MERGENCE

IMPACT REPORT 2021/22

CREATING SHARED VALUE

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MERGENCE

MESSAGE FROM MASIMO

There is much to celebrate and look forward to in South Africa. I deliberately start my report with this bold statement because as a nation we have been wounded and tested to the limit over the past three years. Without dwelling on the details, entire business sectors and in particular small businesses have been devastated, people have lost their loved ones and we got a hint of a worst-case scenario in July 2021 with the looting in Kwazulu-Natal.

Yet - despite the pain and suffering - communities have pulled together, there are pockets of hope and most importantly a growing commitment by government to target infrastructure development, and to cooperate with the private sector on various initiatives. The construction and repair of infrastructure received decent airtime in both the 2022 Budget Speech and the 2022 State of the Nation Address in February of this year.

This will not necessarily be an easy path to follow. The International Monetary Fund in a May/June staff meeting on South Africa, noted that there remains a large gap between encouraging policy statements and reform implementation.

However, as recently as March, the Minister of Public Works and Infrastructure published in the Government Gazette the National Infrastructure Plan 2050 (NIP 50), Phase One. This is an impressive and ambitious paper. Mission-critical infrastructure is listed as energy, freight transport, water and digital communications. A second phase will focus i.a. on distributed infrastructure and related municipal services. Most pleasingly the NIP 50 spells out in detail the practical steps to achieve the 2050 targets, and also includes what role the private sector can play.

The NIP 50 was born out of various existing initiatives:

- The National Development Plan (NDP), unveiled in 2013 with a target date of 2030. In December 2020 the National Planning Commission published an extensive review of public sector and SEO infrastructure delivery and performance. It found that delivery was lagging and hence the formation of the NIP 50 to make constructive and concrete recommendations to support course correction of the NDP.
- Another initiative, The Economic Reconstruction and Recovery Plan, presented late in 2021 to Parliament, focuses on a massive rollout of infrastructure; a significant increase in local production; an employment stimulus to create jobs; and rapid expansion of energy generation capacity.
- Further, at a macro level, Operation Vulindlela is a joint initiative by Government and National Treasury to accelerate the implementation of structural reforms and support economic recovery. It is recognised that inclusive economic growth can only be realised if both growth and redistribution take place simultaneously. For example, the distribution of productive assets such as land and housing enables the poor to engage in productive economic activities.

Private sector support

National Treasury will be implementing and overseeing the results of a recently completed review of the Public-Private Partnerships (PPP) framework, including innovative financing mechanisms to see how to crowd in private sector investment to a pipeline of government projects, driven through the Budget Facility for Infrastructure and partnerships with the Development Bank of Southern Africa and Infrastructure South Africa.

I am proud to say that as an investment house with capabilities across both public and private markets, Mergence is in stride with all the above - in fact many of our private market investments were forerunners to the latest government thinking, with our first funds created over a decade ago, with an impact and ESG focus. We specifically aligned projects according to the priorities of the National Development Plan as well as with the United Nations' Sustainable Development Goals.

While this Annual Impact Report can only cover a few of our investments, we are invested across most of the sectors highlighted by government: renewable energy (a staggering 16 projects across wind and solar in remote areas); financial inclusion via SMMEs; affordable housing; fibre rollout and connectivity; roads, healthcare; cannabis; education; and bulk infrastructure (including land servicing).

Water was singled out both by the Finance Minister and the President as a crucial sector for investment and so we are particularly proud of our pioneering role in this sector. We are invested via PPPs into the only two privately-run water concessions in the country - see page 11 for more and the impact created.

Echoing our belief in Creating Sustainable Value, our private sector funds are proof that financial returns need not be sacrificed in favour of social returns. As at 30 June 2022, the Mergence Infrastructure & Development Fund | Equity has outperformed its CPI + 7% benchmark by 4.91%, returning 16.83% since inception in 2015.

We welcome the changes in 2021 made to Regulation 28 of the Pension Funds Act, allowing us to increase allocation to infrastructure assets. We are ready to add such allocation as soon as client mandates request this and as understanding of ESG grows.

Continental growth

Mergence's vision for growth extends beyond the borders of South Africa, currently to SADC but also beyond. We have for nearly a decade now had in-country offices in both Namibia and Lesotho, something that is very important for the governments of those countries who often feel colonised by South Africa. Very few other South African managers are present in these geographies.

Public markets

Our public markets offering makes up the bulk of our assets under management. We have made some senior hires over the past 12 months, representing some of the best talent in South Africa, and grown our suite of funds with the addition of some innovative funds.

You can read more about our public markets activities on page 6 but here are some stand-outs:

- We were among the first asset managers to make public our proxy voting decisions as far back as 2009.
- In addition to voting, Mergence conscientiously engages companies where warranted to give due effect to the fiduciary responsibility entrusted to them by clients.
- We were an early mover on ascertaining company carbon footprint, with carbon disclosure in our investments made from 2013 onwards.

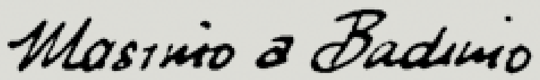
Impact of COVID-19

Since mid-2021 we have successfully implemented a hybrid office and work-from-home schedule with staff in office at least three days a week. To ensure adherence to COVID regulations and recommended practices, we experienced increased costs regarding sanitisation and COVID testing costs, but I am pleased to report that there has been no major impact on our investment teams, nor on our overall assets under management.

Internal work

Finally, over the past eight months we have as an investment house conducted a deep dive into who we are and what we stand for. What has emerged as the most powerful driver is that people come before profit. If you look after people and reward them for merit, the performance will flow from there. This work has formed a solid foundation from which to grow into the future.

I thank all our stakeholders for their support and hope you enjoy the read.



MERGENCE is an independent investment management firm with diversified public and private market offerings, spanning equity, multi asset, infrastructure, debt and private equity funds.

We are focused on sub-Saharan markets and led by a pragmatic, sustainable, shared value creation mindset. Founded in 2004 we have a strong 18-year track record.

Assets under management: R35 billion

Suite of 20 investment mandates

Offices in Cape Town, Johannesburg, Windhoek, Maseru

52 employees

Very strong client retention record

THE GOAL OF MERGENCE

is to continue growing on a trajectory of a becoming a successful larger institutional fund manager and to be recognised as such, while still sporting solid BEE credentials.

Responsible investing support and incentives:

Signatory to the UN-supported Principles for Responsible Investment (PRI), since 2007.

Supporter of the CDP (formerly the Carbon Disclosure Project) which motivates companies to disclose and reduce their environmental impacts, since 2011.

Supporter of the Code for Responsible Investment in South Africa (CRISA), since 2012.

Supporter of the 2021 Global Investor Statement to Governments on the Climate Crisis sent to heads of state ahead of COP26 in Glasgow and which had the support of 733 investors managing over US$52 trillion in assets, representing around 50% of global assets under management.

PUBLIC MARKETS

Brad Preston - Chief Investment Officer

The Public Markets investment capability of Mergence Investment Managers formed the bedrock of the house when it was first founded in 2004. The team handles 87% of total assets under management.

We continually upskill the team and, despite the pandemic conditions last year in 2021, we held a record 690 management meetings!

We experienced some client equity AUM withdrawals to meet COVID claims/commitments but this did not have any significant impact on profitability for the 12-month period to August 2021.

ESG integration into our Public Markets decision-making process

We acknowledge that measuring ESG factors and their impact is difficult. We have had a Responsible Investment Policy, which incorporates our approach to ESG in place, since 2015 and review this formally on an annual basis. In 2021 we added an explicit ESG pillar as part of our equity research process and portfolio construction. While ESG was always covered as part of equity research, we have added minimum ESG deliverables as part of our stock presentation checklist/guide to analysts.

We are refining our approach to ESG scores to further guide portfolio construction through position sizing and measuring integration in the portfolio. Current challenges we - as all asset managers - face are data availability and the comparability of measurement methods, but we believe that disclosure and reporting standardisation will improve and enable useful integration measurement.

Our equity analysts meet with management teams frequently and as part of our research process we discuss various ESG risks. For example, we have raised the following issues with various management teams: regulatory investigations into company dealings, labour relations and the risk of industrial action, regulatory risks in health care and the potential impact of carbon tax.

We use the following process to identify and evaluate:

- Thematic research: Periodic research into topical themes;
- Bottom-up research: Integrated into analyst bottom-up research process;
- Interaction: Sell-side specialists, PRI, industry conferences, engagement and interaction with the Mergence Private Markets team; and
- Reporting: Various research ESG reports sent to clients; and annual Impact Report; and client briefing.

PROXY VOTING EXAMPLES

As part of our ESG process we use proxy voting as an engagement tool in particular instances and we follow up with a letter (or a phone call) highlighting the reasons to the company why we voted in a certain way or against some resolutions. Below are two examples where we used proxy voting as a tool to achieve improvements in governance.

RICHEMONT

We voted against the reappointment of PwC as external auditor of Richemont. PwC has been the external auditor of the company since 1993. While we believe PwC has the necessary skills, experience and sufficient resources to perform the audit accordingly and successfully, we believe their long tenure puts into question their independence. We therefore recommended that the company issue a new audit tender. In Richemont's 2022 results the company indicated that *"Recognising shareholders' expectations, it has been decided to initiate a tender process which may lead to the appointment of a new Group external auditor."*

prosus NASPERS

We voted against the resolution requesting to release executive and non-executive directors from liability. We also voted against the reappointment of PwC as auditors given that PwC and its predecessor firms have audited Naspers for decades. Our policy favours auditor rotation to increase the likelihood of independence and ultimately to reduce the likelihood of business practices that result in major financial loss for all stakeholders. We informed the company that we were not comfortable with these resolutions given the case of accounting irregularities and fraud uncovered at Steinhoff over the past few years and the company had used a related resolutions to protect its directors and accounting irregularities. The unfortunate events at Steinhoff resulted in major social and financial challenges for communities in South Africa.

PRIVATE MARKETS

Kasief Isaacs - Head: Private Markets

The Mergence Private Markets team has pioneered in the unlisted, infrastructure and impact space for over a decade.

Alternative assets, particularly infrastructure, from a strategic asset allocation perspective offer investors portfolio diversification; and returns that are uncorrelated with other asset classes. The asset class provides a hedge against inflation and delivers long-term, steady and risk-adjusted returns.

Incorporating ESG into our Private Markets investment decision-making process:

We have developed a comprehensive Environmental, Social and Governance Management System (ESGMS) which details our requirements and obligations as they relate to the ESG performance of our investors, Mergence as an asset manager, and our products.

The ESGMS allows Mergence to incorporate ESG elements into the investment decision-making framework with the view of mitigating overall portfolio risk, promoting sustainability, and generating positive impact.

All projects are subject to an initial screening process, which includes a review of the project economics, business plan and an initial appraisal of the management team and risk profile.

The ESGMS is used to screen and evaluate ESG risks of potential investment opportunities and monitor the ongoing ESG performance of the existing portfolio.

We engage with companies on their sustainability (ESG) initiatives through our active ownership practices. We collaborate with investee companies by engaging with management to encourage them to think about their approach to ESG issues, with the purpose of improving overall sustainability. Where ESG understanding and knowledge is lacking, on the part of either the investee company or Mergence staff, we provide the necessary training

To illustrate the stringency of the ESG screening we perform on our private market investments, we follow the steps below:

1. Apply ESG principles throughout our investment process (origination: initial screening, deals committee approval; investment process: due diligence, valuation & screening, investment decision; asset management; exit)
2. Identify ESG impacts and opportunities (identification of negative ESG impacts and risks, sectoral risks and opportunities; identification of positive ESG impacts and risks, sectoral risks and opportunities);
3. ESG reporting (pre-investment: Initial ESG screening; ESG Due Dilligence report and ESG Action Plan; post-investment: reporting, investee company ESG reports, major incident report, quarterly reporting, annual ESG performance reports, periodic reporting)
4. Monitor and review

GROWING OUR SHARED VALUE

FOOD SECURITY

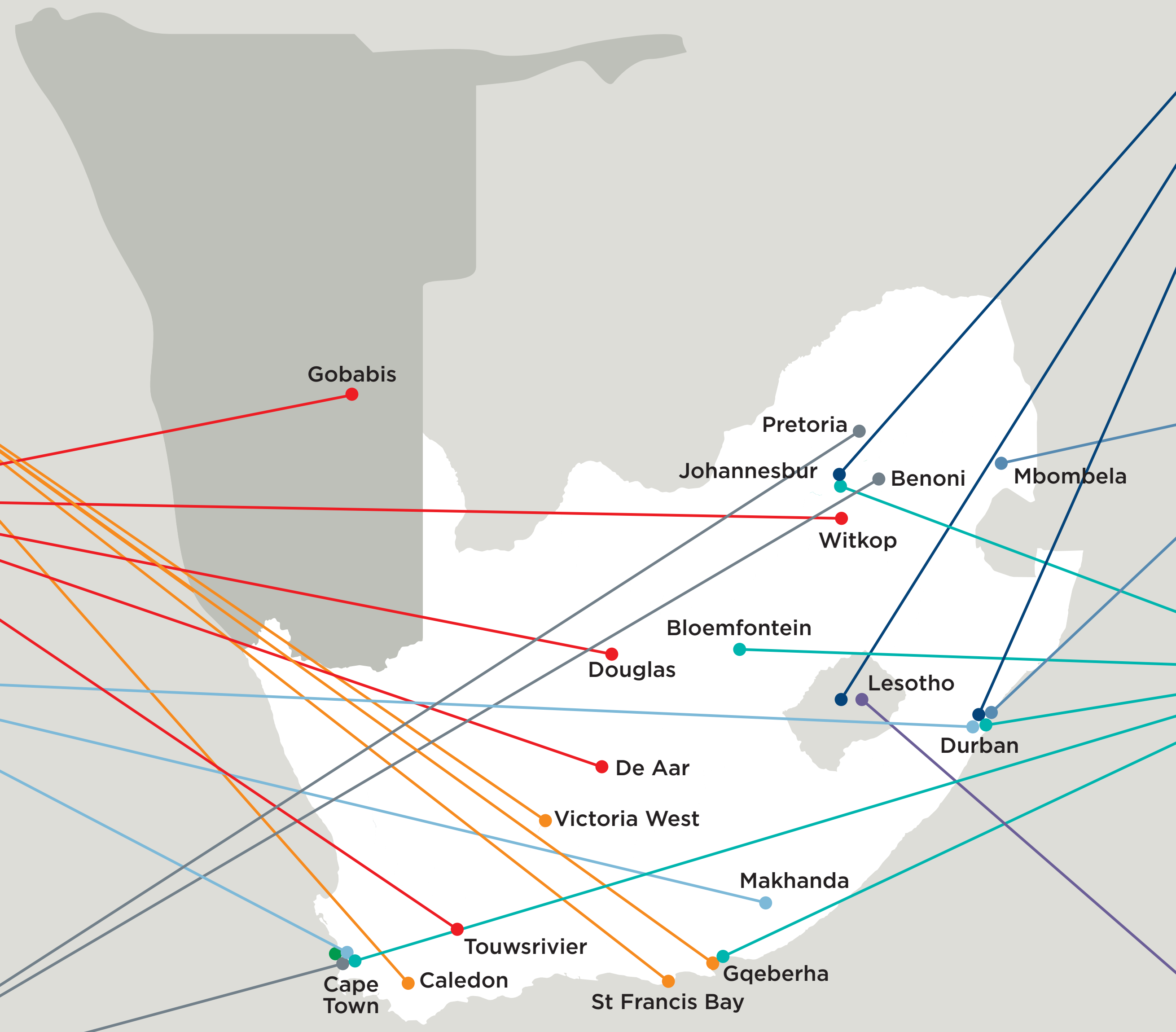
Employment	
- Full-time (Total)	18
Male	65%
Female	35%

RENEWABLE ENERGY

Capacity	611MW
Wind	34%
Solar	46%
Steam	20%
Employment	674
Wind	37%
Solar	58%
Steam	5%
Socio-economic development spend	R31.1m
Wind	R8.5m
Solar	R22.6m

ICT / COMMUNICATION

Employment	
Permanent	60%



HOUSING

No. of loan applications approved (2020/21)	1, 755
Client profile	8, 716
PDI Females	55%
PDI Males	45%
Employment	
Permanent	2, 545
Short-term	5, 493

WATER

Employment	
Permanent	280
Temporary	22

TRANSPORTATION

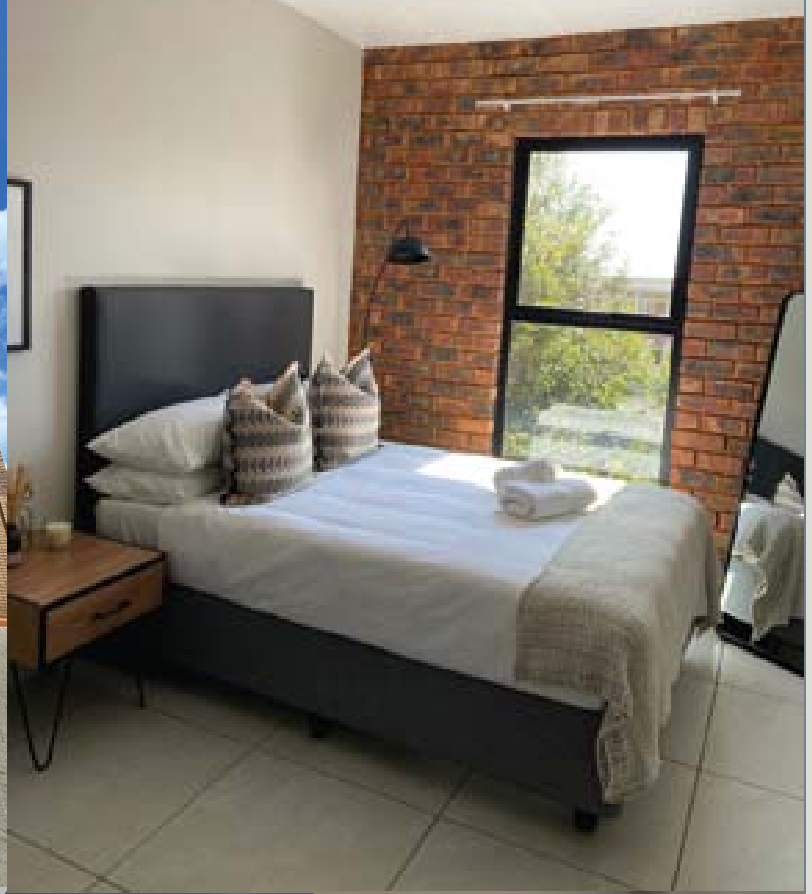
Beneficiaries	
Black female beneficiaries	5,971
Black youth beneficiaries	4,222
Employment - Full-time (Total)	15, 464
Black male	61%
Black female	39%

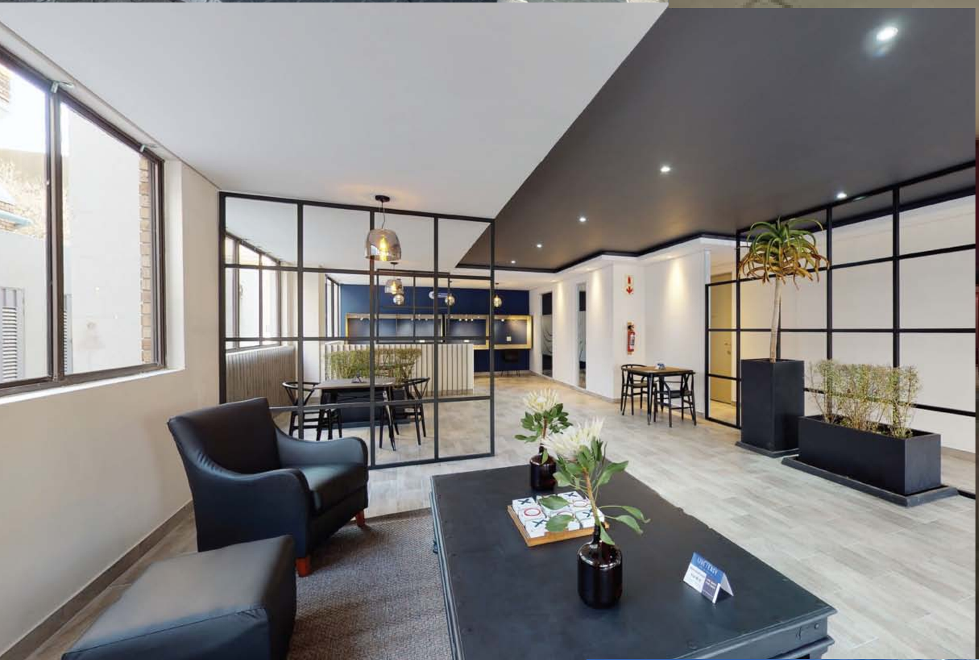
HEALTH

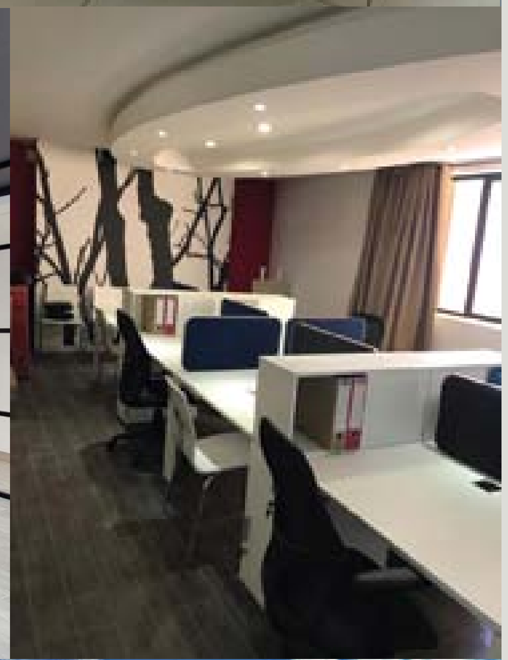
Employment	
Direct Jobs	250

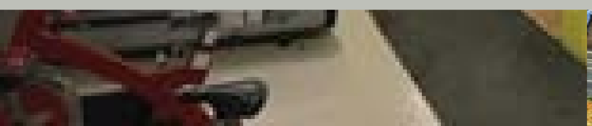
JOBS: **19,361**

TOTAL INVESTED: **R4,0bn**









CASE STUDY | PRIVATE MARKET

AFFORDABLE HOUSING

LIVE / EASY
MOVE IN. MOVE UP.

Live Easy is one of SA's largest affordable housing and lifestyle brands with a current ca 2,000 units in five building complexes in prime locations between Johannesburg and Pretoria in Gauteng. The focus is on the impact housing segment, aiming to close the gap between social housing and privately owned homes.

Via the Mergence Infrastructure & Development | Equity Fund I, Mergence has acquired a controlling equity stake in Live Easy. We identified with this first-of-its-kind initiative in South Africa, a true trailblazer in transitioning people living in unsuitable/undesirable conditions into a safe, secure and well managed housing environment.

The units are so-called "Nano Modules" comprising an average 15 m2 home, with a kitchenette and bathroom, at an average rental of R2,450 per month. There is a strong 'cool' factor, with on-site amenities which include workplaces with WiFi, lounges, chill areas, playgrounds, open spaces, retail shops, laundromats, gyms and creches. This allows for a fully integrated affordable housing solution.

There is a long waiting list for units, with upwards of 300 queries per month at some properties.

The impact

Social

- Many young adults in their first jobs or professions (ca 70% earn less than R20,000 per month) need accommodation which matches their aspirations and has easy access to their place of work. Live Easy provides a solution to this segment of customers who are price sensitive but demand an upmarket look and feel lifestyle.
- Women safety - Live Easy is particularly attractive to young women who make up 59% of the tenant profile. The tenant age profile ranges predominantly between 21 and 30 years of age.
- To date Live Easy has impacted the lives of thousands of tenants.

Environmental

- By deliberately focusing on the conversion of existing buildings, Live Easy has a smaller environmental impact than constructing apartment blocks from the ground up.
- Mergence are engaging with the executive management team on introducing additional measures such as enhancing recycling efforts and incorporating more energy efficient technologies in new projects.

"Live Easy has given me a stepping stone to gaining independence. A wonderful experience and a great place for networking with other individuals."

Facebook post from a Live Easy Rivonia tenant

CASE STUDY | PRIVATE MARKET

WATER

SAWW South African Water Works

silulumanzi A SAWW Company

Water is one of Southern Africa's worst-hit resources. In South Africa itself, as a water scarce country, it is unconscionable to imagine that South African municipalities lose an estimated average of 37% of precious water before reaching the end users.

Mergence has invested in the first ever water concessions in the country (both concluded in 1999), supplying water to circa 470,000 people. The concessions are in Mpumalanga and Kwa-Zulu Natal (Mbombela and Ilembe district municipalities respectively).

These partnerships are formed between the local municipality and the concessionaire which is responsible for the operation, repairs and management of the water infrastructure as well as the supply of water, which they either buy from the Water Board or obtain through the production of its own potable water.

Mergence has a majority stake through the Mergence Infrastructure & Development | Equity Fund in both concessionaire companies, Siza Water and Silulumanzi, and is actively involved in their management via a special purpose vehicle, South African Water Works (SAWW).

The impact

The following table provides a summary of the business and its reach, both environmentally and socially:

DETAILS	SILULUMANZI	SIZA
Staff employed	293	85
Number of qualified artisans (plumbers, electricians, fitters, etc.)	19	16
Number of qualified engineers	8	2
Number of bursaries awarded	45	22
Value spent on CSR initiatives since inception	R4,6M	> R4,3M
Population served	390,000	70,000
Number of customers receiving Free Basic Water*	~ 28,000	~ 8,000
Water capacity (million litres / day)	76	31
Waste water capacity (million litres / day)	44	19
Length of water network (kilometres)	1,233	278
Length of sewer network (kilometres)	694	188

Environmental

- There has been a marked improvement in water quality and delivery to all communities.
- Technical water losses, ouside indigent communities, at the SAWW concessions, average 20% compared to the country average of 27%.
- The recycling plant capacity is 4,5 mega litres / day intake and 2,7 mega litres / day output which represents about 20% of total daily demand.
- Green Drop certification has been achieved at Siza Water (this measures holistic management of a sewer system and must score more than 90% on all metrics to be accredited).

Social

- SAWW is entrusted to deliver water to approximately 470,000 consumers in two districts daily - via the PPPs including to indigent communities supplying close to 40,000 people with free basic water.

CASE STUDY | PRIVATE MARKET

MICROFINANCING

Thusong Financial Services is a microfinance institution in Lesotho founded in 2011, offering loans and advances to salaried government employees at the lower-income level - with loans varying from M800 to M3,000. Thusong was mostly a family-owned business with the constraint to access additional capital and making it impossible for them to grow their loan book from c. M7 million.

The Thusong products are incremental housing loans, education/student loans and healthcare loans.

To enable Thusong to grow further, Mergence Investment Managers (Lesotho) has co-invested on behalf of their client a total of M50 million for a significant equity position in Thusong Financial Services. With the top players in the microfinance industry predominantly being foreign owned, the Mergence investment provides Thusong not only the opportunity to grow and compete with top competitors but also retain local Basotho ownership of greater than 70%.

The common microfinance distribution model that exists in Lesotho is a physical model, with walk-in clients applying for loans at branch networks. Thusong will implement a combination of digital and physical access, with more reliance on digital.

Thusong currently has three offices in Lesotho and with the necessary growth, satellite offices will be set up in other towns in Lesotho.

The impact

Environmental

- Thusong is looking to enforcing a paperless distribution network to reduce their carbon footprint both through a paperless approach and clients being able to access their funds digitally, remotely.

Social

- Providing microfinance to lower-income Basotho citizens at a highly competitive rate, enabling the upliftment of individuals and communities.
- By providing more individuals with access to financing for education, housing and business opportunities this creates an opportunity to directly and indirectly affect and uplift individuals and communities.

Governance

- In Lesotho the microfinance industry is regulated by the Central Bank and is being further developed with the assistance of the World Bank.

CASE STUDY | PRIVATE MARKET

BULK INFRASTRUCTURE INVESTMENT - HOUSING AND LAND SERVICING

There has been a critical housing shortage in Namibia over the past 10 to 20 years, with a massive backlog in the delivery of housing and land servicing. The Government has accordingly made this a priority and a new Act was promulgated declaring regional councils and local authorities as authorised planning authorities.

Mergence Unlisted Investment Managers (Namibia) has provided 46% mezzanine debt to co-finance a bulk infrastructure project with the Development Bank of Namibia, under the Public Partnership Agreement with City of Windhoek, trading as PPH Auasblick, Ext 1 in Windhoek, to help address the need for affordable housing and deliver over 284 erven to the City of Windhoek

The project constitutes equity contribution of 46% and senior debt from DBN contributing 54% of the project funding, with a total project cost of N$122mil for Phase One.

A wholly Namibian-owned company, Sinco, is the developer for the project. Sinco has the right to service the land, subdivide and sell the erven, and construct houses. It also has the responsibility to appoint funders for the project.

The land is being developed in two phases, with a total of more than 284 housing units, public open space and institutional land. Phase One of the project, comprising 106 housing units, was oversubscribed at the first off-plan launch in November 2019.

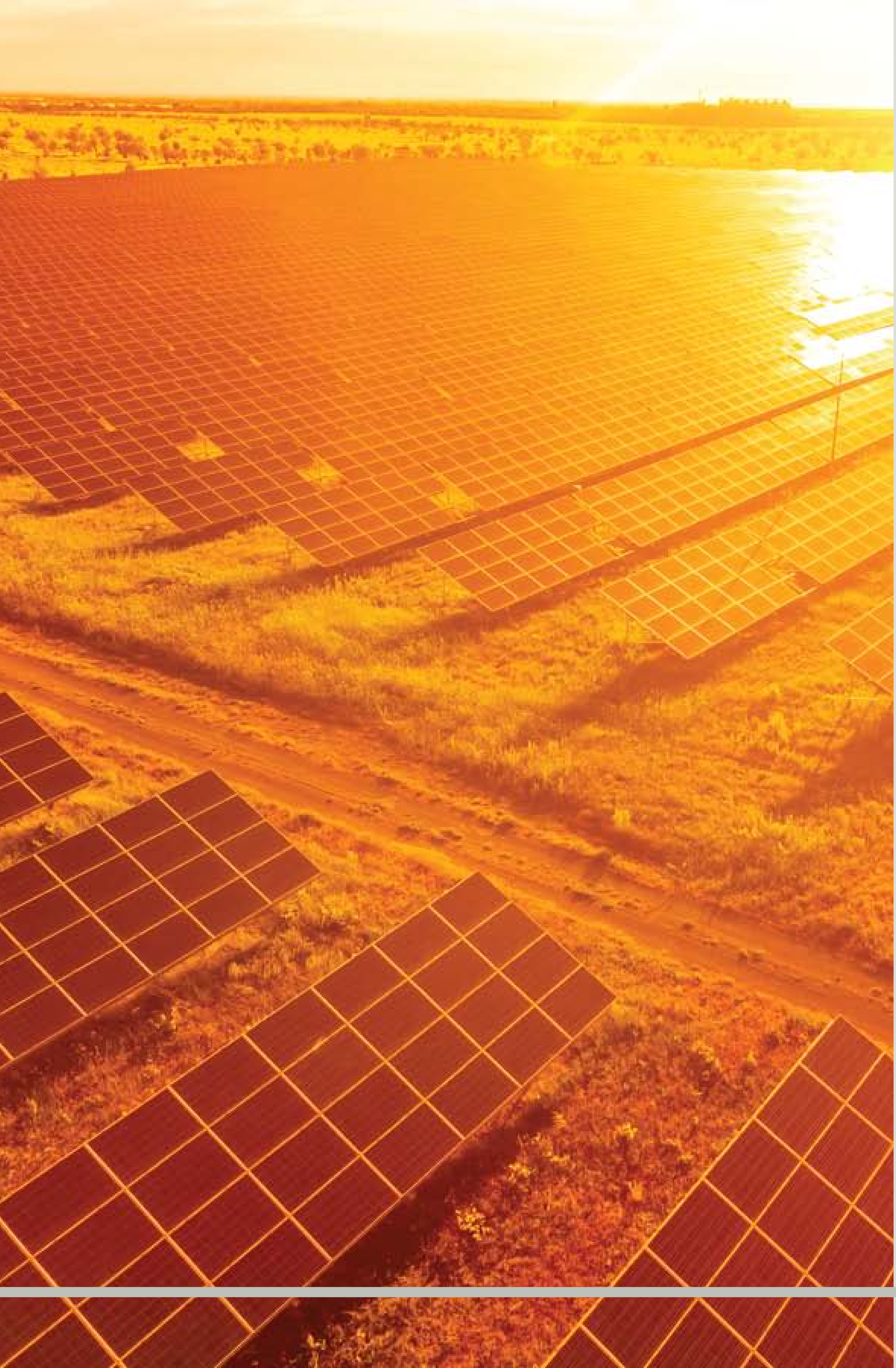
The impact

Social

- The Mergence investment supports the Namibian authorities to speed up the delivery of housing and land servicing across the country - more than 284 units upon completion.
- The Sinco/Ausblick housing development is located in the heart of Windhoek and is ideal for families and young professionals looking to live closer to their place of work.
- The investment will increase access to affordable land and the creation of new jobs for Namibians during the construction period.

Governance

- The PPP is highly robust - comprising Mergence Unlisted Investment Managers (Namibia), the Development Bank of Namibia (DBN) and the City of Windhoek.



DID YOU KNOW?

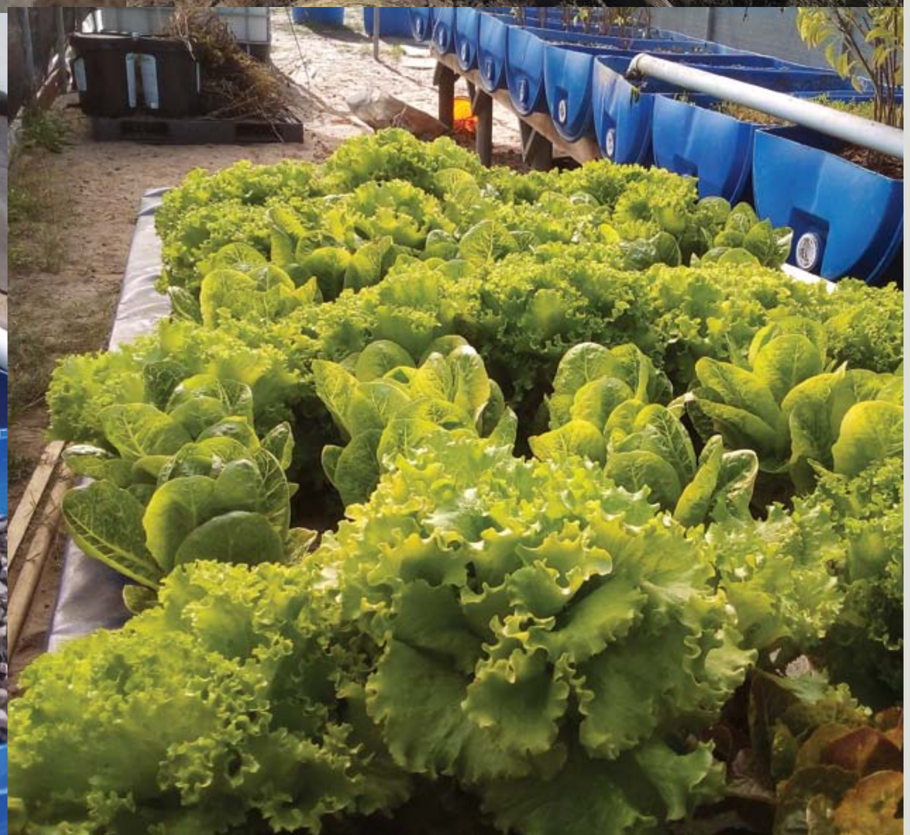
The Ejuva 1 & 2 solar energy plant in Gobabis is the only renewable energy plant in Namibia that has reduced its carbon emissions sufficiently to allow it to trade carbon credits on the international carbon market.

The Verified Carbon Standard (VCS) programme assessed Ejuva in terms of its greenhouse gases (GHG) reduction. ESPL was appointed to audit the verification.

The VCS programme is the world's most widely used voluntary GHG programme. By using the carbon markets, entities can neutralise - or offset - their emissions by retiring carbon credits generated by projects that are reducing GHG emissions elsewhere.

Mergence Unlisted Investment Managers (Namibia) has been invested in the Ejuva plant since its inception in 2018.



CORPORATE SOCIAL INVESTMENT

The Mergence ethos since inception in 2004 has been to create shared value - that is, we invest on behalf of our institutional clients and generate not only a sound financial return but also a social return, encapsulated in the phrase “sustainable value creation”. Below are two of the special projects that we are involved with.

Ezomhlaba Community Gardens

“Creating food security in vulnerable communities through empowerment”

In 2021 we identified and decided to support Ezomhlaba Community Gardens, a community food garden in Melkbosstrand, Cape Town.

Community gardens are instrumental in mitigating food insecurity and reducing food expenses. This is particularly important for the low-income population: they often have limited access to food through the conventional food system and have a high relative expenditure on food as a share of their disposable income.

Ezomhlaba supports micro-enterprises by teaching them to grow organic vegetables and thus create jobs and skills development.

In August 2021 Ezomhlaba embarked on an innovative aquaponics system project which was made possible with a donation from Mergence.

The idea behind the aquaponics project is two-fold - being able to use the fish waste to feed the plants, which in turn cleans the water, making it a closed loop system not using any fertilizers or pesticides.

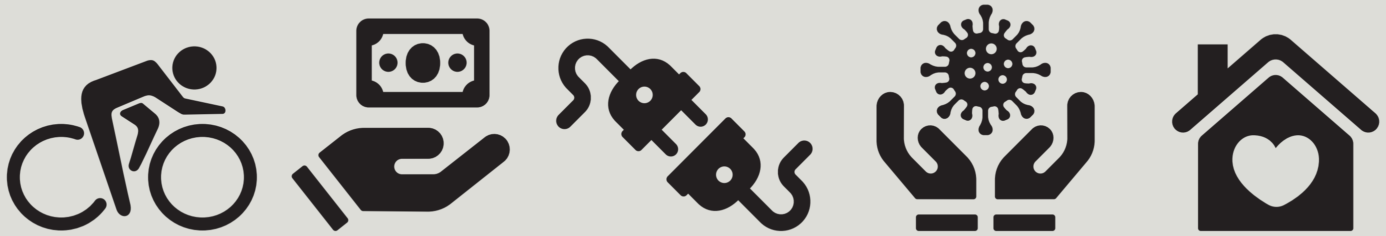
CORPORATE SOCIAL INVESTMENT

Tour de Frontline

Semoli Mokhanoi, Director SADC and Head of Business Development at Mergence Investment Managers, is a founding member and Chairman of a remarkable fund-raising cycling event called Tour de Frontline.

The Tour de Frontline initiative was launched in September 2020 by like-minded individuals with a joint passion for purpose and cycling. Their aim is to foster a closer relationship between corporates and charity organisations by raising much-needed funds for these organisations during and beyond the Covid-19 pandemic.

Tour de Frontline at a glance



Founded Sep 2020 by 11 cyclists	Raise funds for charities by means of mileage cycled	Connect initiatives to support charities	Create initiatives to support charities during the COVID-19 pndemic	Cultivate hope and faith to the disadvantaged

From a mere 11 cyclists in 2020, the Tour de Frontline initiative has grown exponentially as more and more corporates and individuals are inspired to take part.

Impact 2021

- On average there were 60 cyclists in Gauteng over a period of four days. In total the Tour had more than 100 participants.
- The target was to raise R25,000 for each charity supported. The actual funds raised were R22,275 - a remarkable 91% of the target amount.
- Support was extended to local vendors in each area where the Tour went past. 80% of the bananas were bought from the local vendors and shops. On the last day, the Tour further supported a local vendor in Tembisa with 100 “kotas” for riders and Bula Mahlo Charity.
- The event has touched and benefitted in excess of 800 vulnerable lives.
- It further showcased the talent of the Tour de Frontline Development Cycling Team.

The charities currently supported by Tour de Frontline are:

- The Talitha’s Children’s Trust - care for abandoned babies and children.
- Ntsika Afrika - assisting K1 Netball Club in Katlehong.
- One on One - a Public Benefit Organisation (PBO) promoting education, training, research and development in the areas of Science, Technology, Engineering, Art and Mathematics.
- Central Gauteng Mental Health - providing services to children and adults with mental and intellectual disabilities.
- Bula Mahlo - a PBO that provides care for abandoned and neglected children.

MERGENCE'S SUSTAINABILITY JOURNEY

CARBON NEUTRALITY

We continue to monitor our footprint in line with the methodology based on the international Greenhouse Gas (GHG) Protocol which defines three different scopes of emissions as follows:

- **Scope 1:** All direct GHG emissions (i.e. own generation of energy).
- **Scope 2:** Indirect GHG emissions from own consumption or use of electricity, heat, or steam purchased from an energy generator.
- **Scope 3:** Other indirect emissions, such as the extraction and production of materials and fuels purchased, transport-related activities in vehicles not owned or controlled by the reporting entity, outsourced activities, waste disposal, etc.

The outstanding emissions from previous years' footprint calculations that have as-of-yet not been offset amount to 1,012,356kg CO2e.

The carbon emissions calculated for the Mergence Investment Managers offices in Cape Town, Johannesburg, Windhoek and Maseru for the period 1 May 2020 to 30 April 2021 are summarised below:

DESCRIPTION	kg CO2e
Office electricity usage	222 047
Air travel	84 832
Staff commuting	28 959
Car rental emissions	6 297
Total carbon emissions to be offset	342 135
PLUS: outstanding emissions from previous years	1 012 356
Total amount to be offset as at 1 May 2021	1 354 491

The carbon offset price in South Africa is a function of the carbon tax (normally around 90% of the carbon tax rate per ton). This started at R120 per ton when the tax was introduced and now stands at R134 per ton.

In the Budget Speech on 23 February 2022, it was announced that the price in the next tax year will climb to R144 per ton. It was further announced that the intention is to increase the rate to USD30 per ton by 2030 (or around R450 in today's terms).

Under the Carbon Tax Act 15 of 2019, Mergence does not meet the lower boundary requirements for the purchase of carbon offset credits, meaning that any offsetting undertaken by Mergence would be of a purely voluntary nature.

Our outsourced partners who measure and report on our carbon emissions, recommended that Mergence should purchase Renewable Energy Certificates (RECs) to offset the carbon footprint. Mergence finalised the transaction in the first half of 2022.

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