, we pursue sector-specific strategies in **WATER**, **DIGITAL INFRASTRUCTURE** and **AFFORDABLE HOUSING** - areas that address some of South Africa's most pressing development needs.

Water security, in particular, is emerging as one of the country's defining economic and social challenges. Ageing infrastructure, operational inefficiencies and growing demand have placed significant strain on water systems nationwide. Addressing these challenges requires not only capital, but also technical expertise and strong operational capability.

At Mergence, we believe private capital can play a constructive role in supporting solutions in this sector. Our investments in water-related infrastructure aim to generate sustainable returns while improving water management, recycling and treatment capacity. By combining capital with operational expertise, we seek to demonstrate practical models that can support municipalities and the industry in addressing water constraints.

This focus aligns closely with the South African government's renewed emphasis on infrastructure development. Recent policy signals, including the State of the Nation Address and National Budget, underscore the urgency of accelerating investment in water systems. Our experience and track record position us well to contribute meaningfully to these national priorities.





## Diversity and people at the core

Equally central to our success is the strength and diversity of our team. Mergence has always believed that diversity of thought leads to better investment decisions. Our people bring a wide range of skills, backgrounds and perspectives, and many have been with the firm for a significant number of years.

This continuity has allowed us to build deep institutional knowledge while sustaining a culture of collaboration, accountability and long-term thinking - qualities that are essential in navigating complex markets and delivering on our responsibilities as stewards of capital.

## Aligning capital with global development goals

Impact remains a central pillar of our investment philosophy. Many of our investments are aligned with the United Nations Sustainable Development Goals, particularly those focused on clean water and sanitation, sustainable cities and communities, decent work and economic growth and climate action.

By aligning our investment activities with these global development priorities, we aim to ensure that the capital we manage contributes to tangible and measurable improvements in people's lives. Our objective is to create lasting value, both for our clients and for the societies in which we invest.

## Looking ahead

Looking forward, we remain optimistic about the role that responsible investment can play in South Africa's future. The challenges are significant, but so too are the opportunities. With the right combination of capital, expertise and collaboration between the public and private sectors, it is possible to unlock sustainable growth.

At Mergence, we remain committed to playing our part - continuing to build our investment capabilities, deepen our impact focus and work alongside partners across the industry to deploy capital responsibly. Above all, we are grateful to our clients, partners and colleagues whose trust and dedication make this work possible. Together, we believe we can contribute to a more resilient, inclusive and sustainable economy for South Africa and the continent.



## Our Responsible Investment commitments

As a committed signatory to the UN-supported Principles for Responsible Investment (PRI), we report annually and use the assessment to benchmark our practices and identify areas for continuous improvement. Compared with the prior year, we achieved a notable improvement in our *Confidence-Building Measures (CBMs)* and are now in line with the PRI median, reflecting stronger internal review and verification processes across internal review, internal audit and external assurance pathways.

Our results continue to show solid performance in Policy, Governance & Strategy, Listed Equity and Fixed Income, each above the PRI median. Scores in *Direct - Fixed Income - Corporate* and *Direct Infrastructure* remain slightly below the median. These asset classes have distinct data, engagement and reporting dynamics, and we continue to strengthen both our underlying processes and the depth of our disclosures over time.

We also support CRISA 2 (2022), South Africa’s updated Code for Responsible Investing, and align with its five voluntary principles: ESG integration, stewardship (active ownership), capacity building & collaboration, governance and transparency. CRISA 2 is endorsed by leading industry bodies and forms part of the country’s governance framework for investment stewardship.

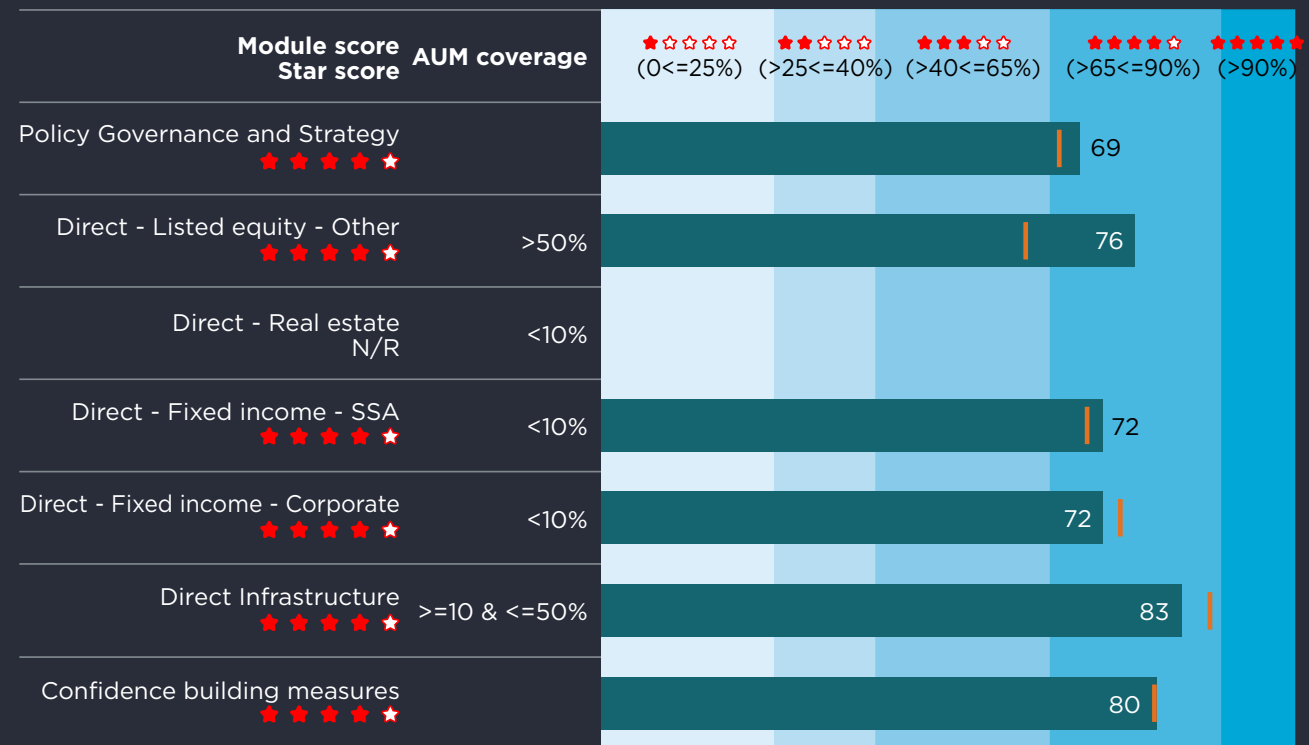
Consistent with our PRI and CRISA 2 commitments, we will provide detailed active-ownership disclosures, including voting, engagements and outcomes, in the Equities section of this report.

How to read our PRI results: We include a summary graphic of our PRI module scores alongside this narrative. As recommended by PRI, scores are best presented with the full Summary Scorecard (rather than isolated module figures) for context and transparency.



### SUMMARY SCORECARD

PRI Medium    Module Score



## Investment environment and stewardship context

Recent regulatory developments continue to shape the investment environment in South Africa. Amendments to Regulation 28 have broadened the scope for retirement funds to allocate capital across asset classes, including infrastructure and private markets, supporting greater diversification and long-term investment flexibility.

At the same time, the implementation of the Conduct of Financial Institutions (COFI) Bill is expected to further strengthen governance, conduct and consumer-outcomes standards across the financial sector. While its full impact will unfold over time, these developments reinforce the importance of disciplined investment processes, strong stewardship and responsible capital allocation.



# PUBLIC MARKETS

## EQUITIES

Public markets remain the cornerstone of Mergence's investment capability, accounting for approximately 85% of assets under management, with specialist equity mandates representing around 72% of total assets. Listed equities play a central role both within these specialist mandates and as a key building block of our multi-asset strategies.

While short-term market movements inevitably result in periods of volatility, we are pleased to report that 2025 marked a continuation of the return to positive alpha, following a more challenging period prior to 2024. This outcome reflects the strength of our bottom-up research process, disciplined portfolio construction and long-term investment horizon.

Active ownership is a core component of our listed equity approach. We primarily manage ESG risks and opportunities through three interrelated tools:

### 1) ESG integration

During 2025, we continued a strong and deliberate focus on embedding ESG considerations within our investment process. ESG is not treated as a supplementary overlay, but as a distinct and equally weighted pillar alongside Quality and Valuation. High-conviction ideas and active positions are therefore centred on companies that score strongly across all three pillars, supporting a balanced assessment of long-term value creation and risk management.

There were no material changes to our ESG integration framework during the year. Instead, the focus was on deepening and consistently applying established processes, ensuring ESG insights are fully embedded in investment decision-making and portfolio monitoring.



**Peter Takaendesa**  
Chief Investment Officer



## 2) Company engagement

Our ESG integration efforts are complemented by active and ongoing engagement with investee companies. During the year, the team delivered a substantial number of investment idea presentations to the investment committee and conducted over 509 engagements with company management teams.

These engagements provide a platform to encourage improved governance, environmental practices and social outcomes, while also strengthening our understanding of business strategy, risks and opportunities. Alongside improved talent retention and increased gender diversity within the team, this level of engagement continues to reinforce the robustness of our research process and our long-term commitment to delivering sustainable, risk-adjusted returns for clients.

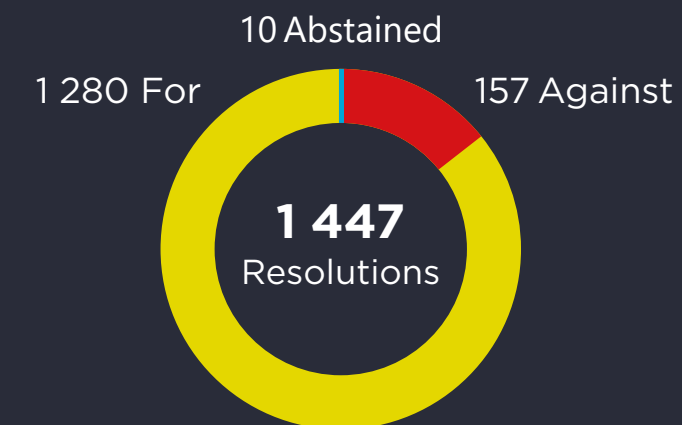
## 3) Proxy voting

We actively exercise our shareholder rights at both AGMs and EGMs, using proxy voting as an important mechanism to influence governance and ESG-related outcomes. Our voting activity is guided by internal policies and informed by company-specific analysis. The adjacent graphic summarises our proxy voting activity during 2025.

## 2025 Proxy Voting Summary

In 2025, we voted against or abstained on 167 company resolutions (157 against, 10 abstained), representing 11.5% of all votes cast. Key governance concerns:

- **Share issuance and dilution** (25.1%): Opposed blanket issuance authorities; favoured case-by-case approval
- **Remuneration** (22.8%): Weak KPI disclosure, inadequate performance metrics, and flat fee structures
- **Board independence** (20.4%): Director tenure beyond 9-10 years, overboarding, and capacity concerns
- **Suspended stock** (10.2%): Opposed all resolutions where stock was suspended and financials unavailable
- **Shareholder proposals** (6.0%): Notice period reductions and resolutions removed from meetings
- **Other** (15.6%): Auditor rotation and strategic concerns
- **Abstentions** (10): Resolutions removed from meetings (4), JV concerns (2), governance (3), and suspended stock (1)



# PROXY VOTING CASE STUDY

## Active ownership and climate transition at Sasol



### Engagement focus

Following Sasol’s May 2025 Capital Markets Day, we engaged management on the optimised carbon-intensity reduction plan and its implications for long-term value. Sasol reaffirmed its -30% Scope 1 & 2 emissions target by 2030 (vs a 2017 baseline). The updated roadmap achieves this at a lower capital cost of R4–7bn (from R15–25bn previously) without reducing production or electricity output.

PREVIOUS (2021)	NOW (2025)
~ R 15 - 25 bn capital	~ R 4 - 7 bn capital
~1 200 MW Renewable Energy	~2 000 MW Renewable Energy
Boiler turndown	Optimised boiler turndown
No market mechanisms	Market mechanisms
LNG as replacement feedstock	No LNG as replacement feedstock
Energy efficiency	Energy efficiency

### What changed (key levers)

- **Regulatory flexibility on SO<sub>2</sub> (July 2025):** Approval of a load-based SO<sub>2</sub> target within the Atmospheric Emissions Licence allows compliance with air-quality and GHG goals while decommissioning fewer boilers. Higher steam capacity supports full utilisation at Secunda and removes the need for alternative feedstocks—materially reducing capex.
- **Operational efficiency:** Process and energy-efficiency measures enabled the turn-down of one boiler in 2025 and the decommissioning of all waste incinerators at Sasolburg and Secunda (waste redirected to gasifiers). At Natref, new energy-efficient steam boilers are expected to eliminate coal-derived steam imports.
- **Renewable electricity:** Expansion of renewables from 1.2 GW to 2.0 GW via IPP agreements, alongside own-asset investment (e.g., a 3 MW solar installation at Sasolburg).
- **Market mechanisms:** Ongoing use of carbon offsets and renewable-energy certificates to complement abatement levers and manage carbon-tax exposure.

### Why this matters for investors

Our engagement sought a plan that balances credible decarbonisation, capital discipline and operational resilience. The optimised roadmap demonstrates that meaningful emissions reduction can be delivered at lower capital intensity and execution risk, preserving productive capacity. It is a practical example of how active ownership in public markets can support investable transition pathways that align climate objectives with long-term shareholder value.





## Brokerage spend

In recognition of South Africa's ongoing transformation imperatives, Mergence is committed to directing at least 40% of local brokerage spend to majority black-owned stockbroking firms that add value to our investment process. Despite policy efforts such as B-BBEE, these firms continue to face systemic challenges, and we believe intentional capital allocation plays an important role in supporting meaningful transformation within the financial sector.

At the same time, we retain access to leading global stockbrokers that provide high-quality research, global perspectives and best execution for our clients. This balanced approach supports both investment excellence and broader industry development.



**Mohamed Ismail**  
Head: Fixed Income

## FIXED INCOME

Mergence has continued to strengthen its fixed income capability, which plays a central role both through stand-alone money market and fixed income mandates and as the fixed income component across all of our multi-asset strategies. This integrated approach allows for consistent implementation of our investment philosophy while tailoring solutions to different client objectives.

Developments in South Africa's interest-rate and credit markets have continued to shape the opportunity set for investors. A notable milestone during the period has been the introduction of ZARONIA (South African Rand Overnight Index Average), which enhances the range of solutions available to fixed income investors.

ZARONIA is South Africa's new benchmark overnight interest rate, introduced by the South African Reserve Bank to replace the long-used Johannesburg Interbank Average Rate (JIBAR). Unlike JIBAR, which was based on bank quotes, ZARONIA is calculated using actual overnight funding transactions, making it a more transparent, robust and reliable reference rate.

The adoption of ZARONIA improves access to diversified credit opportunities and enables more efficient structuring of fixed income exposures. This supports the construction of portfolios that aim to deliver stable income streams while maintaining prudent risk management. By broadening the range of available instruments and improving pricing transparency, the transition to ZARONIA contributes to deeper and more resilient domestic credit markets.

ESG considerations are also increasingly embedded within our fixed income investment approach. While ESG integration is often associated with equities, it is equally relevant in credit markets, where lenders have the ability to influence borrower behaviour and promote stronger governance and sustainability practices.

We incorporate ESG analysis into our credit assessment process, evaluating factors such as governance structures, environmental risks and social impact when allocating capital. This approach supports more informed credit decisions, helps manage long-term risk and ensures that fixed income portfolios contribute to both financial resilience and sustainable economic development.



## GLOBAL EQUITY

Mergence manages a stand-alone global quantitative equity actively managed certificate (AMC), which provides the international equity exposure across all of our global multi-asset strategies. This approach enables consistent implementation of our global equity philosophy while ensuring diversification and risk management across client portfolios.

ESG considerations form an integral part of the global equities' investment process. The objective is to identify companies whose activities may have significant adverse environmental or social impacts, while promoting responsible corporate behaviour and strong governance practices. Integrating ESG monitoring into the investment process supports effective long-term risk management and helps direct capital towards companies with more sustainable and responsible operating models.

Our global equity framework combines product-based and conduct-based screening criteria. Product-based exclusions focus on sectors where core activities are widely associated with negative societal or environmental outcomes, while conduct-based screens assess corporate behaviour and governance standards. This dual approach supports a disciplined and transparent method for managing ESG risks within a global investment universe.

The ESG framework is reviewed annually using publicly available data and can be tailored to meet the responsible investment requirements of institutional investors. Based on the current screening criteria, 138 companies within the MSCI World Index meet the defined ESG standards, out of a total universe of approximately 1,300 stocks. This demonstrates that global diversification can be achieved alongside clearly defined responsible investment principles.



**Fazila Manjoo**

Head: Multi-asset & Global Equity

### ESG screening framework

Area	Key focus	Screening approach
<b>Environmental</b>	Climate and environmental impact	Excludes companies involved in coal-based energy (>5% revenue) and those causing severe environmental damage or excessive greenhouse gas emissions, including oil sands extraction.
<b>Social</b>	Societal and ethical considerations	Screens out companies involved in controversial weapons, tobacco production, alcohol manufacturing and gambling exposure above defined thresholds.
<b>Governance</b>	Corporate conduct and accountability	Excludes companies implicated in systemic human rights violations, corruption, fraud or other serious governance failures.



# PRIVATE MARKETS

## PRIVATE EQUITY

Mergence has played an important role in mobilising private capital for infrastructure and essential-services assets across Southern Africa, helping to address the persistent funding and capacity gaps faced by governments and municipalities. In South Africa, our focus is on long-term infrastructure equity investments in assets that are critical to economic resilience, service delivery and inclusive growth.

A defining feature of our infrastructure equity approach is the pairing of patient capital with strong operational capability. Experience has shown that infrastructure investment alone is rarely sufficient to deliver sustainable outcomes. Long-term success depends on effective operators, robust governance, disciplined maintenance and the ability to manage complex regulatory and stakeholder environments. Our role therefore extends beyond capital provision to active partnership with operating teams and stakeholders throughout the investment lifecycle.

Within this broader infrastructure strategy, water has emerged as a particularly important focus area. South Africa faces mounting challenges in water security as a result of ageing infrastructure, population growth, climate variability and constrained municipal capacity. Addressing these challenges requires not only investment, but also the operational skills and systems needed to manage assets efficiently, ensure regulatory compliance and deliver reliable services over time.

Mergence has consistently emphasised - both in our investment activity and in public forums - the importance of building operational capacity alongside financial investment. Well-governed, professionally managed infrastructure assets are more resilient, better positioned to meet regulatory requirements and more attractive to long-term institutional investors seeking exposure to infrastructure as an asset class.



**Chito Siame**

Head: Private Equity



## Innovation in operations: Siza Water

A strong illustration of this approach is the Siza Water recycling plant in Ballito, which operates one of South Africa's largest direct water reuse facilities. The plant currently recycles approximately three million litres of potable-quality water per day, reducing pressure on local dams and rivers while demonstrating how wastewater reuse can form part of a long-term solution to water scarcity.

For Mergence, investments such as Siza demonstrate how infrastructure equity capital, combined with operational expertise, can help stabilise municipal water systems while delivering measurable environmental and social impact. By showing that well-structured, professionally run water concessions can deliver reliable services and strong sustainability outcomes, this model provides a replicable template for scaling private investment across South Africa's water infrastructure sector.



## Infrastructure equity at a glance

### Core focus

Long-term equity investment in essential infrastructure and services that support economic resilience, service delivery and inclusive growth.

### Investment approach

Patient capital paired with strong operational capability, active governance and long-term partnerships with operators and stakeholders.

### Key sectors

- Water & wastewater infrastructure
- Affordable & social housing
- Energy
- Digital & communications infrastructure
- Other essential services

### Typical investment horizon

Long term, aligned with the life cycle of infrastructure assets

### Value-creation drivers

- Operational improvement and asset optimisation
- Strengthened governance and regulatory compliance
- Stable, contracted or availability-based cash flows

### Impact outcomes

- Improved access to essential services
- Enhanced infrastructure resilience and reliability
- Environmental and social benefits alongside sustainable financial returns

### Shared-value philosophy

Designed to create sustainable shared value by aligning long-term investor returns with positive social and economic outcomes.



During 2025, Mergence concluded the Kujenga transaction via the Mergence Infrastructure & Development | Equity Fund II, marking a significant milestone in our infrastructure equity strategy. Kujenga is a diversified infrastructure investment platform with exposure to transport (1 asset), energy (5 assets) and digital infrastructure (several assets with the major ones being DFA and Vumatel), all of which are central to South Africa's long-term economic resilience and competitiveness.

The transaction reflects our approach of backing scaled infrastructure platforms with strong governance, institutional operating capability and long-dated asset bases, rather than isolated projects. By investing at platform level, we aim to support capital allocation and operational improvement across multiple essential assets, while aligning long-term investor returns with sustainable development outcomes.

### Portfolio exposure and investment focus

Kujenga's underlying investments, which make up 62% of the Mergence Infrastructure & Development Equity Fund II, provide exposure to infrastructure assets that play a critical enabling role in the economy, including:

- **Transport and logistics infrastructure (4%)**, supporting trade, mobility and regional connectivity (e.g. airports and associated logistics ecosystems)
- **Energy infrastructure (26%)**, contributing to energy security, efficiency and the transition to a more resilient, lower-carbon system
- **Digital infrastructure (32%)**, underpinning connectivity, data flows and participation in a modern economy

These assets share common characteristics valued in our infrastructure equity strategy: high barriers to entry, long asset lives, embedded demand drivers and clear linkages to economic activity and service delivery.

### Value creation and stewardship

Consistent with our infrastructure equity philosophy, value creation within Kujenga is driven by active ownership and operational engagement, rather than financial engineering. Key areas of focus include:

- **Strengthening governance and oversight** across portfolio companies, with emphasis on transparent reporting, risk management and regulatory compliance
- **Operational optimisation**, including efficiency improvements, maintenance discipline and capital prioritisation

- **Long-term capital planning**, ensuring assets are appropriately maintained and expanded to meet future demand

This stewardship approach supports asset resilience while enhancing the predictability and sustainability of cash flows for long-term investors.

### Impact and shared-value outcomes

The Kujenga investment illustrates how infrastructure equity capital can generate shared value through assets that deliver both financial returns and measurable socio-economic benefits:

- **Economic enablement:** Infrastructure assets that facilitate trade, travel, energy supply and digital connectivity support broader economic productivity and growth
- **Employment and skills:** Large infrastructure platforms sustain skilled operational jobs and enable indirect employment across supplier and service ecosystems
- **Resilience and reliability:** Long-term investment and professional management contribute to more reliable infrastructure services, reducing systemic risk
- **Crowding in capital:** Scaled, well-governed platforms help attract additional institutional and development capital into priority infrastructure sectors

While the specific impact pathways differ across transport, energy and digital assets, the common theme is the strengthening of economic infrastructure that underpins inclusive growth.

### Why this matters for investors

For investors, Kujenga provides exposure to diversified, real-asset-backed infrastructure with long-dated fundamentals, availability-linked or contracted revenue characteristics and CPI-linked cash-flow profiles in certain assets. From an impact perspective, it demonstrates how patient capital deployed at platform level can amplify developmental outcomes across multiple essential infrastructure systems.

This case study reinforces our conviction that infrastructure equity, when paired with strong operational capability and disciplined governance, can deliver sustainable shared value — aligning resilient long-term returns with tangible economic and social outcomes.



## PRIVATE DEBT

Mergence has developed a well-established infrastructure private debt capability that finances essential economic and social infrastructure assets across Southern Africa. Through dedicated strategies such as the Mergence Infrastructure & Development | Debt Fund and the Mergence Renewable Energy Debt Funds, we provide financing to projects and businesses in renewable energy, digital infrastructure, affordable housing and other core economic assets. Consistent with our philosophy of creating sustainable shared value, these strategies are designed to deliver resilient income for investors while directing capital to assets that strengthen communities and the economy.

Our instruments include senior and mezzanine loans, preference shares and other forms of private debt, designed to support long-dated projects or companies while delivering predictable, resilient income to investors. This debt focus complements our infrastructure equity activities: together they provide flexible capital across the capital structure to scale assets that underpin inclusive, long-term growth.

### Risk-return characteristics and portfolio role

Many positions benefit from asset-backed security and contracted cash flows (for example, power-purchase or availability-based agreements), providing a strong layer of downside protection and supporting stable income through market cycles.

Private debt valuations are generally less influenced by short-term volatility, resulting in lower correlation with listed bonds and equities. For institutional investors, the combination of enhanced yield, collateral coverage and diversification makes infrastructure debt a compelling building block within well-constructed portfolios.

### Developmental impact aligned to essential infrastructure

Our infrastructure private debt approach integrates responsible investment and stewardship. By pairing disciplined debt underwriting that is probability driven, with active monitoring and close engagement with project partners, we mobilise private capital into assets that support energy security, connectivity, housing and other essential services—creating sustainable shared value by aligning long-term, asset-backed returns with measurable developmental outcomes.



**Mosa Molebatsi**

Head: Private Debt

### Infrastructure debt at a glance

- **Core focus:** Economic and social infrastructure
- **Instruments:** Senior debt, mezzanine debt, preference shares
- **Typical tenor:** Medium to long term
- **Impact focus:** Energy, housing, digital and economic infrastructure

## CASE STUDY

### Aventro and the Redstone Concentrated Solar Power project

#### Infrastructure debt supporting energy security and the just transition

Mergence provided an equity financing facility to Aventro for its participation in the Redstone Concentrated Solar Power (CSP) project, a 100 MW molten-salt solar plant located in South Africa's Northern Cape. Redstone is one of the country's most advanced renewable-energy projects, with the ability to store thermal energy for up to 12 hours, enabling electricity generation after sunset and during periods of low solar irradiance.

This dispatchable renewable capacity plays a critical role in stabilising the national grid, reducing reliance on coal-fired generation and supporting South Africa's energy-transition objectives. Mergence's financing enabled Aventro, a black-owned investment company, to participate meaningfully in a landmark infrastructure asset, increasing black economic participation in large-scale energy infrastructure.

The project represents approximately R11.6 billion in total investment and has attracted around R7 billion in foreign direct investment, making it one of the largest solar projects in the country. Alongside partners such as the Mahlako Energy Fund and Third Way Investment Partners, the transaction supports transformation in the energy sector while delivering long-term, contracted cash flows aligned with infrastructure credit risk profiles.

#### Shared-value outcome

By financing Aventro's participation in Redstone, Mergence supported a project that strengthens energy security, advances the energy transition and promotes inclusive participation, while providing investors with exposure to a long-dated, asset-backed infrastructure asset.



#### Impact highlights

- **Energy supply** : Power for 200,000+ homes during peak demand
- **Energy transition** : Dispatchable renewable power supporting grid stability
- **Employment** : 2,000+ jobs during peak construction
- **Local impact** : Hundreds of roles filled by surrounding communities
- **Operations** : ~100 permanent jobs once operational



# SADC PRIVATE MARKETS INVESTMENTS

## LESOTHO

Since 2015, Mergence has managed two complementary mandates on behalf of our client in Lesotho:

- **Investment (private equity) mandate:** Growth investments in aquaculture, financial services (financial inclusion) and medicinal cannabis, targeting locally anchored businesses that can scale exports, deepen essential services and build skills.
- **Property mandate:** Two shopping malls and one office building in Maseru, managed for income stability and urban-core revitalisation. The two malls were distressed at take-over and have since been stabilised through operational and leasing turnarounds; the office asset was acquired thereafter to complement the retail nodes and diversify income.

### Why this matters in Lesotho's context

Lesotho is a small, open economy with concentrated urban demand in Maseru and a need for resilient, job-creating enterprises. Our approach is to back real economy businesses and real assets that:

- **create employment and skills,**
- **support export competitiveness** (e.g., aquaculture, medicinal cannabis), and
- **strengthen essential local services** (e.g., inclusive finance, urban retail/office nodes).

This combination underpins our philosophy of creating sustainable shared value - aligning prudent, long-term returns for our client with tangible socio-economic outcomes.



## CASE STUDY

### Protea Hotel Maseru — strengthening a mixed-use urban precinct

#### Infrastructure-adjacent investment supporting hospitality capacity and urban vitality

Maseru is an important centre for business, government and regional travel, with growing demand for high-quality, internationally recognised accommodation. The Protea Hotel Maseru responds to this evolving need and is situated close to Maseru Mall, one of the properties held in our client's portfolio. By developing a hotel in this location, the project is designed to reinforce a connected retail-office-hospitality node and increase footfall to Maseru Mall.

Through our Lesotho mandates, we support real-asset and operating-company investments that enhance urban infrastructure, deepen essential services and catalyse local economic activity. The hotel's exposure is structured with a long-term, asset-backed profile, consistent with our approach to balancing financial resilience and development outcomes.

#### Shared-value outcome

The Protea Hotel Maseru exemplifies our approach to creating sustainable shared value:

- **Financial:** Long-dated, asset-backed income potential within a strategically located urban precinct, with positive spill-overs to nearby retail and office assets.
- **Social & economic:** Expanded hospitality capacity, higher mall footfall, stronger local procurement, and sustained employment across construction and operations—supporting Maseru's role as Lesotho's commercial and administrative centre.



#### Impact highlights

- **Hospitality capacity:** Adds high-quality, branded rooms to Maseru's accommodation stock, supporting business travel, conferences and official visits.
- **Retail linkages:** Proximity to Maseru Mall is expected to lift footfall and dwell time, benefitting tenants and centre trading densities.
- **Jobs & skills:** Employment during construction and ongoing operations, with opportunities for hospitality training and local supplier development.
- **Precinct effect:** Reinforces a connected retail-office-hotel ecosystem, improving the city's attractiveness for investors, tenants and visitors.
- **Local economy:** Multiplier effects across logistics, cleaning, maintenance, food & beverage and event services.

#### Why this matters

Placing the hotel near an existing retail anchor aims to amplify economic linkages - from visitor spend and conference activity to day-to-day services - while providing our client with defensive, asset-backed exposure aligned with long-term urban development in Maseru.

## NAMIBIA

During the year, Mergence Unlisted Investment Managers (Namibia) launched the Mergence Real Assets Fund II, building on the foundation established by the Mergence Namibia Infrastructure Fund Trust. The first fund demonstrated how patient private capital can be deployed into infrastructure linked real assets that support economic activity, strengthen essential services and create employment, while delivering resilient, long term returns.

Fund II continues this approach, with a clear focus on scalable, institutional quality assets capable of generating stable cash flows alongside meaningful socio economic benefits. By investing in infrastructure linked real assets, the Fund targets priority sectors including affordable housing, health, education and digital infrastructure, contributing to improved service reliability and supporting sustainable regional growth in Namibia.

Looking ahead, the anticipated impact of Fund II includes employment creation across both construction and operational phases, improved access to critical infrastructure and the mobilisation of additional private capital into social development assets. Together, these outcomes are expected to enhance economic resilience, strengthen human capital and contribute to inclusive growth and improved quality of life.



## CASE STUDY

### Auasblick bulk infrastructure development



A notable ongoing investment is the bulk infrastructure development for the new Township of Auasblick, Extension 1, undertaken through a public private partnership (PPP) with the City of Windhoek and Sinco Investments, trading as PPH Auasblick.

The PPP was initiated to help address housing demand and has already delivered 106 erven to the City of Windhoek, supporting access to serviced land and enabling downstream residential and institutional development. Beyond physical infrastructure delivery, the project has generated local employment opportunities and fostered innovative collaboration between public and private stakeholders.

The development continues to deliver positive social outcomes by meeting essential needs for housing and basic services, while Phase 2, scheduled to commence in 2026, is expected to further extend these benefits and deepen its contribution to sustainable urban development.

### Ongoing sustainability and development contributions

Sustainability initiatives associated with the first fund remain centred on renewable energy technology, climate risk management and diversity, supporting the dual objectives of sustainable finance and resilient communities. Registered projects under the Verified Carbon Standard (VCS) are currently undergoing their seventh verification, conducted by AERA Group, a Paris-based verifier specialising in low carbon and emissions reduction projects.



An independent verification report prepared by 4K Earth Science Private Limited provided assurance across greenhouse gas performance, corporate responsibility and ecosystem health. The verification team confirmed the activities underpinning the projects' contributions to selected Sustainable Development Goals for the period January to December 2025, including:

- **SDG 13 (Climate Action):** Avoidance of 24,861 tCO<sub>2</sub>e in emissions
- **SDG 7 (Affordable and Clean Energy):** Delivery of 25,197 MWh of renewable electricity through Ejuva projects
- **SDG 8 (Decent Work and Economic Growth):** Creation of permanent employment for operations, maintenance and security (including roles filled by women), alongside additional temporary jobs during the period

The conclusion of the 2025 VCS verification process reinforces the robustness of monitoring, reporting and impact assurance across the portfolio.



# GROWING OUR SHARED VALUE



## CLEAN ENERGY

	Total
Installed Capacity (MW)	101 886
Greenhouse Gas Emission Avoided (MT)	1 622 348

**7 AFFORDABLE AND CLEAN ENERGY**

## DIGITAL INFRASTRUCTURE

	Total
Total Number Internet Users	833 946

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

## AFFORDABLE HOUSING

Total Number Tenants	3 446
Occupancy Rate	91 - 95%

### Gender

Male	41%
Female	59%

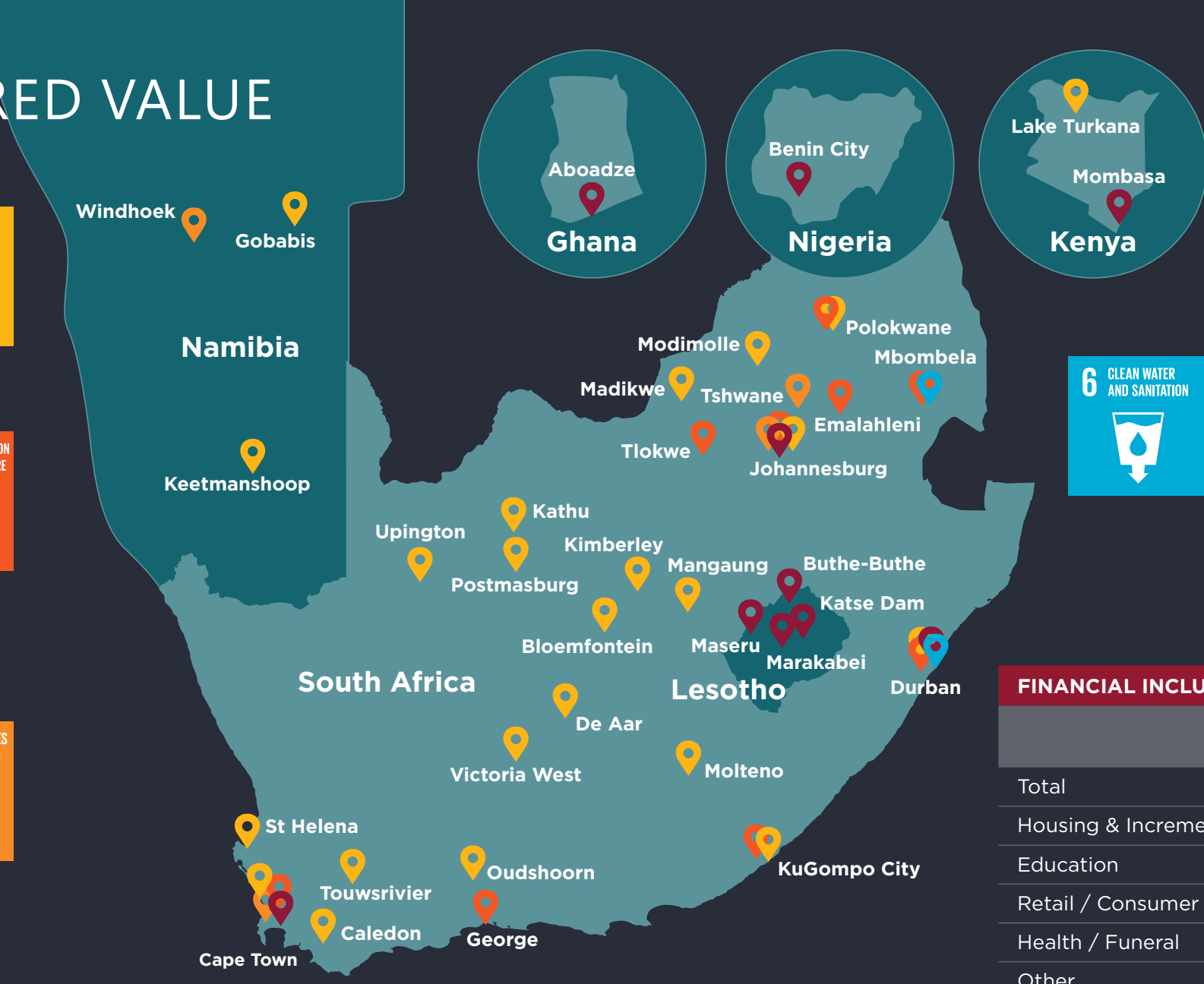
### Age

<20	14%
21-25	32%
26-35	32%
>35	22%

### Tenant Income Distribution (p.m.)

ZAR5k - ZAR10k	6%
ZAR10k - ZAR15k	9%
ZAR15k - ZAR20k	9%
ZAR20k - ZAR25k	10%
>ZAR25k	6%

**11 SUSTAINABLE CITIES AND COMMUNITIES**



**6 CLEAN WATER AND SANITATION**

## WATER

System Capacity (KL/day)	147 750
Volume supplied (KL/day)	113 060
Water Loss Relative to Total Disbursed	20%

## Wastewater

Water Treated (KL/day)	38 353
Water Available for Reuse (%)	68%

## Client Base

Total	34 522
Indigent Clients (%)	77%

## FINANCIAL INCLUSION

	Applications Approved	Loan Book
Total	2 985	137 650 581
Housing & Incremental Housing	12%	21 672 750
Education	33%	38 902 757
Retail / Consumer Finance	15%	21 882 999
Health / Funeral	4%	5 543 095
Other	36%	49 648 980

## Client Profile

Previously Disadvantaged	100%
Female	56%
Youth	35%

## PROCUREMENT

Total Procurement from Domestic / Local Suppliers	96%
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## DIRECT EMPLOYMENT

	South Africa	Lesotho	Namibia	Total
<b>Sustained</b>	<b>9 944</b>	<b>520</b>	<b>132</b>	<b>10 596</b>
- Previously Disadvantaged	77%	72%	5%	
- Women	3%	36%	9%	
<b>New</b>	<b>2 479</b>	<b>-</b>	<b>-</b>	<b>2 479</b>

**8 DECENT WORK AND ECONOMIC GROWTH**



# OTHER SDG-ALIGNED ACTIVITIES

The summary below outlines additional activities undertaken by our investee companies in support of the Sustainable Development Goals (SDGs).



- Small-scale farming support for a Home-Based Care organisation in Luphisi.
- Provision of a water storage tank to a Home-Based Care organisation.
- Distribution of gazebo shelters to support informal traders' livelihoods.



- Monthly grocery contributions to an Home-Based Care supporting destitute children.
- Supply of groceries to a Gender-Based Violence & Rape Intervention Programme.



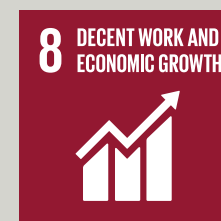
- Introduction of flexible working hours to support employee well-being.
- Annual marathon sponsorship promoting physical fitness, mental health, and community cohesion.



- Access to schooling through the Silulumanzi Bursary Fund.
- Start-up support for tertiary students via provision of travel materials.



- Installation of boreholes across developments to improve water sustainability.
- Annual Water Week programme educating primary school learners on water conservation.



- Adoption of flexible work practices supporting decent work standards and employee productivity.
- Support for informal economic activity through shelter provision for local vendors.



- Reduced data package pricing to improve equitable access to digital services.
- Provision of affordable, well-located impact housing through the Live Easy model.



- Exclusive focus on brownfield developments to limit land degradation.
- Environmental oversight through participation in Environmental Liaison Monitoring Committees.



- Installation of a 450 kW solar plant at the sewer treatment facility.
- Integration of solar power as the primary grid back-up across operations.
- Use of composite manhole covers manufactured from recycled materials.



- Inclusion of legal compliance, ethical conduct, and good corporate governance clauses in all service provider contracts.



# DIVERSITY, INCLUSION & GOVERNANCE

In South Africa’s evolving investment landscape, transformation remains integral to the credibility and long-term sustainability of the asset management industry. Beyond regulatory compliance, institutional investors increasingly expect managers to demonstrate how transformation is embedded in governance structures, decision making processes and the stewardship of capital over time.

At Mergence, transformation – including our Broad Based Black Economic Empowerment (B BBEE) commitments – has been integral to our business since inception. Our ownership, leadership and investment teams reflect a deliberate approach to building an organisation that draws on diverse perspectives, strengthens governance outcomes and enhances the quality of investment decision making.


We view B BBEE not as a standalone objective, but as part of a broader framework for responsible investment and long term value creation. By aligning our transformation strategy with sound governance, talent development and accountability, we aim to ensure that our progress remains both substantive and sustainable. In this way, we believe that strong governance and meaningful transformation continue to reinforce one another in support of long-term investment success.


## Current score per element


Element	Actual Score	Target Score
Ownership	24.99	25
Management Control	17.25	20
Skills Management	15.50	23
Enterprise & Supplier Development	39.37	43
Socio-Economic Development	6.00	8
Total Score	103.11	119


**LEVEL** 1

 **TOTAL STAFF**  
**81% black (51% black female)**

 **OWNERSHIP**  
**82% black**  
**(13.5% black female)**

 **BOARD MEMBERS**  
**100% black**  
**(25% black female)**

 **EXEC & SENIOR MANAGEMENT**  
**100% black**  
**(25% black female)**

 **INVESTMENT PROFESSIONALS**  
**76% black**  
**(38% black female)**





## Influencing industry dialogue and strengthening investment ecosystems

Mergence maintains an active and considered presence in the media as part of its commitment to responsible stewardship, informed public discourse and the long-term development of the investment industry. Through research-led commentary, firm-led communications and timely market insight, we seek to contribute constructively to debate across both public and private markets, with a focus on infrastructure investment, capital allocation, stewardship and impact.

Our engagement during the year reflected a balance between proactive thought leadership and responsive market commentary, aimed at supporting informed decision making by investors, policymakers and other market participants. This included analysis-led contributions on long-term structural themes, alongside commentary on listed companies, market developments and macroeconomic events in public markets.

A particular area of emphasis during the year was water infrastructure, which we view as one of South Africa’s most pressing and underappreciated systemic risks. Through a series of media articles and opinion pieces – many authored by Chito Siame, Head of Private Equity – Mergence sought to educate stakeholders on the importance of water security, highlighting that the challenge is not solely one of funding, but of governance, operational capability and long-term stewardship. This work aimed to deepen understanding of how private capital, appropriately structured, can contribute to sustainable solutions in a sector that is increasingly critical to economic resilience and social stability.

Alongside this thematic focus, our broader media engagement ensured ongoing participation in public markets dialogue, particularly through stock and market commentary that connects company-level developments, risk management and governance considerations to long-term value creation.

## Media contribution supporting informed debate and responsible investment outcomes

The table below summarises the nature of Mergence’s media engagement during 2025, reflecting the breadth of our contribution across thought leadership, firm-led communications and public-market commentary.

Category	Number
Thinkpieces / features	39
Press releases / company-led coverage	38
Stock comment / reactive commentary	21
<b>Total</b>	<b>98</b>



Beyond media engagement, our people continue to play an active role in strengthening the broader investment ecosystem. During the year, Mergence professionals contributed to industry discussions through conferences, webinars and specialist forums, sharing insight on public and private market investing, infrastructure development and impact strategies. These engagements included participation at events hosted by the Southern African Venture Capital and Private Equity Association and the Infrastructure Africa Conference.

Through these platforms, we aim not only to share experience, but to support more resilient, transparent and impact aware investment markets across South Africa and the broader African continent.



# CORPORATE SOCIAL INVESTMENT

Mergence is committed to creating sustainable shared value and contributing meaningfully to the communities in which we operate through our Corporate Social Investment (CSI) programme. Aligned with our values and broader responsible investment philosophy, our CSI initiatives focus on strengthening human capital, promoting inclusion and supporting long-term social resilience.

Our approach prioritises initiatives that are purpose-driven, measurable and sustainable, with a particular emphasis on education, skills development, youth empowerment, health and community wellbeing. Across all regions, our people play an active role in supporting and shaping CSI activities, reinforcing long term, collaborative relationships with community partners.

The following sections highlight selected CSI activities undertaken during 2025 across South Africa, Lesotho and Namibia.

## South Africa

During the year, Mergence continued to prioritise education, youth development and community upliftment through a range of targeted initiatives.

We hosted students from Rutgers University (USA) as part of their annual South African emerging markets visit, providing exposure to asset management, capital markets and career opportunities within the investment industry. This was complemented by our ongoing engagement with the University of Cape Town Investment Society, supporting student interaction with the asset management profession.

Our support for the SNPF Bursary Fund enabled deserving dependants of MWRF members to pursue tertiary education, contributing to longer-term skills development and improved access to educational opportunities.

In recognition of Nelson Mandela Day, Mergence honoured Madiba's legacy through a financial contribution to Ubuntu Football Academy, a long-standing CSI partner. Ubuntu provides a holistic development environment that combines education, lifeskills development and structured sport, serving as both a school and a safe residential space for young people from disadvantaged backgrounds. The academy continues to nurture boys and girls into graduates, professionals and athletes, with recent achievements across both teams reflecting the programme's broader social impact.



## Lesotho

Mergence Lesotho's CSI activities during the year focused on skills development, youth employment, health and community wellbeing, with initiatives selected to deliver meaningful and sustainable social impact aligned with ESG priorities and the United Nations Sustainable Development Goals.

Support during the period centred on workplace secondments and structured internship programmes, providing young people with practical experience, mentorship and workplace readiness. These initiatives contributed to improved employability, skills transfer and longer-term economic participation.

In parallel, Mergence supported health and wellness initiatives aimed at encouraging preventative healthcare, physical activity and mental wellbeing. Targeted youth development initiatives leveraging sport further promoted social cohesion, leadership development and positive youth engagement.

Collectively, these initiatives reflect Mergence's commitment to responsible corporate citizenship in Lesotho, reinforcing our focus on education, decent work, health and inclusive development while contributing to more resilient communities.



## Namibia

During the year, Mergence's CSI activity in Namibia focused on the completion and handover of initiatives supported in the prior period. This included the final delivery of equipment and resources to a local soccer team and a vocational training centre, following extended procurement and logistical timelines.

While no new CSI projects were initiated in Namibia during the reporting period, these handovers ensured that previously committed support translated into tangible, on the ground benefit for local beneficiaries. Mergence continues to regard skills development, youth empowerment and community based initiatives as important contributors to long-term social and economic resilience and will assess future CSI opportunities in Namibia in line with these priorities.



# OUR SUSTAINABILITY JOURNEY

Mergence continues to advance its sustainability journey across our offices in Cape Town, Johannesburg, Windhoek and Maseru. Our head office remains based at the Cape Town Cruise Terminal in the V&A Waterfront, where we operate within a precinct that applies clear environmental standards for tenants. This year's carbon footprint assessment, prepared with independent sustainability consultants GreenEdge in line with the Greenhouse Gas Protocol, reflects both our day-to-day operational practices and the broader impact of business travel, commuting and office energy use.



**Waste recycling** remains part of our office routine in Cape Town. Staff separate recyclable materials using clearly marked bins, and our office support team transfers these to the building's shared refuse area for collection and onward processing through the V&A Waterfront's recycling system. While commercial office waste streams are still excluded from the carbon footprint calculation because of limited data availability and their expected immateriality relative to electricity and travel emissions, we continue to support responsible waste sorting and disposal practices in our workplace.



**Electricity usage** remains a key focus area. During the 2025 reporting period, electricity consumption across our offices totalled 114 607 kWh, resulting in 103 834 kg CO<sub>2</sub>e of Scope 2 emissions. Cape Town accounted for the largest share of this usage at 74 269 kWh. Our offices continue to encourage practical energy-saving habits, including switching off lights, air conditioning and computer equipment when not in use. Although our overall operational footprint decreased year on year, electricity emissions increased compared with 2024, which means office energy efficiency will remain an area of management attention.



**Water usage** remains guided by practical conservation measures in our Cape Town office, including the use of reusable cutlery and crockery and mindful day-to-day consumption. As with previous years, water-related emissions are not included in the footprint calculation because embodied energy in water pumping is currently excluded from the assessment. We nevertheless recognise water stewardship as an important part of responsible office management and continue to encourage efficient use of shared resources.



**Carbon footprint** Our 2025 operational footprint was measured in accordance with the Greenhouse Gas Protocol. No material Scope 1 emissions were identified for the reporting period. The footprint was therefore driven primarily by Scope 2 office electricity use and Scope 3 emissions from air travel, staff commuting, car rental and Uber/business ground transport. Total operational emissions for 2025 were 250 350 kg CO<sub>2</sub>e, down 24.2% from 330 275 kg CO<sub>2</sub>e in 2024. This reduction was mainly driven by lower air travel emissions, which fell to 104 692 kg CO<sub>2</sub>e, while staff commuting contributed 36 952 kg CO<sub>2</sub>e and car rental plus Uber/business ground transport a further 4 872 kg CO<sub>2</sub>e. The 2025 offset requirement is 250 350 kg CO<sub>2</sub>e if the 2024 balance has already been settled, or 719 849 kg CO<sub>2</sub>e if the prior-year amount remains outstanding. As in previous years, we intend to pursue a South Africa-first, high-integrity offset approach that supports credible climate action together with local social and development co-benefits.





## Carbon emissions for 2024/25

The table below summarises our operational emissions by source for 2024 and 2025, highlighting where reductions were achieved and where emissions increased year on year.

Scope and source	2024 emissions (kg CO <sub>2</sub> e)	2025 emissions (kg CO <sub>2</sub> e)	Change (kg CO <sub>2</sub> e)	Change (%)
Scope 2: Office electricity usage	89 499	103 834	+14 335	+16.0%
Scope 3: Flights	191 441	104 692	-86 749	-45.3%
Scope 3: Staff commuting	43 040	36 952	-6 088	-14.1%
Scope 3: Car rental and Uber/business ground transport	6 295	4 872	-1 423	-22.6%
<b>Total operational footprint</b>	<b>330 275</b>	<b>250 350</b>	<b>-79 925</b>	<b>-24.2%</b>





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CREATING SUSTAINABLE SHARED VALUE



**M E R G E N C E**