Responsible Investing Report

2026

Prescient
INVESTMENT MANAGEMENT





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A message from our CEO



Cheree Dyers
Chief Executive Officer
Prescient Investment Management

Writing a responsible investing policy is the easy part. Showing what it does to the portfolio you own is harder, and that is where most of our work went this year.

What our clients are asking

Our clients are retirement funds, companies and individuals, and what they care about is what they actually own. So this year we began building fund-level ESG scores from our company scores. A fund score is built the same way as a company score, one holding at a time and weighted by the size of each position. Nothing in it is bought in, and every value can be traced to where it came from, whether that is a company's own report or, where a company is silent, the average for its industry.

The first version is working, and we will bring it into client reporting over time. What makes it useful is that it can be broken down. An average can hide the few holdings that pull a fund's score down, and a score we can break down shows us which holdings those are.

We also asked the question in places where it is seldom asked. One of the articles in this report looks at physical climate risk. The April 2022 floods in KwaZulu-Natal caused an estimated R54bn of economic damage, most of it uninsured, and a large part of that loss landed on balance sheets that lenders fund. For our clients, this means physical risks such as floods and droughts can affect a borrower's ability to repay just as directly as transition risks such as carbon taxes.

As shareholders, we voted at 248 of the 254 company meetings available to us in the year to 31 August 2026, or 97.6%. A vote is where our view of a board goes on the record, and we want that record to be complete.

New rules for companies and for us

King V applies to financial years starting on or after 1 January 2026, and it now endorses CRISA 2 for institutional investors. We have applied CRISA for years and are pleased to see it written into the governance code. Since 22 May 2026, public companies have had to put their remuneration reports to a binding shareholder vote and disclose the gap between their highest- and lowest-paid employees. And in May, National Treasury published the framework for South Africa's first sovereign green, social and sustainability bonds, which should give the local market a benchmark it has never had.

> We welcome all of this. Better disclosure means better data, and as a systematic manager, data is what we invest on.

Transformation begins at home

When we ask investee companies about ownership, pay and who sits around the boardroom table, we expect to answer the same questions ourselves. We are a black-owned, Level 1 B-BBEE contributor. The Prescient Empowerment Trust, which includes our BEE partner Sithega and the Prescient Foundation, is the largest ordinary shareholder in Prescient Holdings, and strategic staff hold a 25% economic stake through an evergreen staff trust.

As at 25 September 2026, women made up two-thirds of our executive committee, and black women held half the seats on both our board and our executive committee. Those numbers took years of deliberate decisions to reach, and they will only last if there are people coming through

behind them. This year 16 colleagues took part in leadership development, 69% of them black and/or female. Another 25 received study assistance or skills support, and we brought three graduates and young professionals into the business.

In August we hosted our Invest in Her roundtable, with women from graduate level to the C-suite talking openly about what it takes to progress in an industry where women still hold only 12% of portfolio management roles. It was one of the most honest conversations I have been part of this year, and I left it more determined to change that number.

Looking ahead

Our Clean Energy & Infrastructure Debt Fund is now in its eleventh year. It began by lending to the first projects under the government's renewable energy programme, and its portfolio now runs from bid window 1 to bid window 6, the first round of battery storage, and a wind farm that sells its power to private buyers outside the government programmes. That is the story of South Africa's energy market in one portfolio, and we have been lending through all of it. Our Infrastructure Debt Fund, which finances projects beyond energy, grew from R2.5bn to R3.5bn in the year to 31 August 2026.

To me that says clients want to see their savings at work in the real economy, and they want to know what that money is achieving. The team sets out our priorities for the coming year in his conclusion, and I share them.

> Our approach has not changed since Prescient was founded in 1998. We take the risks we believe we will be paid for, we let the evidence decide, and we never forget that the money we manage belongs to people who are counting on it.

To our clients, thank you for your trust. To our staff, thank you for the work behind every page of this report.

Cheree



02

Prescient takes a holistic approach to responsible investing



Mujeerah Adams
Chair of the ESG Committee
Prescient Investment Management

Prescient Investment Management was one of the first South African asset management firms to integrate responsible investing principles into our investment strategies, because we believe that integrating ESG factors into our decision-making is essential to achieve sustainable long-term returns.

We have been signatories of the United Nations Principles for Responsible Investment (PRI) since 2007 and apply the Code for Responsible Investing in South Africa (CRISA 2). Our approach emphasises the balance between delivering solid financial returns and fostering positive societal and environmental impact.

We apply ESG principles on three levels: the corporate level, which is where Prescient Investment Management takes action as a business; the product development level, where we develop investment products around ESG; and the investment process level, where we incorporate material ESG factors into our investment processes across asset classes.

From responsibility to results

The past year was a turning point for responsible investing in South Africa. Sustainability disclosure is moving from voluntary best practice to regulated conduct. In March 2026, the Financial Sector Conduct Authority (FSCA) set out how sustainability-related claims made in marketing, advice and product documentation fall within existing conduct obligations, and noted that weaknesses in the quality or consistency of sustainability information increase the risk of greenwashing, social washing and impact washing. We welcome this shift. For a systematic investment manager, ESG earns its place in the investment process when it is measurable, supported by evidence and reported transparently.

> The past year was a turning point for responsible investing in South Africa.

For us, ESG is not an add-on but a deeply embedded framework. Our proprietary ESG Scorecard is a rules-based, quantitative model built upon 64 metrics across the environmental, social and governance pillars. Companies are scored relative to their sector peers, adjusting for industry materiality and company size. In our credit process, the ESG score adjusts an issuer's internal credit rating by up to two notches, which flows through to its probability of default and the spread we require. In our active equity process, we use a model that upgrades or downgrades securities according to their ESG risk profiles. Our Investment Climate Policy, which was approved by our Board in March 2025, follows an "engage-before-divesting" approach.

This year we strengthened the foundations of that process. Our scorecard data is now collected directly from companies' own published sustainability and integrated reports. Every value is traceable to a document and page and verified by members of our ESG Committee before scores are produced. We have also built the first version of a tool that shows each fund's weighted ESG exposure, which will allow us to bring more ESG information into our client reporting over time.

As active stewards, we engage with the companies in which we invest, advocating for stronger governance, reduced environmental impact, and improved social practices. These engagements reduce risk, unlock opportunities for growth, and drive positive change. Over the past year we recorded 16 engagements, visited five investee operations and projects, and declined two credit transactions on ESG grounds.

Transparency is at the heart of our ethos. We report in detail on how ESG shapes our portfolios and outcomes, and our Engagement, ESG, Proxy Voting and Climate policies are reviewed annually and published on our website. As sustainability reporting becomes mandatory for South Africa's largest companies, the quality of the data available to investors will improve. We intend to use it to measure and disclose more on our own portfolios' sustainability profile.

Showing evidence of sustainable growth is key

Prescient Investment Management's holistic approach to responsible investing is built on the belief that financial performance and ESG considerations are inseparable. By embedding ESG into every decision we make, engaging with companies to drive better practices, and maintaining full transparency, we give our clients clarity and confidence. As regulation turns sustainability claims into conduct obligations, the managers who can show evidence of their approach will stand apart. That is where we intend to be.

2025

How we advanced last year's priorities

In our 2025 Responsible Investing Report, we set four priorities. This is the progress we have made on each one:

1. Deepen ESG integration
   We now collect scorecard data at source, with document-level traceability.
2. Build ESG capability
   We have broadened our ESG Committee to include client relations.
3. Grow sustainability-focused AUM
   Since 2015 the Prescient Clean Energy & Infrastructure Debt Fund has deployed R5.4 billion into 38 projects, while the Prescient Infrastructure Debt Fund has grown from R2.5 billion to R3.5 billion in one year.
4. Strengthen strategic engagement
   Environmental engagements rose from one in 2025 to four, mainly through site visits to the renewable energy projects we fund, and two credit transactions were declined on ESG grounds.

2026

Priorities for the year ahead

In our current year, we intend to:

1. Embed the new direct-source ESG data process and extend our scorecard coverage across more of our portfolio holdings.
2. Bring ESG exposure information into client reporting, building on our fund-level ESG exposure tool.
3. Prepare for ISSB-aligned reporting as it is phased in and build the data we need to measure the climate profile of our portfolios.
4. Strengthen engagement across all asset classes, with clearly defined milestones and outcomes.
5. Build ESG capability throughout the business, using training and broadening representation on our ESG Committee.

03

Meet the team that drives our ESG strategy

Our ESG Committee does not sit apart from the investment process, it sits inside it. It consists of eight members, representing every asset class management team, together with client relations, and it includes both the CEO and CIO. This broadly representative structure ensures that ESG positioning and business strategy are decided at the same table, not considered after the fact.



Cheree Dyers
Chief Executive Officer
BBusSc (Hons), CA (SA), CAIS, CFA, SAIS, AMP (Insead)
28 years in the industry



Bastian Teichgreeber
Chief Investment Officer
BA (Hons), MSc, CFA, FRM
21 years in the industry



Conway Williams†
Head of Private Markets
CA(SA), MPhil (Development Finance), Chartered Development Finance Analyst (CDFA), Executive MBA (Valar)
19 years in the industry



Mujeerah Adams
Investment Operations Specialist and Chair of ESG Committee
BBusSci Finance and Accounting
6 years in the industry



Michelle Green†
Portfolio Manager
BCom (Hons), Executive MBA
14 years in the industry



Rapotsanyane Mohami
Business Development Associate
BCom (Hons) Economics and Risk Management
6 years in the industry



Kelly Vlug*
Quantitative Analyst
BCom (Hons) Actuarial Science
2 years in the industry



Kelli Frew*
Quantitative Analyst
BCom (Hons) Economic Analysis of Financial Markets
3 years in the industry

**FAIS Representative under Supervision*
†ASISA Representative

Source: Prescient Investment Management, 2026.

04

Responsible investment: from policies to actions

Capital preservation and prudent fund management are at the core of Prescient Investment Management's investment philosophy. This is achieved by systematically taking on only those risks that have proven to deliver commensurate returns over time. By taking a comprehensive and cohesive approach to responsible investing, we can allocate our clients' capital in a way that fosters sustainability. We have intentionally incorporated ESG considerations into our investment process and the way we evaluate potential investments.

As an institutional investor, we have a fiduciary duty to act in the best long-term interests of our beneficiaries. Engagements are essential to improve the adoption of ESG in South Africa.

Three pillars support our approach to ESG

Prescient Investment Management has adopted a holistic and integrative approach to responsible investing. Our ESG investment process encompasses three main areas:

- How we consider and make investments.
- Our product development and offering, including our responsible investing products.
- Our corporate culture, which comprises our organisational structure and initiatives.

This approach enables us to deliberately and systematically integrate material ESG factors into both our investment process and corporate activities. We look beyond traditional financial measures, adopting a broader perspective on sustainability that balances the interests of all stakeholders.

We have embedded ESG principles across our broad fund range, and we also offer dedicated responsible investing products. The Prescient Clean Energy and Infrastructure Debt Funds exemplify our philosophy, supporting at least six UN Sustainable Development Goals (SDGs). Notably, the Clean Energy and Infrastructure Debt Fund aligns closely with SDG 7, which promotes universal access to affordable, reliable, and sustainable energy, an objective that directly guides our investment choices.

Investment process

Idea Generation

- Security Selection
- Portfolio Construction
- Proxy Voting

Product development

ESG-Centric Products

- The Prescient Clean Energy and Infrastructure Debt Fund Trust

Corporate

UNPRI, CRISA AND ASISA

- Prescient Foundation
- Employment Equity and Skills Development
- B-BBEE and Broker Selection

Responsible investing policies

Four key Responsible Investing Policies drive our ESG philosophy: the ESG policy, the Engagement Policy, the Climate Policy and the Proxy Voting Policy. They are applied to all Prescient Investment Management's assets under management (AUM) and should be read in conjunction with each other.

ESG Policy

Our ESG Policy stipulates our approach and guiding principles to address ESG-related matters in our investment and corporate activities. These principles apply to the various asset classes and geographic investment universes to ensure our Responsible Investing Policy mandate is effectively implemented.

For more information, visit our ESG Policy on our company website.

Engagement Policy

Our Engagement Policy outlines our approach and guiding principles when we engage with investees and stakeholders on ESG matters. We believe that the financial services industry has a responsibility to ensure capital flows promote positive ESG change where it is needed.

Our engagement register helps us to monitor and actively engage with companies on ESG matters. It enables the team to actively track developments and key concerns on our internal portal, which is available to all Prescient staff.

For more information, visit our Engagement Policy on our website.

Proxy Voting Policy

This policy covers how we develop and uphold good corporate governance principles and business practices by voting on various resolutions on behalf of our clients responsibly and sustainably. It should be read in conjunction with the ESG Policy and the Engagement Policy.

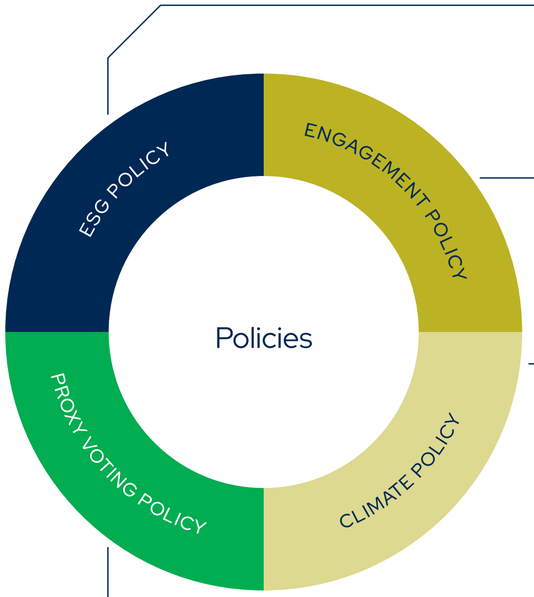
For more information, visit our Proxy Voting Policy on our company website.

Climate Policy

The purpose of this policy is to integrate climate-related risks and opportunities into our investment decisions, which supports global climate goals, South Africa's Just Energy Transition, and our fiduciary duty to clients. It aligns with international best practice, including PRI, CRISA 2, and the Task Force on Climate-related Financial Disclosures (TCFD), to manage long-term risks and promote sustainable outcomes.

For more information on our Climate Policy, please visit our website.

The objectives of our policies are explained below:



ESG Policy
Stipulates the firm's approach and guiding principles to addressing ESG-related matters within its investment and corporate activities.

Engagement Policy
Stipulates the firm's approach and guiding principles to engaging with investees and stakeholders on ESG issues.

Climate Policy
Outlines the firm's approach to integrating climate-related risks and opportunities into investment decisions, supporting the transition to a low-carbon economy while aligning with global climate goals and responsible investing frameworks.

Proxy Voting Policy
Stipulates the firm's approach to developing and upholding good corporate governance principles and business practices on voting on various resolutions on behalf of our clients, in a responsible and sustainable manner.

Our ESG scorecard

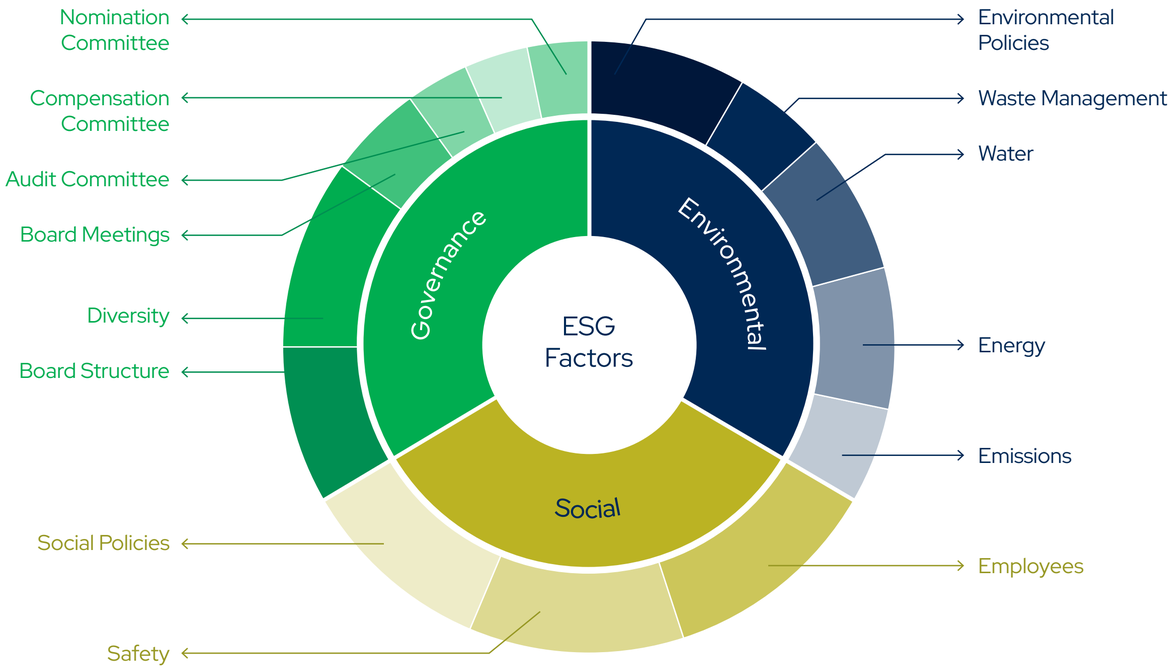
Our investment approach is systematic, data-driven and evidence-based, and risk management sits at the centre of it. Our approach to ESG is no different. ESG risks have become among the most consequential long-term influences on investment outcomes, and they are also among the hardest to pin down. They seldom arrive as a single event on a known date. They build slowly, in many parts of a business, and every company reports them differently – which makes them easy to discuss at length and hard to measure at all. We built our own ESG risk analysis tool to close that gap, evaluating and rating companies on their ESG risks and opportunities through the same systematic analysis we apply to every other risk we underwrite.

> Our ESG scorecard translates publicly available sustainability data – from integrated annual reports, sustainability supplements and other public filings – into a single, comparable set of quantitative measures. **It assesses 64 active factors across the three pillars:** 24 environmental, 23 social and 17 governance, which are then organised into subcategories such as emissions, water use and waste management through to board structure, audit committee composition and workforce safety.

A data-driven and systematic process



The key themes of each ESG pillar that we track are reflected below:



Source: Prescient Investment Management (2026)

Two design choices separate it from an off-the-shelf rating:

Firstly, it is sector-relative by construction

Every company is measured against its own industry peers rather than against the market as a whole. A mining company will always emit more than a bank, but that tells us something about mining, not about how well the miner is run. What matters is whether it manages its emissions better or worse than the other resources companies it is grouped with, and that is the comparison the scorecard makes.

The same logic applies to size. Larger companies inevitably emit more, consume more energy and use more water simply by virtue of being larger, so these metrics are adjusted for the company's market capitalisation before any comparison is made, ensuring that scale is not mistaken for poor performance.

Secondly, the pillars are weighted by industry materiality

The three E, S and G pillars are not weighted equally in the final score for a company, and they do not count equally for companies across industries. As an example, for a miner or a construction business, where physical resource use is central to the business model, the environmental pillar carries the leading share of the score. For a bank, an insurer or a technology company it carries considerably less, and governance and social factors carry correspondingly more – because that is where the risk to enterprise value actually sits. A bank is less likely to fail because of its water consumption, but more likely to fail because of what its board did not ask.

Because every input is reported and verifiable, the output is reproducible. The same company, the same disclosures and the same rules produce the same score every time, whoever runs it. There is no analyst override and no qualitative adjustment layer sitting on top.

> That discipline is precisely what allows a score to be compared across companies, tracked across years, and defended when scrutinised.

The scorecard is not a verdict, but a starting point. We put it to three uses:

- Screening the investable universe for concentrations of ESG risk.
- Comparing a company against its sector peers, so that engagement can be specific rather than general.
- Monitoring, over one-, three- and five-year horizons, whether stated policy is turning into measured change.

It also feeds directly into how we price credit, which is the subject of the next section.

ESG data facilitates credit risk assessment

There is a simple test of whether an asset manager has integrated ESG or merely reported on it: ask whether the ESG assessment changes the price it is willing to pay. If the answer is no, what is being described is a disclosure exercise.

> At Prescient Investment Management the ESG score is an input to the credit process rather than a parallel commentary running alongside it.

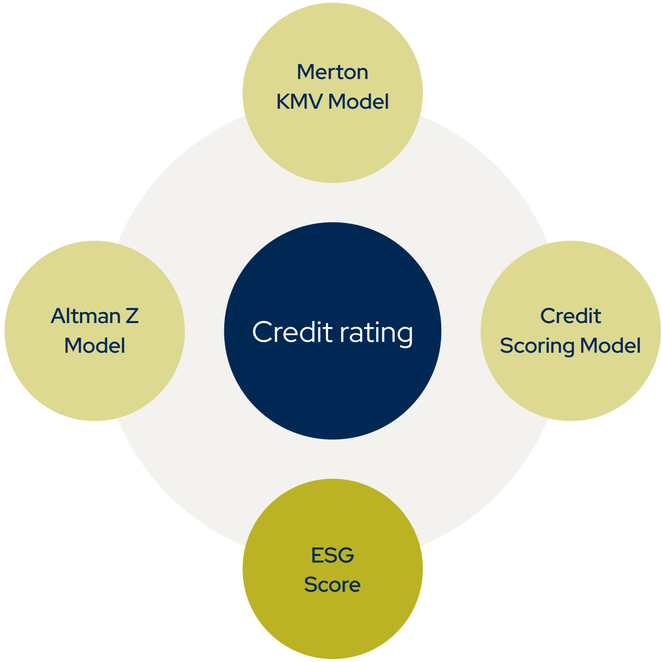
Our in-house credit model evaluates the default probability of more than 200 issuers on a daily basis. It combines reduced-form and structural approaches, drawing on the Altman Z-Score and the Kealhofer, McQuown and Vasicek framework alongside our own internal model. Because we built it, we can see all the way through it – from the headline default probability to the sub-models, ratios and individual inputs that moved it.

This is where the ESG score enters. It notches the credit rating up or down, and the adjusted rating sets the issuer's final probability of default. An issuer scoring well against its sector peers is, on the evidence we observe, more likely to have a stable and experienced board, to use resources efficiently, and to treat its workforce in ways that do not generate disruption. Those characteristics tend to show up in less volatile financial performance, and in a lower incidence of the costs that damage credit quality without warning: environmental remediation, regulatory penalty, litigation, industrial action.

Prescient Investment Management employs a quantitative risk-cognisant approach in asset allocation, pricing and managing credit portfolios. Credit is evaluated and selected using an internal credit rating framework that seeks to avoid default risk and limit credit spread risk.

- ESG notching process to promote sustainable investment.
- Issuers are assigned ESG scores and divided into quintiles.

ESG Score	Quintile	Rating change
$0.0 < x \leq 0.2$	1	2-notch downgrade
$0.2 < x \leq 0.4$	2	1-notch downgrade
$0.4 < x \leq 0.6$	3	No change
$0.6 < x \leq 0.8$	4	1-notch uplift
$0.8 < x \leq 1.0$	5	2-notch uplift



Why we integrate rather than screen

The alternative approach is exclusion – filtering out issuers with poor ESG characteristics regardless of their financial position or their capacity to service debt. We do not do this, and there are two reasons for it.

The first is that exclusion discards information. An issuer with weak environmental disclosure and a strong balance sheet is not un-investable; it is mispriced if the market has not noticed the weakness, and correctly priced if it has. Our job is to establish which of those is true, and to demand the appropriate spread. The second is that exclusion forfeits influence. Once we have sold, there is no reason for an issuer to take our call. While we hold the debt – and while we are deciding whether to take up the next issue – there is every reason, particularly when we can show them which factors are adding to their cost of funding.

This is also why the scorecard's outputs are never used as a pass-fail gate. They set the level of scrutiny an issuer receives, they inform the spread we require for the risk we take on, and they give our engagement a factual basis – a specific subcategory, a specific gap against named peers, and a specific year-on-year direction of travel.

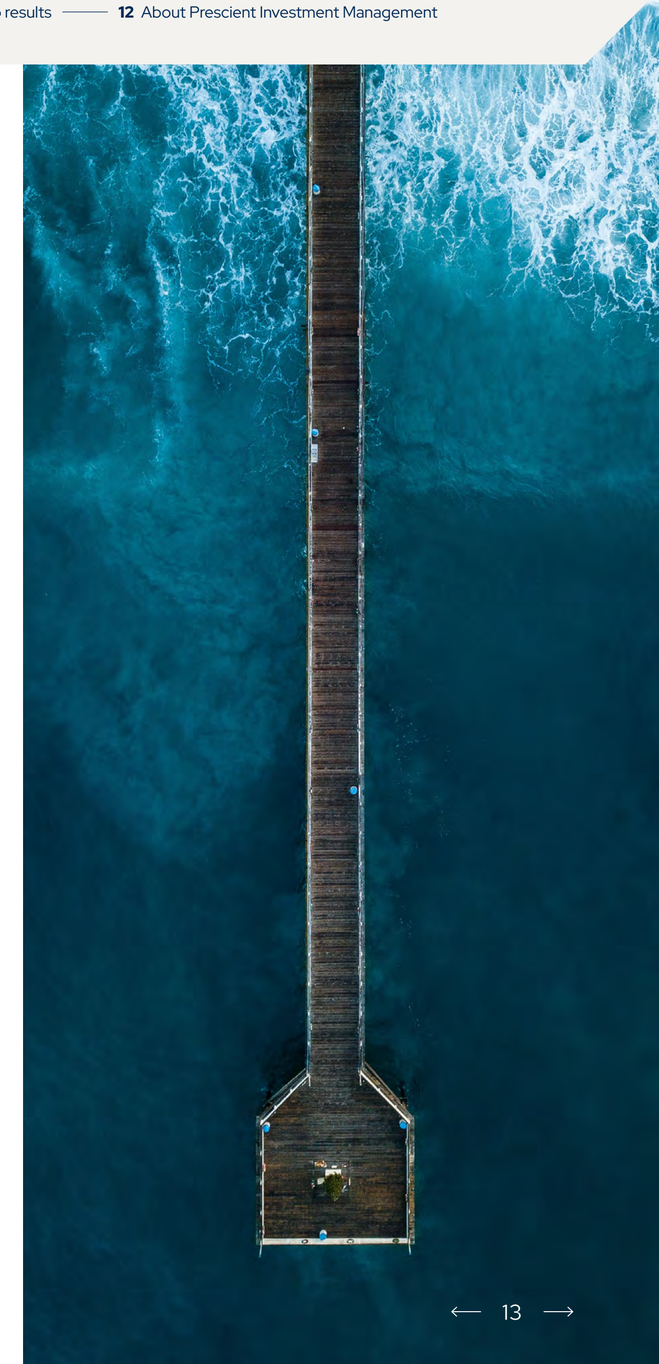
The result is a credit view that prices sustainability risk in the same currency as every other risk we underwrite: basis points. That is a more demanding standard than a values statement, and a considerably more useful one for the clients whose capital we deploy.

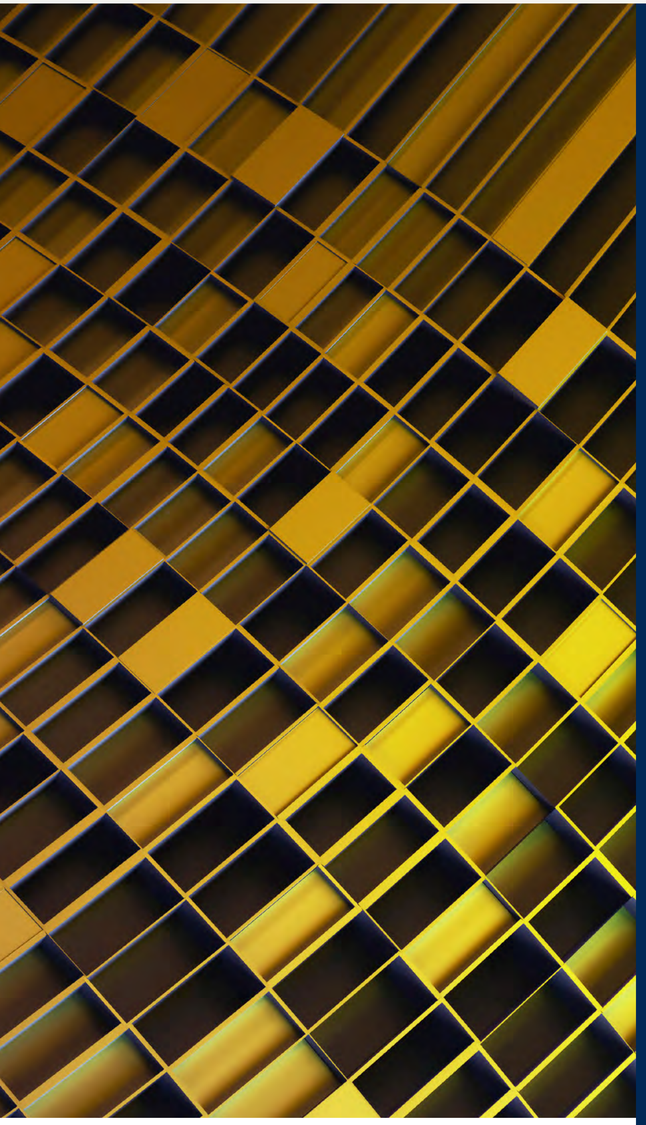
Engagement with investees

We hold various types of engagements with investee companies, policymakers, and other stakeholders on ESG issues. Our Engagement Policy describes the principles that guide us when we do so.

Our engagement strategy is target-orientated, and we focus on the following:







2026 engagement at a glance

16 engagements recorded
(2025: 21)

5 site visits to investee operations and projects

2 credit transactions declined on ESG grounds, with no exposure taken

2 matters escalated, to the deal team and to the credit committee

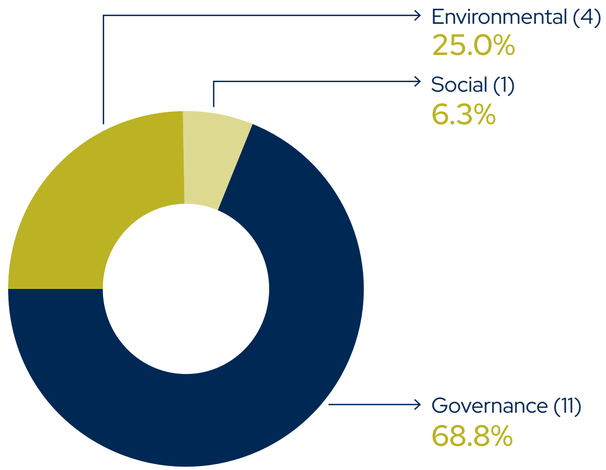
81.3% of engagements resolved
(2025: 90.5%)

84.6% of resolved engagements achieved a positive outcome



Most of our engagements with investees over the past year focused on governance standards. Environmental engagements have grown to a quarter of the total, largely due to site visits to the renewable energy projects we fund.

Engagement subject breakdown



Source: Prescient Investment Management, engagement register, 2026.


Procurement integrity and irregular expenditure
Funding sustainability of state-owned entities
Human rights and use-of-force risk
Board structure and independence
Founder and reputational risk
Credit origination and control environment
Qualified audit opinions and delayed audits
Covenant compliance and waivers
Debt restructuring and board approvals
Leadership transitions and succession planning
Wildlife and biodiversity protection at project sites
Community initiatives
Data security, electricity and water use
ESG reporting to investors
Environmental management systems (ISO 14001)
Scaling sustainability-themed bond issuance
Municipal exposure and payment risk
The following themes were also covered



From an industry and policymaking perspective, we continue to engage through the following channels:

The Association for Savings and Investments (ASISA)

As members of ASISA, we are represented on both its Responsible Investing and Infrastructure forums. Through these forums, we take part in industry discussions on responsible investing, ESG and infrastructure investment, share our perspective as an asset manager, and contribute to improving market standards across the industry.

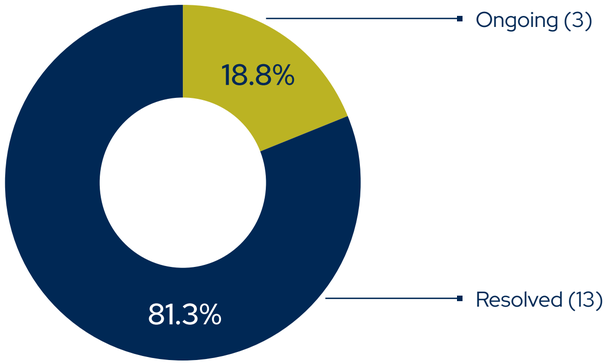
United Nations Principles for Responsible Investment (PRI)

We have been signatories of the PRI since 2007 and continuously take part in the initiatives arranged by the organisation for signatories. We report on our responsible investing initiatives on an annual basis. We submitted our 2026 report to the PRI on 29 July 2026 and are awaiting feedback.

81.3% of the overall engagements were resolved.

Of the resolved engagements, 84.6% of the outcomes were positive and 15.4% were neutral.

Engagement Status Breakdown



Source: Prescient Investment Management, engagement register, 2026.

Our engagement register, which is available to everyone in our company and on our website, keeps us accountable on the status of issues of concern that we have raised with investee companies. It is also a way to promote transparency in an industry that is still struggling with public disclosures on ESG matters.

Active engagements in the past year

ESG risk prompted us to decline a transaction
July 2026

A private security provider was presented as a funding opportunity for the Prescient Infrastructure Debt Fund. Our analysis found that the key risk lay in the nature of the business, rather than its policies: armed personnel face confrontation, with the risk of injury or death to staff and third parties, and associated use-of-force and human rights exposure. Governance was also at an early stage, with the chief executive acting as chair and no board sub-committees. Although the company's ESG questionnaire scored well on policy coverage, we obtained detailed records of past security incidents to assess the operational risk and escalated the sector question to the deal team. They declined the transaction as outside the fund's mandate.

Testing beyond the questionnaire
June 2026

In assessing a lending opportunity with a privately owned fintech, SME lending business, we noted that the borrower's ESG questionnaire did not reconcile with the public record of its founder's previous executive role. Working with the co-lender, which performed control walkthroughs, we became more comfortable with the operating controls but not the reputational exposure. When the proposed security changed to unsecured, the transaction was declined.

Holding a state-owned issuer to account
June 2026

We met SANRAL's chief executive, chief financial officer, board members and engineering and treasury leads to question procurement integrity after media reports of irregular contract extensions, and the sustainability of funding for the non-toll network. Management addressed every question and set out control changes, including a refreshed board from 1 March 2026 and reinstated internal assurance for high-value tenders. We regard the changes as credible but unproven and will reassess on publication of the annual report.

Renewable energy site visits
March and June 2026

We visited wind and solar projects hosted by two renewable energy sponsors in our portfolio. We observed bird monitoring near turbines, the relocation of snakes and reptiles by professional handlers, fencing to manage animal movement, community initiatives and a strong health and safety culture.



Proxy voting

Prescient Investment Management's approach to proxy voting is guided by the Prescient Proxy Voting Policy, which stipulates how we develop and uphold good corporate governance principles in the way we vote on various resolutions.

The objectives of the proxy voting guidelines are:

- **Consistency:** we examine and vote on resolutions relating to good corporate governance and corporate sustainability.
- **The long-term economic interest of our clients:** corporate behaviour should be aligned with all stakeholders' interests.
- **Accountability:** management should be accountable to investors and regulators.
- **Sustainability:** good corporate governance fosters financial, organisational, social and environmental sustainability.

Comparison of meetings voted

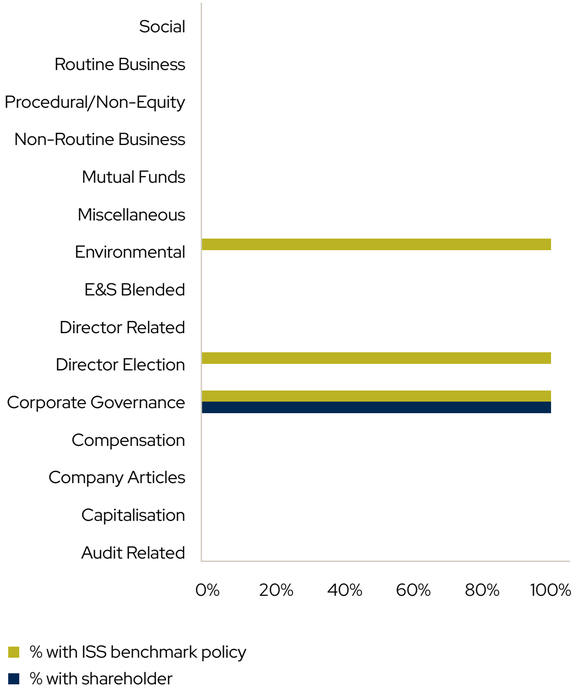


254 meetings were available to vote in the year ending 31 August 2026. We voted at 248 of them, equating to 97.6%.

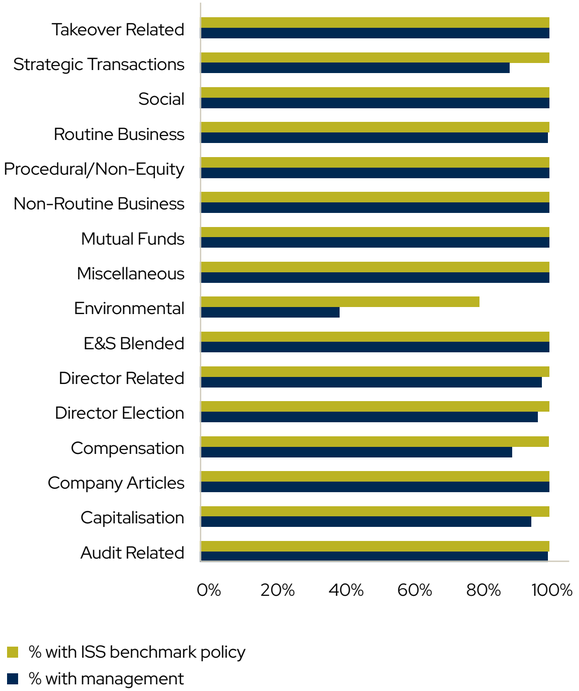
Votes cast during the reporting period show the highest level of support for shareholder proposals related to corporate governance, at 100%. The lowest level of support was for shareholder proposals related to director elections and environmental matters, none of which we supported.

Votes cast during the reporting period were least aligned with management on environmental matters. Only 40% of votes followed management recommendations.

Votes cast on shareholder proposal categories



Votes cast on management proposal categories



Source: ISS, Prescient Investment Management (one year as at 31 August 2026)

05

Prescient Investment Management's internal transformation

Diversity and inclusion

At Prescient Investment Management, transformation is about more than representation. It is about creating an environment where our people have the opportunity, capability and support to grow, lead and contribute meaningfully. Building on the foundations established through our internal transformation efforts, we have continued to place intentional development, inclusion and access to opportunity at the centre of our people agenda.

We believe transformation and the creation of sustainable Broad-based Black Economic Empowerment are critically important for South Africa's business landscape. When we invest, we look for companies that share our views and drive on transformation, gender equality and fair remuneration. The ESG scores that qualify companies for investment consideration consider their important transformation initiatives and social themes, such as employee diversity and training, as well as their policies, such as the gender pay gap.

> A key focus of our Transformation Plan has focused on gender diversity.

We are an equal opportunity company/employer, and our Board is committed to the implementation of comprehensive and proactive equal opportunity strategies to eliminate unfair discrimination in any employment policy or practice. While our equal opportunity/affirmative action policy is fundamental to our business, we focus on selecting the right person for the right job, based on objective criteria such as the applicant's skills, knowledge and attributes.

A key focus of our Transformation Plan has focused on gender diversity. The financial services industry faces significant challenges in identifying and retaining female investment professionals and we look for opportunities to attract more women to asset management. Since 2022, we have partnered with CFA Day of the Girl, hosting learners as part of a national work shadow day with the aim of introducing young female talent to the range of potential careers in financial markets.

Our targets for the next few years are to integrate all elements of B-BBEE into relevant business processes, including by:

- Improving the diversity (including female) of management and skilled occupations;
- Continually helping our employees to advance through skills transfer and training;
- Engaging with existing and new, black women-owned and managed enterprises to increase their access to economic activities, infrastructure and skills training;
- Promoting preferential procurement principles to extend black economic empowerment;
- Promoting the Prescient Foundation's social investment programmes.

The four pillars of our Diversity, Equity and Inclusion approach are:

- Pipeline and talent acquisition
- Promotion and retention
- Leadership and influence
- Measurement

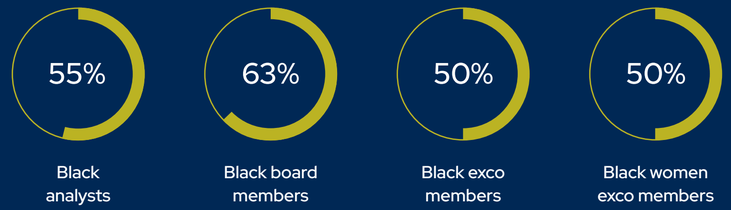
A Diverse Workforce

Black-owned level 1 B-BBEE contributor

As measured by the Financial Sector Code

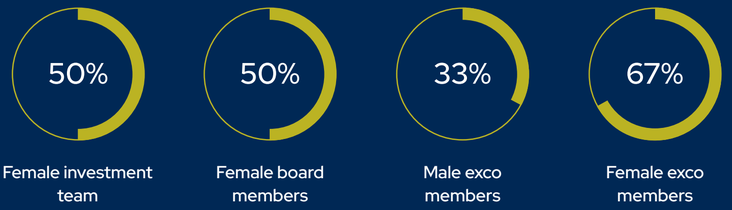
Championing transformation





Gender diversity





Source: Prescient Investment Management (as at 25 September 2026)

We have made pleasing progress in achieving diversity in our organisation. By September 2026, women comprised 54% of our staff, 67% of the executive committee, 50% of the board, and 50% of our investment team. Half of our board and executive committee are black women.

> This was driven by making equity a leadership priority, not a branding exercise. We tracked progress, confronted the blind spots and made decisions that were sometimes uncomfortable. These figures are not just milestones. They are markers of our commitment and prove that "what gets measured moves the needle".

Training and mentorship

Prescient Investment Management has made strenuous efforts to strengthen our internal talent pipeline by creating opportunities for employees to build the skills and confidence they need to progress in their careers. Our approach recognises that sustainable transformation requires more than bringing diverse talent into the organisation. It requires deliberate investment in development, leadership capability, career mobility and an environment in which people are empowered to take ownership of their growth.

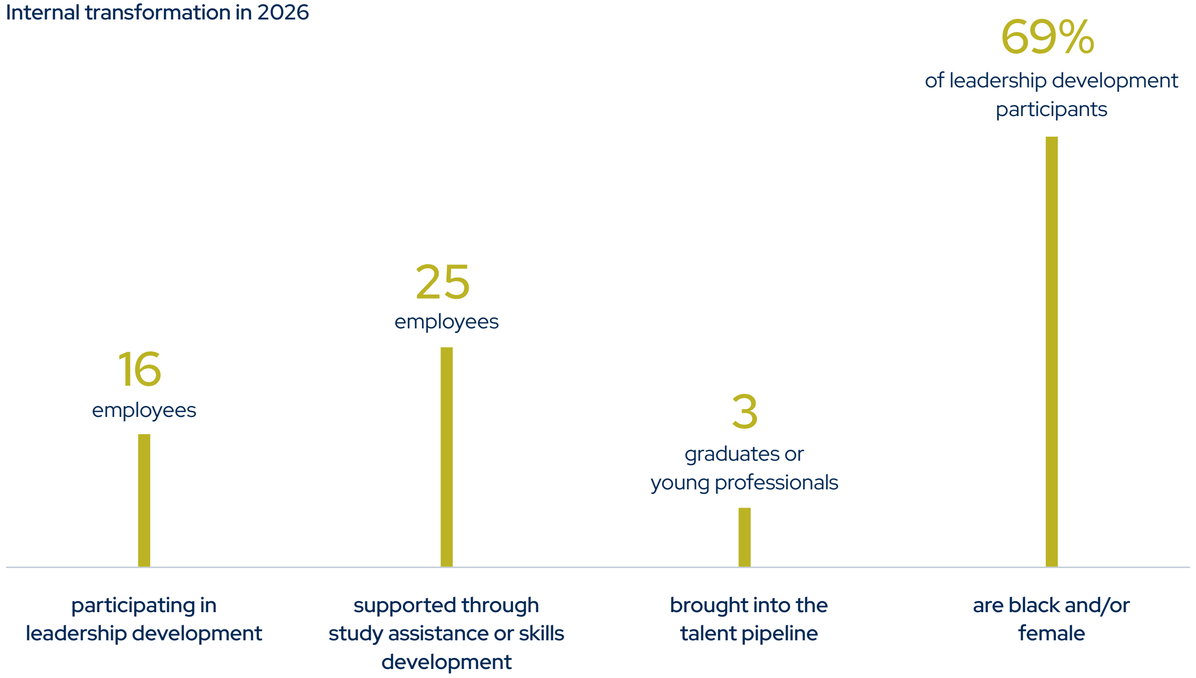
The Women's Mentorship Programme, launched in 2024, established an important foundation for this journey. Designed around group and peer mentorship, the programme created a platform for women to learn from one another, share experiences and build meaningful connections across the organisation. The 2025 report highlighted the programme's role in encouraging women to take greater ownership of their career journeys and actively pursue opportunities for advancement.

> In 2026, our internal transformation agenda has continued to evolve beyond individual initiatives towards a more integrated approach to talent and leadership development.

Through focused development opportunities, leadership programmes, mentorship and greater emphasis on career development, we are working to ensure that employees at different stages of their careers have access to the tools, exposure and support they need to succeed.

This is underpinned by a simple principle: transformation becomes sustainable when opportunity is matched by development. By investing in our people and strengthening the pipeline of future leaders, we are building capability inside Prescient Investment Management while contributing to the broader transformation of the South African investment management industry.

Internal transformation in 2026



Source: Prescient Investment Management, internal transformation data, 2026.

Grow Boldly: Mentorship as Transformation

Transformation reporting tends to default to the numbers: headcount by race, gender splits on the board, ownership percentages. Prescient Investment Management's own scorecard, elsewhere in this report, does exactly that, and rightly so. But a workforce can meet every transformation target on paper and still lose its women in their thirties, exactly when their careers should be accelerating, because nobody actively built the bridge from competent to confident, from doing the job to leading it. That bridge is what mentorship is for, and it's why Prescient Investment Management treats its Women's Mentorship Programme as a transformation initiative in its own right, not a wellness add-on.

Root: knowing the ground you're standing on

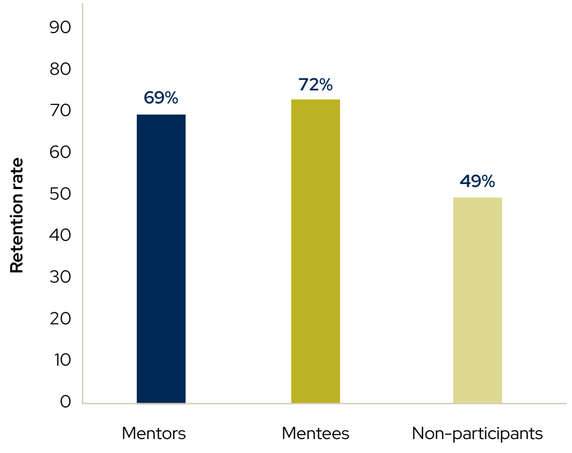
The investment industry is still male-dominated, as the statistics show. Women hold only 12% of portfolio management roles in South Africa, out of roughly 550 in the country, and just 6% of local funds are managed exclusively by women. Globally, the picture is repeated: women make up almost half of the entry-level workforce in financial services, yet a fraction of those women reaches senior investment and executive roles. This is why a mentorship programme aimed specifically at women is a deliberate transformation choice, not a symbolic one.

> Prescient Investment Management treats its Women's Mentorship Programme as a transformation initiative in its own right, not a wellness add-on.

Rise: mentorship is the mechanism that actually works

The case for mentorship isn't sentimental, it's measurable. One of the most cited long-run studies on formal mentoring, a 13-year analysis of Sun Microsystems' mentoring programme, found that mentees and mentors were retained at 72% and 69% respectively, against 49% for employees who never participated, and they were five times more likely to move up a salary grade than their non-mentored peers. Separate research by Catalyst on financial services specifically found that women with a sponsor – someone actively advocating for their next opportunity – experienced measurably faster advancement than equally-qualified women without one.

Employee retention rate by mentoring participation



Source: Sun Microsystems mentoring programme analysis, 1996–2009 (13-year study). Historical single-company data, cited widely as one of the few long-run studies with a matched non-participant control group; directional rather than a current South African benchmark.

The mechanism is straightforward even if the culture around it isn't: careers rarely advance purely on merit quietly noticed. They advance when someone with influence is willing to vouch for you in the room you're not yet in. For women navigating an industry where they are still visibly outnumbered in senior seats, having that person formally and intentionally assigned rather than left to chance, closes a gap that good intentions alone don't close.

Reach: what Prescient does in practice

This is the thinking behind Invest in Her and Prescient Investment Management's own mentorship programme, as well as behind Grow Boldly, its 2026 theme. The programme's stated purpose is to create certainty in career progression by intentionally developing, supporting and advancing women so they can perform, lead and thrive at their full potential. It aims to cultivate an inclusive, supportive community that gives women the confidence, skills, networks and leadership capability to progress meaningfully in their careers at Prescient Investment Management. Grow Boldly frames that work around three ideas that build on one another: knowing your foundation, stretching into the uncomfortable, and lifting others as you grow, a deliberate acknowledgement that mentorship isn't a favour done once and forgotten, but a chain that each woman is expected to extend to her colleagues.

That thinking came to life in August 2026, during Women's Month, when Prescient Investment Management hosted its Invest in Her roundtable at the Vineyard Hotel. The programme included a keynote from an external speaker on stretching, stumbling and rising in a male-led industry, an unscripted panel spanning graduate to C-suite voices, and small-table discussions pushing each attendee to name one bold move she'd been putting off, and one action to pay her own mentorship forward this month. The room worked from a simple, explicit set of ground rules on how to engage honestly: share the air, say it with respect, ideas over ego, confidentiality that builds trust. It is a small operational detail, but it's the kind of detail that turns a good intention into a programme people actually trust enough to be honest in.

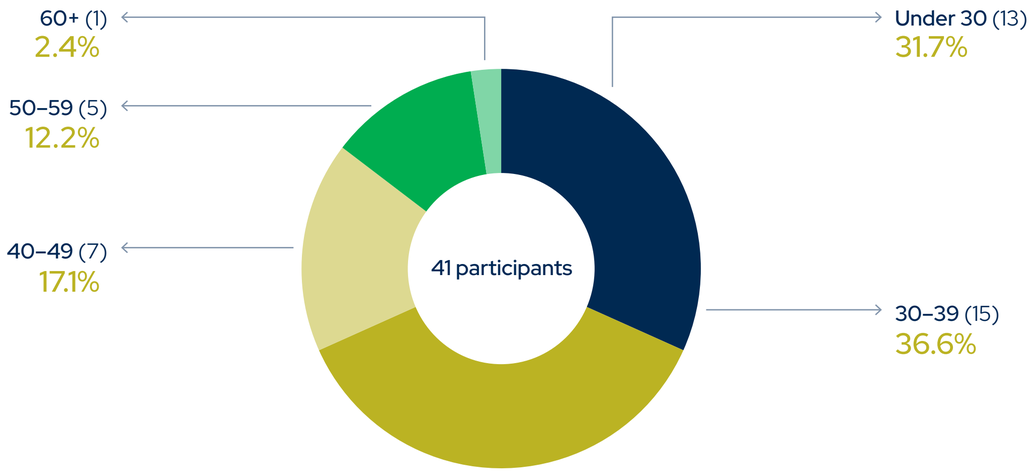
None of this replaces the harder, structural work of getting more women into senior investment seats, and Prescient Investment Management doesn't claim that it does. What it does is make sure that the women already inside the business have an actual, named person backing their next step, rather than hoping the system notices them eventually.



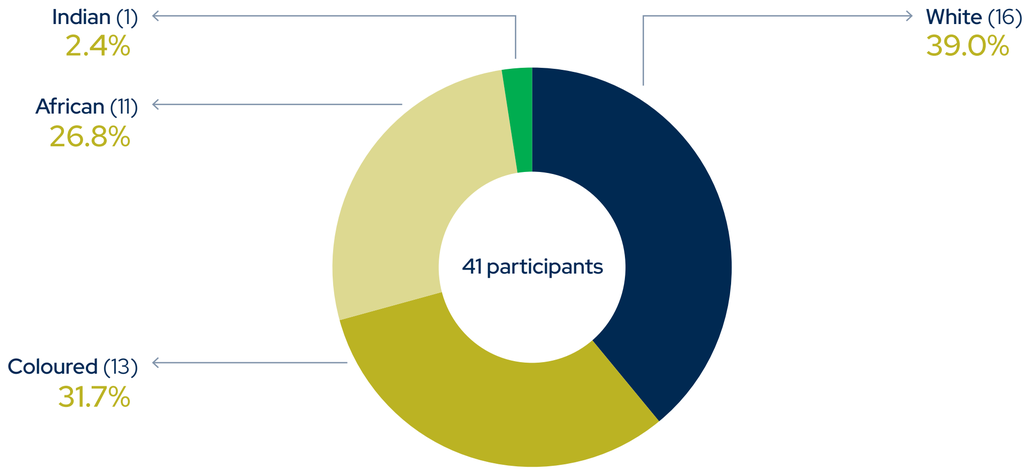
Grow boldly in numbers:
2026 mentorship programme participation

The 2026 cohort of Prescient Investment Management's Women's Mentorship Programme drew 41 participants, with an average age of 36.7 years (median 35), spanning a range of 24 to 64 years.

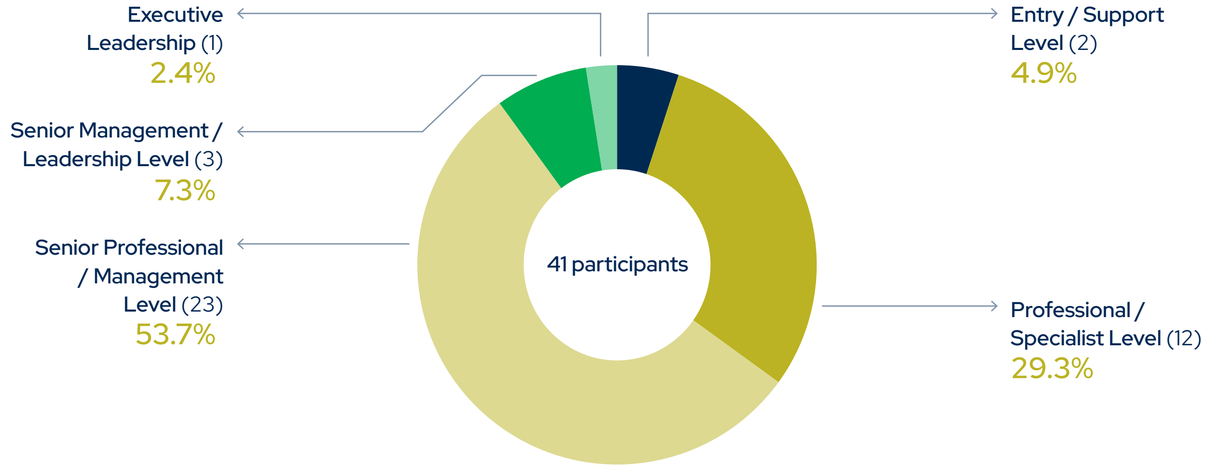
Age profile of 2026 mentorship participants



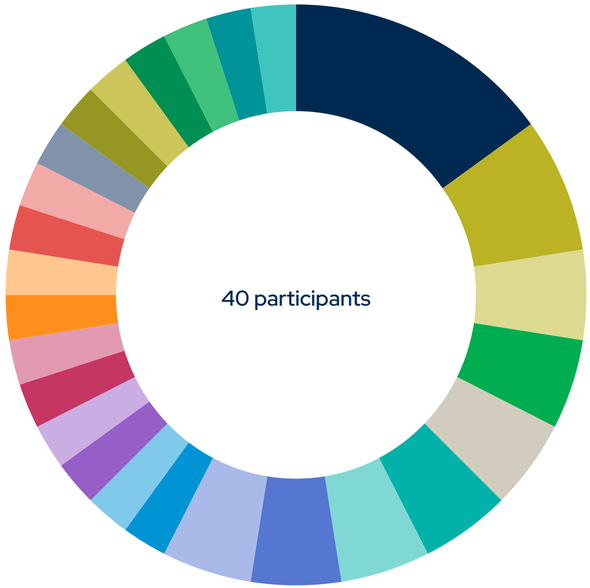
Racial representation of 2026 mentorship participants



2026 mentorship participants, by work level



2026 mentorship participants by role



- Risk & Performance Specialist (1) 2.4%
- Technical Agile Delivery Manager (1) 2.4%
- Contractor (1) 2.4%
- Data Scientist (1) 2.4%
- Proposal Specialist (1) 2.4%
- Onboarding Specialist (1) 2.4%
- Digital Marketing Manager (1) 2.4%
- Manager: Client Solutions (1) 2.4%
- Compliance Manager (1) 2.4%
- Chief Operating Officer (1) 2.4%
- Investment Operations Specialist (1) 2.4%
- Head of Institutional Business Development (1) 2.4%
- Head of Marketing (1) 2.4%
- Quantitative Analyst (6) 14.6%
- Portfolio Manager (3) 7.3%
- Marketing Co-ordinator (2) 4.9%
- Retail Sales Consultant (2) 4.9%
- Implementation Specialist (2) 4.9%
- Credit Analyst (2) 4.9%
- Business Development Support (2) 4.9%
- Business Development Manager (2) 4.9%
- Client Director (2) 4.9%
- Dealer (1) 2.4%
- Personal Assistant (1) 2.4%
- CEO (1) 2.4%
- Technical Business Development Specialist (1) 2.4%

Prescient's ownership

We recognise the importance of human capital in building a sustainable business. Prescient's founders remain involved in the business, with a 23.1% collective shareholding. Strategic staff have a 25% economic stake in the business via an evergreen staff trust structure.

The staff share scheme bolsters our employee value proposition, which already includes meaningful annual profit share participation by all performing staff. The ownership scheme includes strategic management as equity partners in our business.

The largest ordinary shareholding in Prescient Holdings (Pty) Ltd is by the Prescient Empowerment Trust (Pty) Ltd (PET), which comprises the Sithega SPV (Pty) Ltd group of companies and the Prescient Foundation NPO (51.8%). In June 2023, the Prescient Group announced that it was increasing its staff's economic interest in the company to 25% and its strategic BEE partner, Sithega's, economic interest to 36%. This transaction was facilitated by the sale by Stellar Capital Partners (Pty) Ltd (Stellar) of its economic interest in Prescient Holdings (Pty) Ltd. Through this deal, Prescient's black economic interest, in terms of the BEE codes, increased to 70.74%. However, the transaction had no impact on the ownership/control structure of the Prescient Group. PET remains the controlling shareholder of Prescient Holdings. The Prescient Staff Share Scheme took up 7.8% of Stellar's remaining 19.4% economic interest and Sithega took up 11.6%.

Sithega Holdings (Pty) Ltd is a black-owned and black-managed investment holding company. It focuses on asset management, life insurance and short-term insurance and its team has a proven record of accomplishment and experience in the South African financial services industry.

06

Talking points in ESG



Decarbonisation goes hand in hand with energy security

> South Africa's energy landscape has taken huge strides over the past 15 years. In that period, the focus has changed from "keeping the lights on" to replacing coal-fired power with greener energy, at competitive prices.

The nature of demand has evolved

In 2011, the first bidding round for the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) was announced. The first four rounds were policy-led, at tariffs only a programme could carry. Then load shedding and above-inflation tariff increases made electricity an operating risk. Businesses able to fix their power cost for fifteen years were better able to compete with those who could not.

Since 2018, South Africa's National Energy Regulator has registered 20.1 GW of private generation, worth an estimated R409 billion.[1] BloombergNEF expects that this year, for the first time, companies buying power directly will add more solar and wind capacity than government auctions, accounting for around 73% of the 2.3 GW expected.[6]

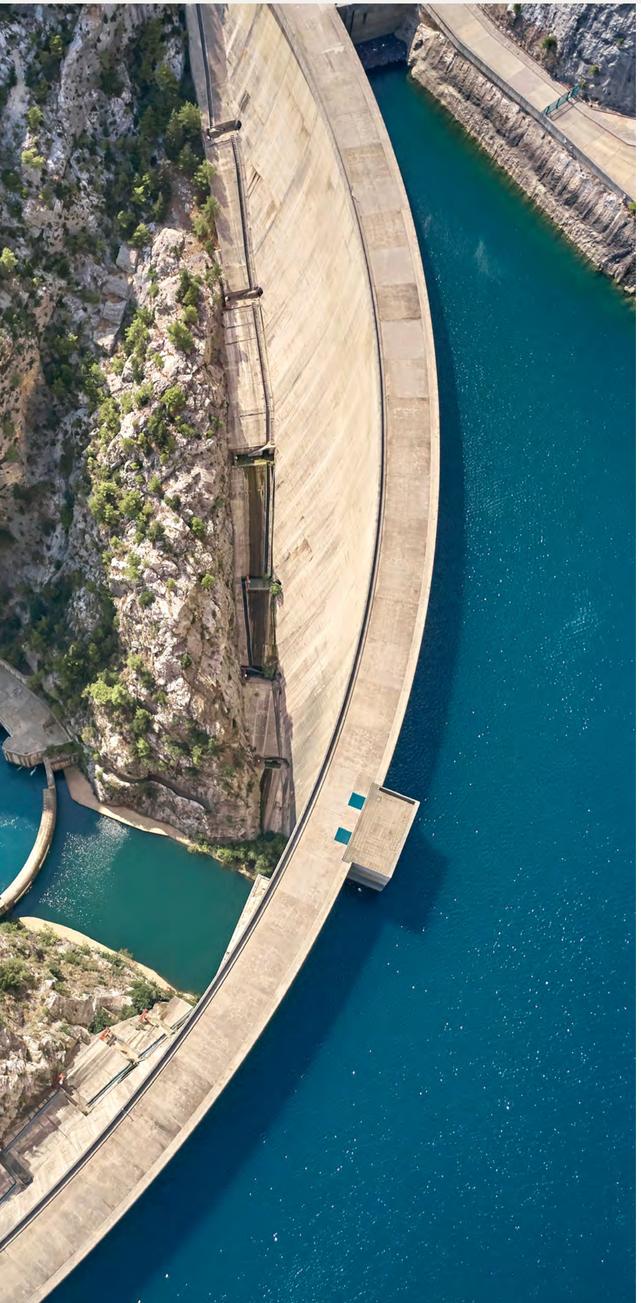
Over the first four Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) bidding rounds, solar tariffs fell by about three-quarters.[2] In the same period, the grid became less reliable and more expensive. 2023 was the worst year of load shedding on record,[3] and Eskom's average tariff has risen much faster than inflation since 2007.[4]

By late September 2026, South Africa had experienced 497 days of uninterrupted power supply from Eskom,[7] but demand for private power keeps growing because cost pressure has not gone away. Eskom's direct customers face further increases of almost 9% in each of the next two years.[8]

The cost of carbon

The carbon tax does not, on its own, make the case for clean power, at least not yet. Every megawatt hour drawn from the national grid incurs almost a tonne of carbon dioxide[9] and the carbon tax is now R308 a tonne.[10] But that tax is paid by Eskom, not by the companies buying its electricity, and government has committed to keeping it out of electricity prices until 2030.[10]

The main driver is price. A new solar power purchase agreement is expected to cost roughly half of what industrial users paid for grid electricity in 2025.[6] Carbon is an additional consideration, and a hedge against future costs. Since January, European importers of South African steel, aluminium and cement must account for the carbon embedded in those goods, with payment due from 2027 and an extension to downstream products under negotiation.[11] Companies that have already secured clean power will be better placed when those costs become due.



The shift in numbers

The figure	What it tells us
20.1 GW	Private generation registered with NERSA since 2018[1]
73%	Share of 2026's expected solar and wind additions coming from corporate deals, rather than government auctions[6]
About half	Expected cost of a new solar contract compared with what industry paid for grid power in 2025[6]

Implications for lenders

The risks that determine whether a renewable energy project will repay its loans are practical: permits, land rights, grid connection and the relationship with the local community. A plant that cannot get onto site, or onto the grid, starts late and earns nothing while interest builds up. Grid capacity has become one of the biggest constraints, which is why government has pre-qualified private companies to build and own new transmission lines.[12] We treat all of this as credit risk, not as a reporting exercise.

The purchaser of the power is also important. Municipalities owed Eskom R120 billion in overdue debt at the end of July.[13] If a company is the buyer, its financial strength drives our return. We consider whether that business will still need the power, and still be able to pay for it, when our loan is repaid.

Prescient's role has evolved

We are active in the renewable energy sector through two funds. Since its launch in 2015, the Prescient Clean Energy and Infrastructure Debt Fund has deployed R5.4 billion across 38 projects, adding 3.6 GW of clean power to the grid and supporting 3 763 jobs. The Prescient Infrastructure Debt Fund, launched in 2021, has a broader infrastructure mandate, and more than half of its SDG allocation is to affordable and clean energy.[15]

> We consider whether that business will still need the power, and still be able to pay for it, when our loan is repaid.

Our role has evolved with the market. Many of the early projects we financed sold their power to Eskom under government programmes. Increasingly, the opportunity lies in private deals: wind and solar power sold directly to mines and manufacturers, electricity wheeled across the grid to the buyer, and plants built alongside the operations they serve, such as the waste heat recovery plant at a Rustenburg smelter featured in this report. These deals require lenders who understand both the project and the business buying its power.

Because this is private credit, we cannot trade out of a mistake. Once drawn, a loan stays with us for ten or fifteen years. In both funds, we are disciplined about what we fund: contracted cash flows, buyers we would lend to in their own right, repayment cover that holds up through a poor wind or solar year, and security we can enforce. A good carbon story does not make up for a weak borrower. We measure and report the emissions our projects avoid, but they are the result of sound lending, not the reason for it.

A transition that solves a business problem is still under way fifteen years later. That is what we fund on behalf of clients.

Sources:
1. NERSA, media statement on the registration of 124 generation facilities (Q1 2026/27), 20 August 2026. Registered capacity, not operating capacity; the investment value is NERSA's estimate;
2. Department of Electricity and Energy, REIPPPP Historical Data, 7 November 2025 (solar PV tariffs down 74.9% from Bid Window 1 to Bid Window 4).
3. CSIR, Utility-scale power generation statistics in South Africa 2024, March 2025 (6 948 hours of load shedding in 2023).
4. PowerOptimal, "Eskom tariff increases vs inflation since 1988", 2 March 2026 (average tariff up 1 172% against CPI up 174%, 2007 to 2026).
5. DFFE, 9th National Greenhouse Gas Inventory Report (2000–2022), February 2025 (energy 78% of emissions excluding land use).
6. BloombergNEF, South Africa Transition Factbook, 7 September 2026, as reported by Mining Weekly, 8 September 2026 (coal 78% of electricity in 2025; expected solar PPA price of R848/MWh in 2026 against industrial power costs of R1 652/MWh in 2025). 2026 figures are forecasts.
7. Eskom, media statement, 25 September 2026 (497 consecutive days without load shedding since 16 May 2025; year-to-date energy availability factor of 68.06%).
8. NERSA, media statement on Eskom retail tariffs for 2026/27, 10 March 2026 (8.76% for 2026/27 and 8.83% for 2027/28 for direct customers).
9. DFFE, South African Grid Emission Factors Report 2024, September 2026 (National Grid Emission Factor of 0.96 tCO2e per MWh).
10. Taxation Laws Amendment Act 5 of 2026; National Treasury, Budget Review 2025 (electricity price neutrality extended to 31 December 2030).
11. European Commission and German Emissions Trading Authority (DEHSt), CBAM definitive regime from 1 January 2026; CBAM certificates are surrendered from 2027; European Parliament Research Service briefing on the downstream extension, 7 September 2026.
12. Department of Electricity and Energy, statement on the Independent Transmission Projects programme, 15 December 2025 (seven pre-qualified bidders; request for proposals pending).
13. TimesLIVE, "Municipalities owe Eskom R120bn as debt threatens viability", 23 September 2026 (R120.26 billion at 31 July 2026).
14. Prescient Investment Management, Prescient Clean Energy and Infrastructure Debt Fund impact reporting, as at May 2026.
15. Prescient Investment Management, as at 31 August 2026 (52.9% of the Prescient Infrastructure Debt Fund's primary SDG allocation is to SDG 7, Affordable and Clean Energy).

Financed emissions: the next question in emissions reporting

> Discussions about emissions have traditionally focused on companies: how much a business emits, and how carbon-intensive it is. A newer question is emerging, and it is about those who finance them: how much of those emissions does a portfolio finance through what it holds? That is the idea behind financed emissions.

The data is in place

Financed emissions depend on companies reporting their own emissions, and in South Africa that reporting has grown steadily over the past decade. Our analysis shows that a large majority of FTSE/JSE All Share companies[1] now publish some form of emissions figure, and most report their Scope 1 and Scope 2 emissions, the core inputs for measuring financed emissions.[2] That makes the measure increasingly practical in a South African context.

Scope 3, the indirect emissions across a company's wider value chain, excluding the energy it buys for its own operations, is reported less widely, and methods still vary between companies. That is one reason financed emissions are usually measured on Scope 1 and 2 first, with Scope 3 added as reporting matures.

How it works

Financed emissions take company emissions data and attribute a share of it to the investor, in proportion to how much of a company's financing the investor provides. The PCAF standard (Part A, Third Edition, 2025), a widely recognised methodology for measuring financed emissions, sets out a different method for each type of investment, or asset class, from shares and corporate bonds to loans, property and government debt.

The result can be expressed in more than one way. Total financed emissions give the tonnes a portfolio is responsible for. The carbon footprint divides that total by the amount invested, so portfolios of different sizes can be compared. Weighted average carbon intensity, a simpler related measure, weights each holding's emissions relative to its revenue by its size in the portfolio.

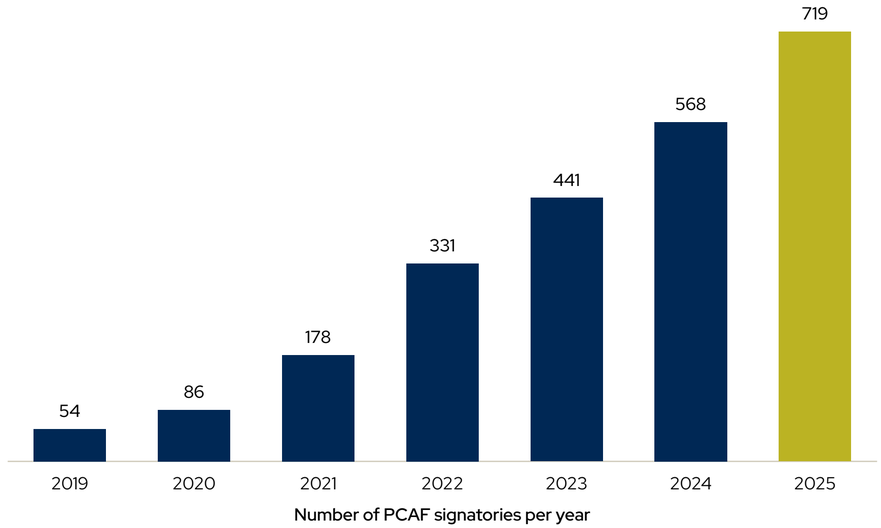
This differs from company-level emissions measures, which describe individual businesses rather than the portfolios that hold them. Financed emissions add up, so they describe a whole portfolio. They also make data quality visible: each figure carries a PCAF data quality score from 1, for verified reported emissions, to 5, for sector-level estimates.[3]

That transparency is one of the measure's main strengths. A reader can see how much of a total rests on companies' own reported figures and how much on estimates. And because the score shows where estimates sit, an investor can start with the best data available and improve it over time, replacing estimates with reported figures as disclosure grows. As regulators and clients increasingly expect sustainability figures to be backed by evidence, being able to show the quality of the data behind a number is increasingly valuable.

Why it is gaining attention

Reporting is moving in this direction. More than 700 financial institutions, managing nearly US$100 trillion in assets across over 85 countries, have now committed to measuring their financed emissions under the PCAF standard, up from around 50 in 2019, and it is now referenced directly in regulatory frameworks in the EU, Canada, Hong Kong and Qatar.[4] IFRS S2, the global climate reporting standard, asks asset managers, banks and insurers that use it to disclose the emissions they finance, and the FSCA plans to bring in disclosure based on it in South Africa, starting with large listed companies (see the regulatory landscape section of this report).

Financial institutions committed to measuring financed emissions under PCAF, 2019–2025



Source: PCAF, Impact Report 2025.

Asset owners are taking an interest too. Regulation 28 of the Pension Funds Act requires retirement funds to consider environmental, social and governance factors that may materially affect the long-term performance of their investments.[5]

The measure is also relevant to credit investors. Financed emissions count lenders as well as shareholders, so a bond carries its share of a company's emissions just as a share does. Government bonds can also be measured, but would require a separate method.

Looking ahead

So, how much of those emissions does a portfolio finance? Until recently, that question was difficult to answer with any confidence. The building blocks are now largely in place: improved reporting of companies' own emissions, an updated and widely recognised methodology for attributing them to investors and lenders, and data quality scores that show how much of any total rests on reported figures. With reporting and disclosure standards moving in the same direction, financed emissions are likely to become an increasingly reported figure in the years ahead.

Sources/notes:
1. FTSE/JSE All Share constituents at 31 December 2025. The longer-run trend is based on Prescient analysis of company disclosures, 2016 to 2025.
2. Prescient Investment Management analysis of emissions disclosure by FTSE/JSE All Share constituents, 2025.
3. PCAF, Global GHG Accounting and Reporting Standard, Part A: Financed Emissions, 3rd edition, December 2025, general data quality scorecard (Figure 4-3).
4. PCAF, Impact Report 2025, p. 12.
5. Regulation 28 of the Pension Funds Act, 1956, as amended by Government Notice R.183, 4 March 2011, regulation 28(2)(c)(ix).



07

Regulatory landscape

The world's ESG challenges are becoming increasingly complex, and they demand a regulatory framework that is equally sophisticated and globally aligned. In the past year, South Africa's response has moved from preparation to implementation. Sustainability claims are now treated as a matter of market conduct, the country's first comprehensive climate law is being put into operation, and a new corporate governance code has come into effect. This shift is not just a matter of compliance, it represents a strategic opportunity for South African companies and investors to enhance their credibility on the world stage.

> South Africa has consistently demonstrated leadership in corporate governance and sustainability. The King Reports on Corporate Governance have long emphasised a stakeholder-centric approach. On 31 October 2025 the Institute of Directors in South Africa published King V, which replaces King IV for financial years starting on or after 1 January 2026.

The most significant development for asset managers was the Financial Sector Conduct Authority's (FSCA) Sustainable Finance Update Report 2026, published in March 2026. The FSCA is developing guidance on sustainability-related claims made to retail financial customers and has made clear that this guidance will not create new obligations but will clarify how firms must apply existing ones, including those arising under the Collective Investment Schemes Control Act, the Financial Advisory and Intermediary Services Act, the Policyholder Protection Rules and the Conduct Standard for Banks. The FSCA notes that weaknesses in the quality, consistency, or completeness of sustainability information, whether at corporate level or in retail product claims, can "cause misalignment, undermine confidence and increase the risk of greenwashing, social washing, and impact washing".

The FSCA also set out its intention to introduce sustainability disclosure requirements for large listed entities, focusing at the outset on climate-related disclosures aligned with the global baseline set by the International Sustainability Standards Board (ISSB), particularly IFRS S2. Broader sustainability disclosure, including approaches under IFRS S1, will be sequenced later as the climate baseline is implemented and market readiness improves. In the near term, the FSCA is engaging licensed exchanges on incorporating ISSB-aligned, climate-first disclosure expectations into listing requirements as an interim measure, while the national adoption roadmap is operationalised.

For corporates, this will demand more rigorous data collection and reporting, moving beyond narrative to quantifiable metrics. For asset managers, it means that every sustainability claim must be supported by evidence, and that portfolios must be positioned to use the better data that mandatory reporting will bring. Regulation 28 of the Pension Funds Act already requires retirement funds to consider environmental, social and governance factors that may materially affect the sustainable long-term performance of their assets, and we expect these expectations will flow through to the information that clients ask from their managers.

The past year brought several important changes to the rules that shape ESG reporting and investing in South Africa. We highlight these first, followed by the earlier rules and standards that remain relevant.

What's new: changes during the past year

Regulatory/standard	Date/Status	What changed
King V Code on Corporate Governance	Published 31 October 2025; applies to financial years starting on or after 1 January 2026	Replaces King IV, with early adoption encouraged. Key changes include: › A simpler Code: the number of principles falls from 17 to 13, and the "apply and explain" approach is retained, supported by a standard disclosure framework. › Stricter independence criteria: nine years' tenure is now an explicit factor in assessing a director's independence, and there is a three-year cooling-off period for former executives. › Sustainability: the Code introduces double materiality. › Technology governance: information governance now extends to the responsible use of artificial intelligence. › Institutional investors: King IV's separate principle for institutional investors has been removed, and King V instead endorses the application of CRISA 2.
Companies Act: remuneration and pay gap disclosure	In force 22 May 2026	Public and state-owned companies must put a remuneration policy to a binding shareholder vote at least every three years, and an annual remuneration report to a binding vote. The report must disclose the pay of named directors and prescribed officers, the highest, lowest, average and median employee pay, and the gap between the top 5% and bottom 5% of earners. If the report is voted down, the remuneration committee must explain at the next AGM how shareholder concerns were addressed and its non-executive members must stand for re-election to the committee. If the following year's report is also voted down, those members may stay on the board if re-elected but may not serve on the committee for two years.
Carbon Tax Phase 2	1 January 2026	Phase 2 runs to 31 December 2030. The rate rose from R236 to R308 per tonne of CO_2e, a 31% increase. The basic tax-free allowance was retained at 60%, and offset limits increased from 10% to 15% for combustion emissions and from 5% to 10% for process and fugitive emissions. Emissions above a company's carbon budget attract a rate of R640 per tonne with no allowances, under the Taxation Laws Amendment Act 5 of 2026.
Conduct of Financial Institutions (COFI) Bill	Notice of introduction, 17 April 2026	COFI will bring conduct requirements that are currently spread across sector-specific laws into a single, principles-based framework. The Bill had not been formally tabled in Parliament by early November 2026.
FSCA Discussion Paper on ESG Rating Services and Data Providers	March 2026; comments closed 30 April 2026	Invites stakeholder views on the most appropriate policy approach for South Africa, including formal regulation, voluntary industry standards or codes of conduct on a 'comply or explain' basis, and approaches that leverage existing regulatory mechanisms. The document presents initial proposals rather than final positions, and notes that definitive policy positions have not yet been determined.

Regulatory/standard	Date/Status	What changed
National ISSB adoption roadmap	In development during 2026	The Department of Trade, Industry and Competition is leading a national process to develop a National ISSB Adoption Roadmap. The FSCA has prioritised alignment with this process so that its disclosure pathway for large listed entities remains consistent with national direction and reduces fragmentation across the sustainability disclosure landscape.
Sustainability assurance (ISSA 5000)	Approved 29 January 2026; effective for periods beginning on or after 15 December 2026	The Independent Regulatory Board for Auditors (IRBA) has adopted the international standard for assurance on sustainability information, with early adoption permitted.
Employment equity: first compliance cycle under sectoral targets	Plans from 1 September 2025	Designated employers' first five-year employment equity plans under the sectoral numerical targets (gazetted 15 April 2025) run from 1 September 2025 to 31 August 2030, and employers need a compliance certificate to do business with organs of state. Income differentials by race, gender and occupational level are reported to the Department of Employment and Labour, but South Africa does not yet require public gender pay gap disclosure. Several court challenges to the targets are pending.
Jibar cessation and the transition to ZARONIA	Revised 3 November 2026; cessation after 31 May 2027	The SARB has revised the Jibar cessation date from 31 December 2026 to 31 May 2027, after which all Jibar tenors will cease to be published. The five-month extension allows the legislative solution for tough legacy contracts to be finalised well before cessation. The direction of the reform is unchanged, and market participants are still expected to reduce their reliance on Jibar and increase their use of ZARONIA. FTSE Russell, appointed by the Market Practitioners Group in April 2026, launched FTSE Term ZARONIA on 3 November 2026. The SARB intends to use it to determine Synthetic Jibar as one of the designated replacement benchmarks for tough legacy contracts. ZARONIA remains the preferred successor rate.
FSCA Sustainable Finance Update Report 2026	March 2026	Reports progress across the FSCA's five sustainable finance pillars. Confirms that guidance under development on sustainability-related claims to retail customers will clarify rather than replace existing obligations under CISCA, the FAIS Act, the Policyholder Protection Rules and the Conduct Standard for Banks. Sets out a climate-first approach to corporate disclosure for large listed entities aligned with IFRS S2, sequenced with the national ISSB adoption roadmap led by the Department of Trade, Industry and Competition, with listing requirements as a likely interim route.

Still relevant: regulations that continue to shape ESG

Regulatory/standard	Since	Why it remains relevant
Climate Change Act (2024)	In force 17 March 2025	South Africa's first comprehensive climate law. Draft Carbon Budget and Mitigation Plan Regulations, published on 1 August 2025, would set mandatory carbon budgets for emitters above 30 000 tCO_2e a year from 2026 to 2030. The regulations had not been finalised at the time of writing.
Prudential Authority climate guidance	2024; updated June 2025	Guidance Notice G3/2025 sets out voluntary climate-related disclosures for banks and insurers aligned with IFRS S1 and S2 and Basel standards. The SARB's first climate risk stress test of the six systemically important banks was reported in its 2025 Financial Stability Review.
Companies Amendment Acts: social and ethics committees	In force 27 December 2024	Shareholders of public and state-owned companies must elect the social and ethics committee at each annual general meeting. The committee needs at least three members, the majority of them non-executive directors who have not been involved in day-to-day management in the previous three years.
JSE Sustainability and Climate Disclosure Guidance	2022	Remains voluntary and is being aligned with IFRS S1 and S2.
Regulation 28 of the Pension Funds Act	Ongoing	Retirement funds must consider any factor that may materially affect the sustainable long-term performance of an asset, including environmental, social and governance factors, before investing and while invested.
CRISA 2	1 February 2023	The Code for Responsible Investing in South Africa sets out how institutional investors and their service providers should integrate sustainability into investment decisions and stewardship. King V now endorses its application by institutional investors.
South African Green Finance Taxonomy	2022 (first edition)	Remains the reference for classifying green activities and underpins National Treasury's Sovereign Use of Proceeds Framework, published in May 2026. A 2025 review for National Treasury recommended refining its "do no significant harm" and minimum social safeguards criteria. The FSCA's taxonomy pilot, launched in 2024 with banks, asset managers and pension funds participating, closed its information-gathering phase on 30 January 2026, with comprehensive results expected during the 2026/27 financial year. The dormant Climate Risk Forum, a public-private sustainability initiative, is to be revived during 2026 and is expected to consider the taxonomy.

The global picture: recalibration, not retreat

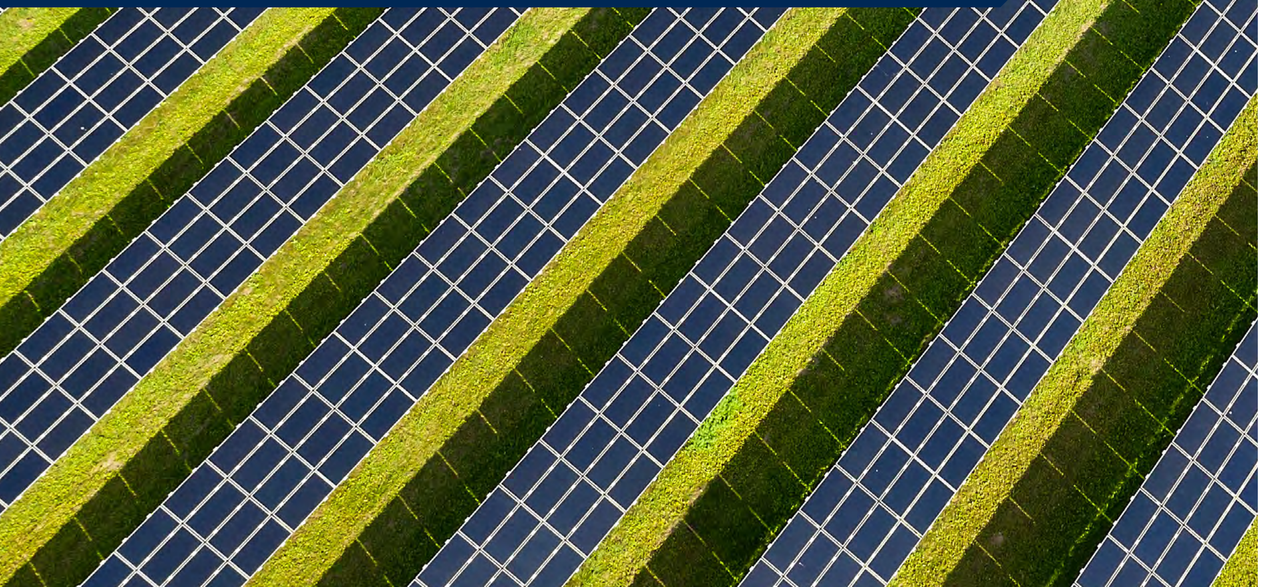
Globally, the past year brought both simplification and consolidation. The European Union narrowed the scope of its sustainability reporting and due diligence rules, and the US Securities and Exchange Commission proposed rescinding its climate disclosure rules. At the same time, the ISSB baseline continued to spread, and the UK published its own standards based on it. The headlines suggest a retreat, but the detail shows a narrowing of scope rather than of substance.

Framework / regulation	Development
ISSB Standards (IFRS S1 & S2)	The IFRS Foundation reported 36 jurisdictions were adopting or using the standards in June 2025. In December 2025 the ISSB issued targeted amendments to IFRS S2, effective 1 January 2027, including relief on the measurement of financed emissions.
TCFD Recommendations	The TCFD disbanded in October 2023, having fulfilled its remit, and the IFRS Foundation has taken over monitoring of companies' climate-related disclosures. Its recommendations are built into IFRS S2.
EU CSRD and CSDDD (Omnibus I)	Published in February 2026, the Omnibus I package narrowed the Corporate Sustainability Reporting Directive to companies with more than 1 000 employees and €450 million in turnover, and the due diligence directive to companies with more than 5 000 employees and €1.5 billion in turnover.
UK Sustainability Reporting Standards	Final UK standards based on IFRS S1 and S2 were published in February 2026, and the Financial Conduct Authority has consulted on requiring listed companies to report under the climate standard.
US SEC climate rule	In May 2026 the SEC proposed rescinding its climate-related disclosure rules.

South Africa is moving in the opposite direction to the US, towards mandatory disclosure and conduct enforcement. By embracing this new era of standardised ESG reporting, South Africa can solidify its position as a leader in sustainable finance in emerging markets and unlock a new wave of responsible investment.

08

Prescient's alternative investment solutions



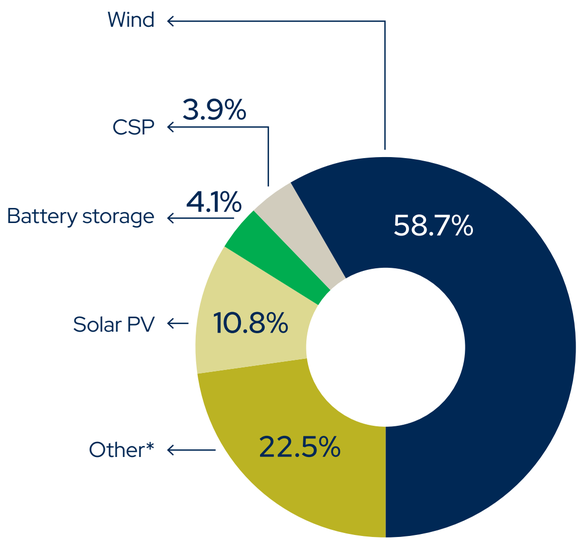
The Prescient Clean Energy and Infrastructure Debt Strategy

South Africa's move to cleaner, more secure electricity depends on sourcing long-term capital. The Prescient Clean Energy & Infrastructure Debt Fund, launched in 2015, provides debt finance to South African renewable energy projects and the infrastructure that supports them, giving investors access to long-dated, contracted cash flows that are generally not available in listed markets. It is a Socially Responsible Investment Vehicle, and sustainability considerations are built into every stage of the investment process, from due diligence to ongoing monitoring.

The Fund has grown alongside South Africa's renewable energy programme. Its portfolio spans REIPPPP bid windows 1 to 6, the first round of the battery energy storage programme and, more recently, a privately-contracted wind farm that sells its power outside the government programmes.[1] That mix reflects how the market itself has changed, from state procurement towards storage and private offtake.

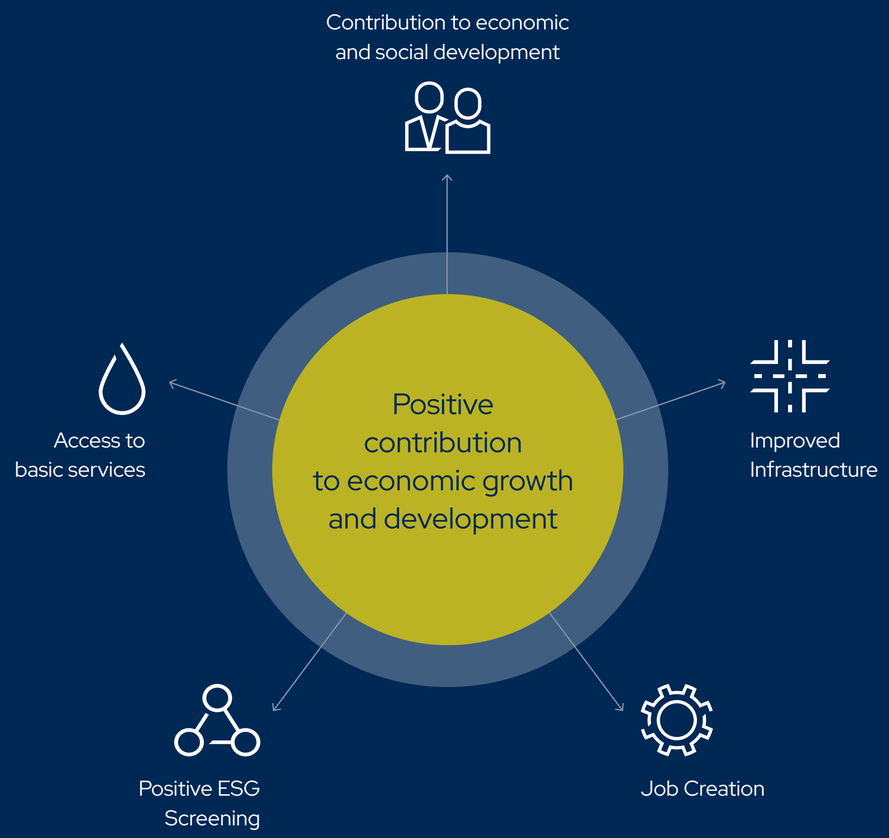
Wind makes up the largest share of the portfolio, followed by solar PV, battery storage and concentrated solar power. In these technologies, the Fund is invested in projects totalling 3.6 GW of capacity in five provinces, with the largest concentration in the Northern Cape, where South Africa's solar resource is strongest.[1]

Portfolio by renewable resource



Source: Prescient Investment Management, as at August 2026.
**Other includes Cash; Internal Funds and RSA Bonds*

Benefits of the projects financed by the Fund



Source: Prescient Investment Management.

Beyond the financial return, the projects we fund contribute to South Africa's development in several ways:

The opportunity set continues to widen. Corporate buyers are now expected to add more new solar and wind capacity than government auctions,[2] the energy regulator has licensed a market operator as South Africa moves towards a competitive wholesale electricity market,[3] and government has pre-qualified private companies to build new transmission lines.[4] Together, these developments create demand for debt that can finance storage, private power purchase agreements and grid connections, alongside the REIPPPP projects at the core of the fund.

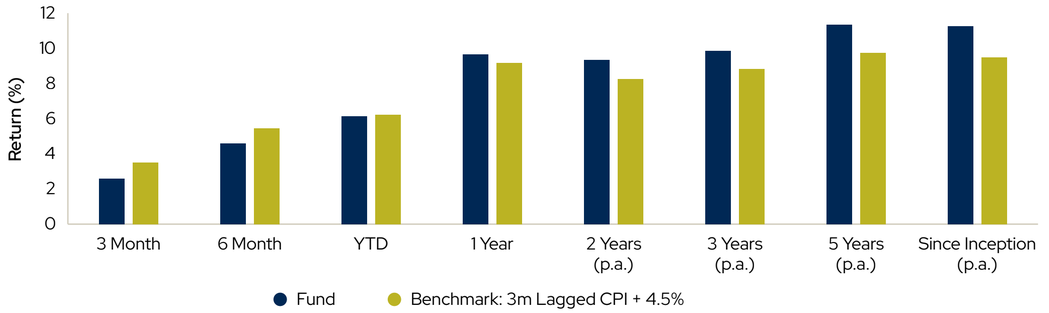
The Prescient Clean Energy and Infrastructure Debt Fund

Now in its eleventh year, the fund has a track record that spans the full life of South Africa's renewable energy programme. Over one, two, three and five years, and since inception, it has outperformed its benchmark of three-month lagged CPI + 4.5%, returning about 11% a year since inception against about 9.5% for the benchmark.[5] It ranks among the leading performers in Alexander Forbes surveys, and in 2025 it was nominated for Financial Structure of the Year and Impact Trailblazer of the Year at the Africa Impact Investment Awards.

The fund offers investors:

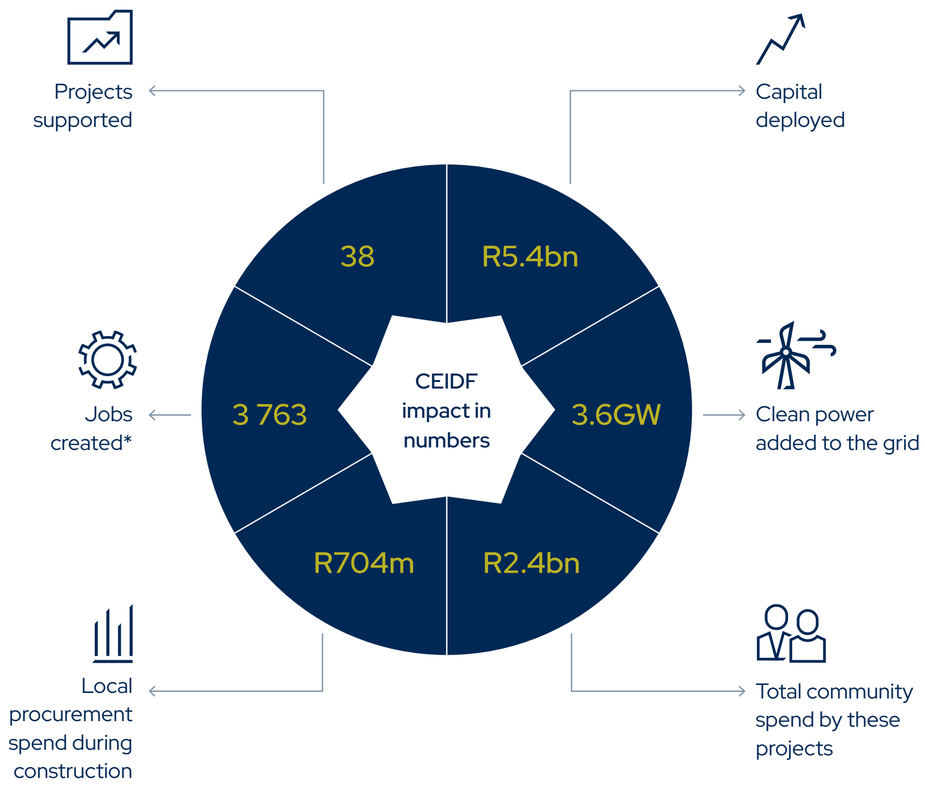
- **Contracted cash flows:** projects sell their power under long-term power purchase agreements, most of which are with Eskom under the REIPPPP framework.
- **Inflation protection:** a large part of the portfolio is linked to CPI, in line with the inflation-linked tariffs many of the projects earn.
- **Diversification:** exposure to wind, solar PV, concentrated solar power and battery storage, several bid windows and five provinces, with returns largely uncorrelated to listed equity and bond markets.
- **Measurable impact:** every project reports on jobs, community spend, local procurement and ownership, so the impact we report comes from project data.

Prescient Clean Energy and Infrastructure Debt Fund
Periodic performance against its benchmark



Source: Prescient Investment Management, as at 31 August 2026.

The Prescient Clean Energy and Infrastructure Debt Fund's impact in numbers



**Jobs reported across the projects for the most recent quarter, measured in job-years. This is not a cumulative total since inception. Clean power added is the capacity once all projects are operational.*

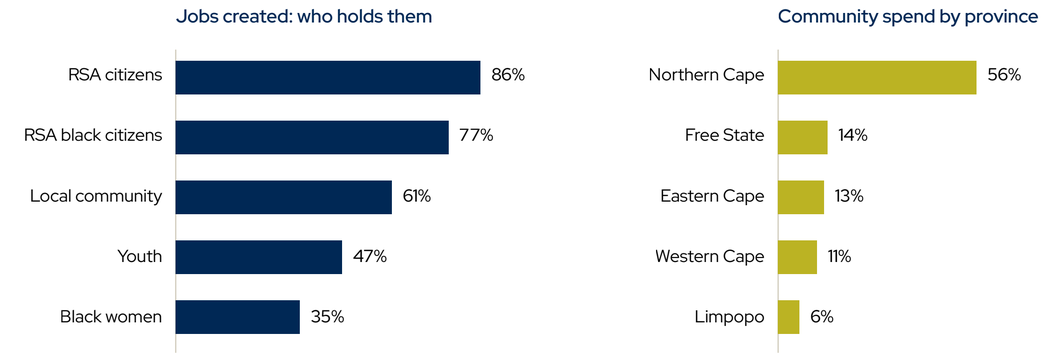
Source: Prescient Investment Management, as at May 2026.

Since launch, the Fund has deployed R5.4 billion to 38 projects. Once they are all are operational, these projects will add 3.6 GW of clean power to the grid, equivalent to the energy needs of about 4.3 million average South African homes.[6]

The projects have spent more than R2.4 billion on enterprise and socio-economic development in the communities where they operate: about R0.8 billion on enterprise development and R1.6 billion on socio-economic development.[6] More than half of this spending is in the Northern Cape, one of South Africa's poorest provinces. Of the 3 763 jobs reported for the most recent quarter, 86% are held by South African citizens, 77% by black South Africans and 61% by people from local communities. Young people hold 47% of these jobs and black women 35%.[6]

For investors, the Fund offers inflation-linked, contracted income from real assets. For South Africa, it helps to finance the energy transition in a way that creates jobs and directs investment to the communities that host the projects.

Who holds the jobs created, and where community spend is directed.



Source: Prescient Investment Management, as at May 2026.

Sources:
1. Prescient Investment Management, Prescient Clean Energy & Infrastructure Debt Fund portfolio data, as at May 2026.
2. BloombergNEF, South Africa Transition Factbook, 7 September 2026.
3. Engineering News, 'NERSA reinforces shift to competitive electricity market as it approves market operator licence and new grid rules', 27 November 2025.
4. Department of Electricity and Energy, statement on the Independent Transmission Projects programme, 15 December 2025.
5. Prescient Investment Management, fund performance as at 31 August 2026. Returns read from the periodic performance chart.
6. Prescient Investment Management, Prescient Clean Energy & Infrastructure Debt Fund impact reporting, as at May 2026.

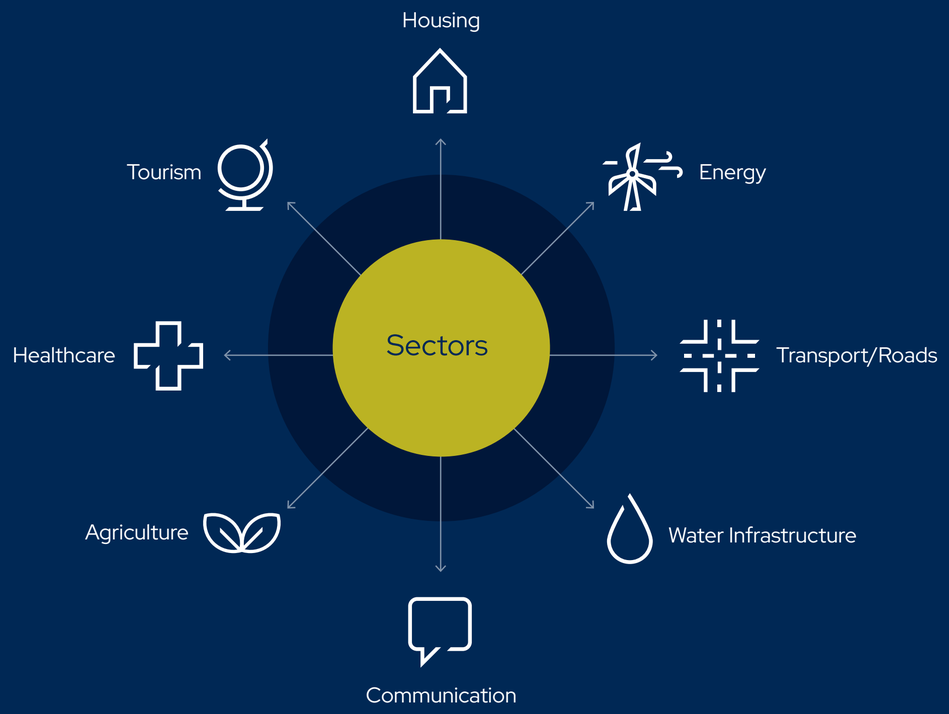
The Prescient Infrastructure Debt Strategy

The Prescient Infrastructure Debt Fund has a wider lens on infrastructure, recognising its central role in enabling societies and economies to function, grow, and remain competitive. Infrastructure underpins everyday life. It delivers the essential services that drive productivity, improve quality of life, and open pathways for sustainable development.

By definition, infrastructure is broad, covering the physical and organisational systems that keep economies running and communities connected. It spans the facilities and networks that provide reliable access to energy, transport, healthcare, education, digital connectivity, and water. These are critical foundations for both social well-being and economic competitiveness.

> Prescient Investment Management views infrastructure through several key sectors, each of which offers transformative opportunities:

Sectors covered by the Prescient Infrastructure Debt Strategy



Source: Prescient Investment Management.

- **Energy & Renewables:** Expanding renewable energy generation and modernising grids to support the energy transition. For example, large-scale solar and wind farms across South Africa are reducing reliance on coal while improving energy security.
- **Transport & Logistics:** Upgrading road, rail, and port networks to facilitate trade and regional integration. The recent investment in the N3 corridor in South Africa, connecting Durban Port to inland hubs, illustrates how infrastructure unlocks trade efficiency.
- **Digital Infrastructure:** Building data centres, fibre networks, and 5G infrastructure to close the digital divide. Increased digital access is powering e-commerce and fintech growth, particularly in underserved rural areas.
- **Water & Sanitation:** Ensuring reliable access to clean water and wastewater treatment. Projects like desalination plants in Cape Town highlight how critical resilient water infrastructure is for climate adaptation.
- **Social Infrastructure:** Investing in healthcare and education facilities, which are vital for inclusive growth. New hospital PPPs and affordable housing programmes demonstrate how social infrastructure directly impacts communities.

The strategy enables investors to access generally inaccessible clean energy and infrastructure assets, which offer returns that are uncorrelated to South African equity and capital markets. It aims to catalyse further growth in the South African infrastructure sectors by supporting vetted projects, but also driving poverty reduction and resilience. By broadening the focus, the Fund positions itself to capture opportunities in traditional and emerging infrastructure sectors, while delivering both financial returns and long-term social impact.

The benefits of infrastructure investment include:

- Improved access to markets
- Employment and employment creation
- Reduction in production costs
- Stimulation of trade
- Positive contribution to economic growth and development

Positive environmental and social impact

Source: Prescient Investment Management.

The variety of infrastructure projects in the portfolio will grow as the National Development Plan is rolled out. Our investments seek to support South Africa's National Infrastructure Plan (the most recent of which is the NIP 2050, released in February 2022). The NIP 2050 contains a comprehensive infrastructure project pipeline, which is consolidated by the Infrastructure and Investment Office. Once those projects are approved, they will be classified as Strategic Infrastructure Projects (SIPs).

In addition, National Treasury, the World Bank and the Development Bank of Southern Africa (DBSA) are jointly establishing a Credit Guarantee Vehicle (CGV) for South African infrastructure. It is initially capitalised at around US$500 million (roughly R8 billion), with potential to scale to US$2.5 billion over time. The CGV offers partial risk guarantees, for a fee, against risks such as payment default or political and early-stage project risk on infrastructure deals with public-sector offtakers, which lets private lenders extend financing on better terms (lower rates, longer tenors) than they otherwise could. Priority sectors are electricity transmission, water and sanitation, freight transport and logistics, and social infrastructure (education and health), with full establishment targeted for the fourth quarter of 2026.

For a private credit investor like Prescient Investment Management, a credit-enhancement mechanism of this kind widens the pool of bankable infrastructure deals and does not compete with the Fund's own strategy: it is a reason the opportunity set here should grow, not a substitute for the Fund's own underwriting discipline.[1]

The Fund offers clients access to real assets which are generally not available elsewhere in the market, and the strategy aims to have a positive social and environmental impact. Sustainability thinking is embedded throughout the investment process.



The Prescient Infrastructure Debt Fund

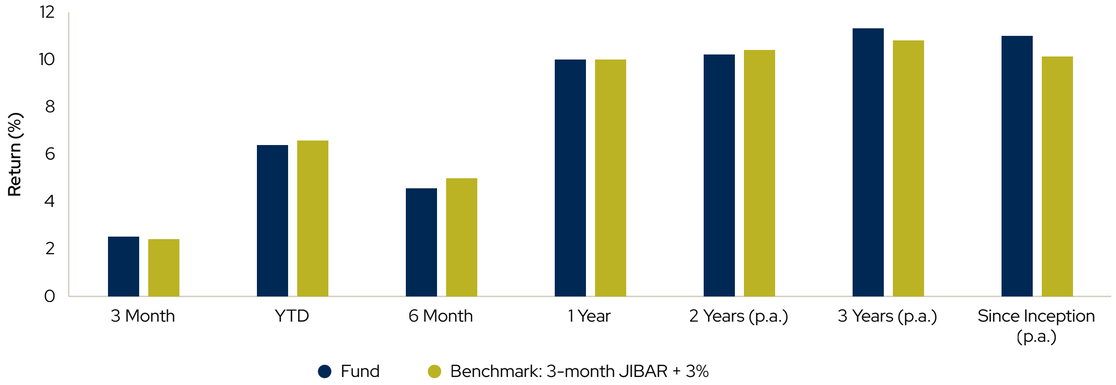
The Prescient Infrastructure Debt Fund, launched in 2021, currently manages R3.5 billion in assets. It is designed to bridge the gap between the scale of infrastructure investment South Africa needs and the private capital currently available to fund it. By financing high-quality infrastructure projects, the Fund delivers attractive, stable returns for investors and drives measurable social and economic impact.

What sets this Fund apart is that investors don't have to choose between impact and performance. Both are achievable, based on:

- **Reliable Returns:** Infrastructure investments are typically backed by long-term, cash-generating assets, providing predictable income streams and lower volatility.
- **Positive Impact:** Capital is channelled into projects that expand access to clean energy, efficient transport, digital connectivity, healthcare, water, and other critical infrastructure.
- **Diversification:** Infrastructure investments offer low correlation to traditional asset classes, strengthening overall portfolio resilience.
- **Sustainable Growth:** By funding projects aligned with national development priorities and ESG standards, the fund supports inclusive, long-term growth.

Financial discipline and developmental impact go hand-in-hand here: the Fund enables investors to play a meaningful role in building tomorrow's infrastructure while earning competitive, risk-adjusted returns today. The return history set out below shows that combination in practice.

Prescient Infrastructure Debt Fund periodic performance, fund vs benchmark



Source: PIM, as at 31 August 2026. Benchmark: 3-month JIBAR + 3%.

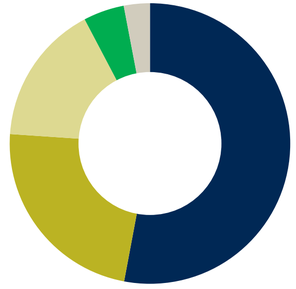
The Fund's strategic considerations in driving this impact and return dynamic are reflected in its focus on key reporting metrics such as Broad-Based Black Economic Empowerment (B-BBEE) status, total invested capital, priority Sustainable Development Goals (SDGs), employment generation, and initiatives in water, waste, and energy efficiency. These factors demonstrate the Fund's comprehensive approach to responsible investing and its commitment to fostering long-term, sustainable progress in the country.

A core pillar of the Fund's mandate is its alignment with the United Nations Sustainable Development Goals (SDGs). Every investment undertaken must contribute to at least one SDG, ensuring that capital deployed is directly linked to advancing global sustainability priorities and addressing critical societal challenges.

By embedding the SDGs into its investment approach, the Fund ensures that its activities deliver both measurable impact and meaningful outcomes. We look for opportunities that are financially sound but also advance sustainable development objectives, with a strong emphasis on delivering tangible benefits to surrounding communities.

To reinforce accountability, investee companies are required to report on their contributions to South Africa's development priorities, including how invested capital is applied and the broader role they play in fostering long-term, inclusive, and sustainable progress.

Primary SDG allocation, Prescient Infrastructure Debt Fund



7 – Affordable and Clean Energy	52.9%
9 – Industry, Innovation and Infrastructure	23.1%
Other	16.2%
10 – Reduced Inequalities	4.7%
11 – Sustainable Cities and Communities	3.0%

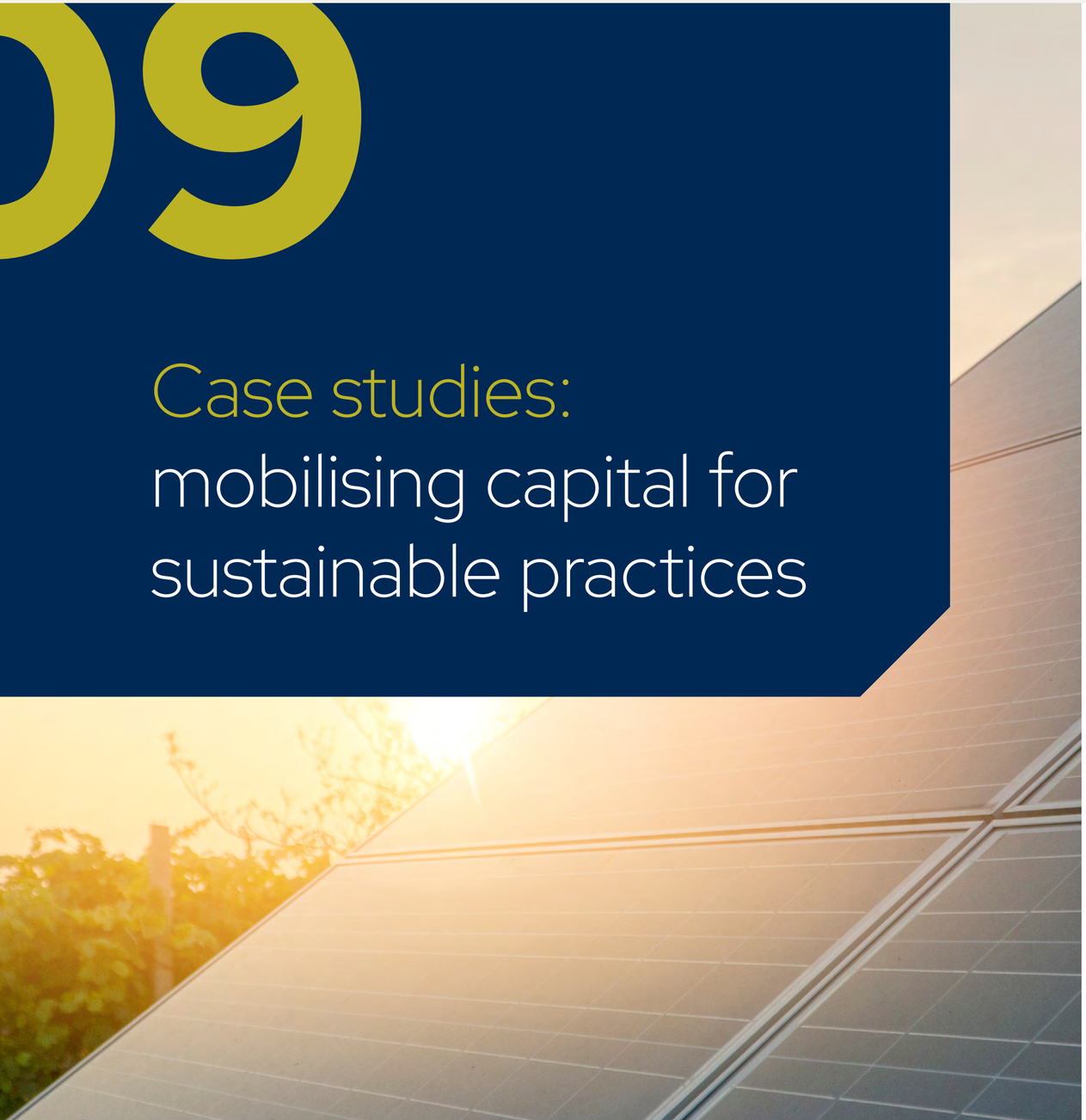
Source: PIM, as at 31 August 2026.

The Fund's impact is concentrated where it counts: 52.9% of the SDG allocation is to Affordable and Clean Energy, and a further 23.1% is to Industry, Innovation and Infrastructure, the two pillars our infrastructure debt strategy is built to deliver. Reduced Inequalities (4.7%) and Sustainable Cities and Communities (3.0%) round out a portfolio that is investing directly in the outcomes South Africa needs. The remaining 16.2% is spread across other SDGs.

Source:
1. World Bank, "South Africa's Credit Guarantee Vehicle" factsheet (5 March 2026); Mail & Guardian, "Infrastructure credit guarantee scheme to unlock billions" (28 March 2026).

09

Case studies: mobilising capital for sustainable practices



Case Study 01

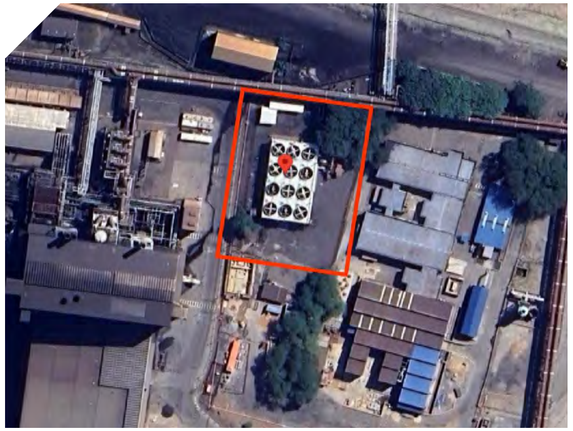
Eternity Power: Turning waste heat into power

Eternity Power (RF) (Pty) Ltd operates South Africa's first, and still one of very few, commercial waste heat recovery power plants in the industrial sector. It was commissioned in 2015 at Anglo American Platinum's Waterval Smelting Complex in Rustenburg, and uses Ormat's Organic Rankine Cycle (ORC) technology, a globally-proven platform with decades of operating history, to capture heat that would otherwise be vented from the smelter's converter cooling circuit and convert it into electricity.

The facility supplies contracted electricity directly to the Waterval smelter under a long-term Energy Conversion Agreement with Anglo American Platinum, and provides about 10% of the smelter's own power requirement without burning any additional fuel. It is a clean example of industrial symbiosis: a mining and smelting operation's own waste stream becomes another part of its power supply. The plant is operated and maintained by Vuselela Energy, a specialist local operator with an experienced, appropriately-qualified technical team.

A compelling investment opportunity

- **Proven technology, real track record:** the facility has now been operating for a decade, including recovering from and resolving early equipment reliability issues, giving Prescient Investment Management a genuinely tested asset rather than a paper track record.



The Eternity Power facility at Anglo American Platinum's Waterval Smelting Complex, Rustenburg

- **Contracted, escalating revenue:** the offtake agreement with Anglo American Platinum provides annual price escalation, giving the investment a measure of built-in inflation protection over the life of the contract.
- **High-quality, if concentrated, counterparty:** Anglo American Platinum is a well-established industrial operator, though the project's single-offtaker structure means its performance is tied closely to the continued operation of one smelter, a concentration risk Prescient Investment Management weighs explicitly in its own investment process.

- **Portfolio diversification:** the asset's specialised technology and its integration into an existing industrial site, rather than standalone project development, gives it a different risk profile to much of Prescient Investment Management's broader infrastructure debt book.
- **Strategic fit:** Prescient Investment Management is refinancing the facility's existing senior secured debt position, providing longer-dated, contracted infrastructure debt capital that will support the continued operation of the asset.

Positive impact

By capturing and converting heat that would otherwise be wasted, Eternity Power delivers a measurable decarbonisation benefit to one of Anglo American's largest South African smelting operations, directly supporting SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation and Infrastructure). The facility is registered as a Clean Development Mechanism project with the UNFCCC and has avoided a meaningful volume of CO_2e emissions since it began operating.

Beyond its emissions impact, the project sustains specialist local employment: a small, well-qualified technical team keeps a genuinely complex piece of industrial equipment running reliably, building and retaining scarce operational skills in waste-heat recovery technology in South Africa's industrial sector.



The ORC energy conversion unit that captures waste heat from the smelter's cooling circuit

> We believe Eternity Power exemplifies how a well-structured, contracted infrastructure asset can deliver both a durable investment return and a genuine, measurable decarbonisation outcome, reinforcing our view that responsible investing and commercial performance are not competing objectives.



Case Study 02

Eagle Towers: Connecting rural South Africa

Most mobile towers are built where the business case is obvious: where there is a dense population, existing infrastructure, and a fast payback. Eagle Towers (ETSA) works at the other end: it builds, owns and maintains the physical towers that carry signal into South Africa's deep rural areas. The gap between where people live and where commercial telecoms infrastructure is built is where the Prescient Infrastructure Debt Fund's senior secured facility to ETSA fits in. It finances the towers themselves so operators can extend coverage into communities that would otherwise wait years for a signal.

It is also an illustration of how the fund's Reduced Inequalities and Sustainable Cities and Communities SDG allocations work in practice. A tower going up outside a village with no prior coverage is not a line in a portfolio report; for the people living there, it's the first dial tone, the first mobile money transfer, the first video call home.

Three years later, the Fund's ongoing monitoring of ETSA shows how that investment is performing on impact.

Tower roll-out against the FY26/27 allocation



42% of FY26/27 target reached by Q2

Source: Eagle Towers Q2 2026 ESG Quarterly Return to IIIM, 28 July 2026. Q1–Q2 YTD actual vs full-year FY26/27 target; FY27/28 allocation received but not yet reflected in a roll-out number.

That thesis is now backed by hard data. ETSA reports its progress to Prescient Investment Management each quarter, and the Q2 and Q3 2026 submissions indicate where the roll-out, and the people behind it, actually stand.

ETSA received its tower allocation for both FY26/27 and FY27/28 from its primary operator in the quarter under review, giving good forward visibility on the pipeline. Against the FY26/27 target of 45 towers, 19 were live by the end of Q2, with the balance of the allocation to follow through the second half of the year. Prescient Investment Management continues to monitor the roll-out closely, along with the deal team, as construction progresses.

Environmental stewardship

Most of ETSA's roll-out is in deep rural areas, and the company builds environmental discipline into that process rather than treating it as an afterthought. Each site is inspected and approved by the Department of Environmental Affairs before any "break of ground". Construction waste is removed and properly disposed of by the contractor once a site is built, and ETSA tracks the ongoing question of radiofrequency exposure from tower-mounted equipment. This is consistent with the WHO's' current published position: publicly-accessible radiofrequency exposure levels around base stations are thousands of times below international guideline limits, and the WHO states there is no convincing evidence that these weak signals cause adverse health effects.

Closing the connectivity gap

The social case is more direct. ETSA's rural-first roll-out is, in the company's own words, bringing basic telecommunications access to villages that have had none in living memory, closing a social and economic gap rather than just adding capacity to an already-served market. That is the practical, ground-level version of the "digital connectivity for under-served communities" language in the Fund's own impact thesis.

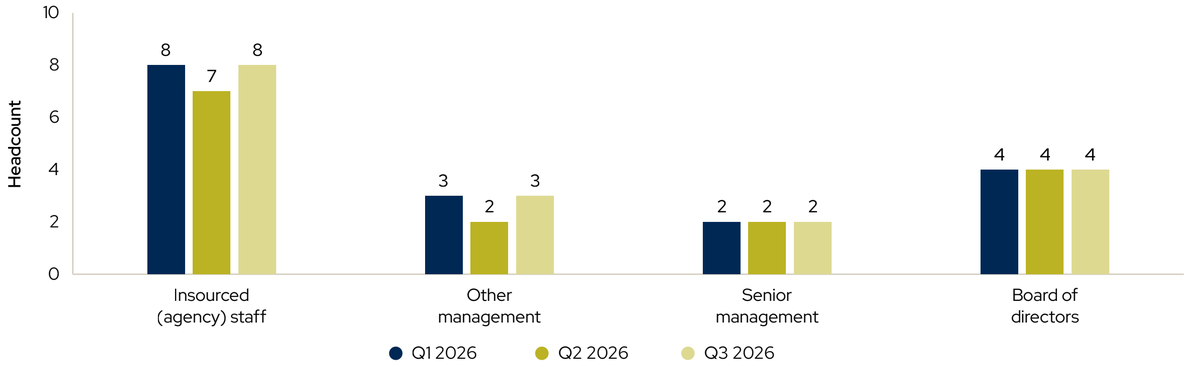
Source:
1. WHO, "Radiation: Base stations and wireless technologies"; ICNIRP guidelines on RF EMF exposure (updated 2020, superseding the 1998 guidelines WHO's own backgrounder still primarily cites).

A community-based approach to site security

Vandalism and theft, driven by local poverty and unemployment, are the main operational risk to the tower network. Rather than defaulting to private security, ETSA appoints a local Maintenance and Security Officer (MSO) at each site, typically a respected community figure such as an induna, chief, elder or landlord, who is paid a nominal fee of R500 per MSO per month to keep the site safe and to explain its benefits to the surrounding community. It is a well-designed piece of shared value: the mitigation for a commercial risk doubles as a local income stream. By Q3 2026, 29 MSOs had been recruited year to date, 4 of them in the quarter, with the aim of covering every ETSA site that has no landlord present on the property.



Eagle Towers: workforce composition, Q1 to Q3 2026



Source: Eagle Towers Q2 2026 ESG Quarterly Return to IIIM, 28 July 2026, and Eagle Towers Q3 2026 ESG Quarterly Return to IIIM (Q1 to Q3 2026 columns). Eagle Towers carries no permanent direct employees on these returns; the workforce shown is insourced (agency) staff plus management and board.

ETSA runs an asset-light structure typical of a towerco holding vehicle, with agency-sourced staff, management and the board carrying the operational and governance load, rather than a large permanent staff complement. Headcount across the categories shown moved from 17 in Q1 to 15 in Q2 and back to 17 in Q3. The Q2 movement reflected the departure of an Other Management employee in June 2026, alongside one fewer insourced employee. In Q3, ETSA recruited a National Lease Co-ordinator in its Cape Town office on 1 September 2026 and an Office Administrator in its Gauteng office on 28 September 2026, and the return shows one more insourced employee and one more Other Management employee than in Q2. Senior management and the board were unchanged across all three quarters, with no women in either, and no women in Other Management in Q2 or Q3. Prescient Investment Management has factored gender representation at board and senior management level into its ESG review of the investment and continues to engage management on these changes. Prescient Investment Management is closely monitoring reporting, as part of ongoing portfolio oversight, along with the strong black representation already evident in the broader workforce: black (African, Coloured and Indian) employees make up 12 of the 17 people shown in Q3, against 10 of 15 in Q2.

Q3 2026: incidents and looking ahead

ETSA reported no incidents, ESG implementation challenges or new risk exposures for the period under review. Looking ahead, the company is considering deploying wind turbine technology on its sites, citing what it describes as inordinate delays in power connections from Eskom.

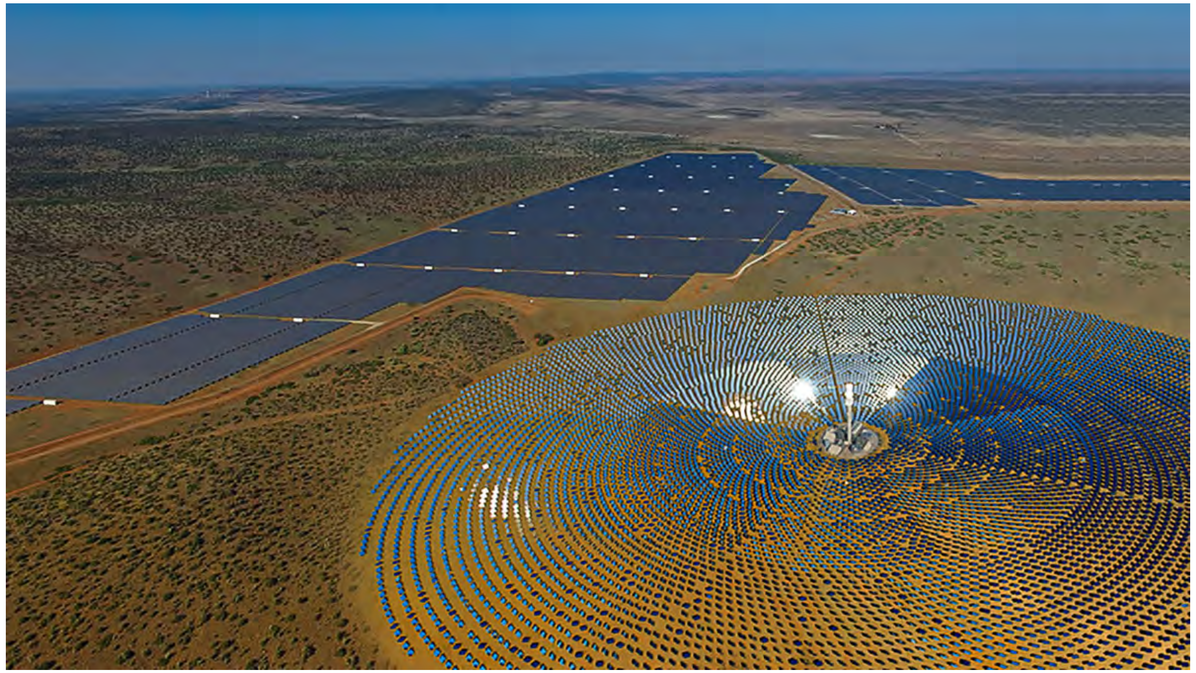


Case Study 03

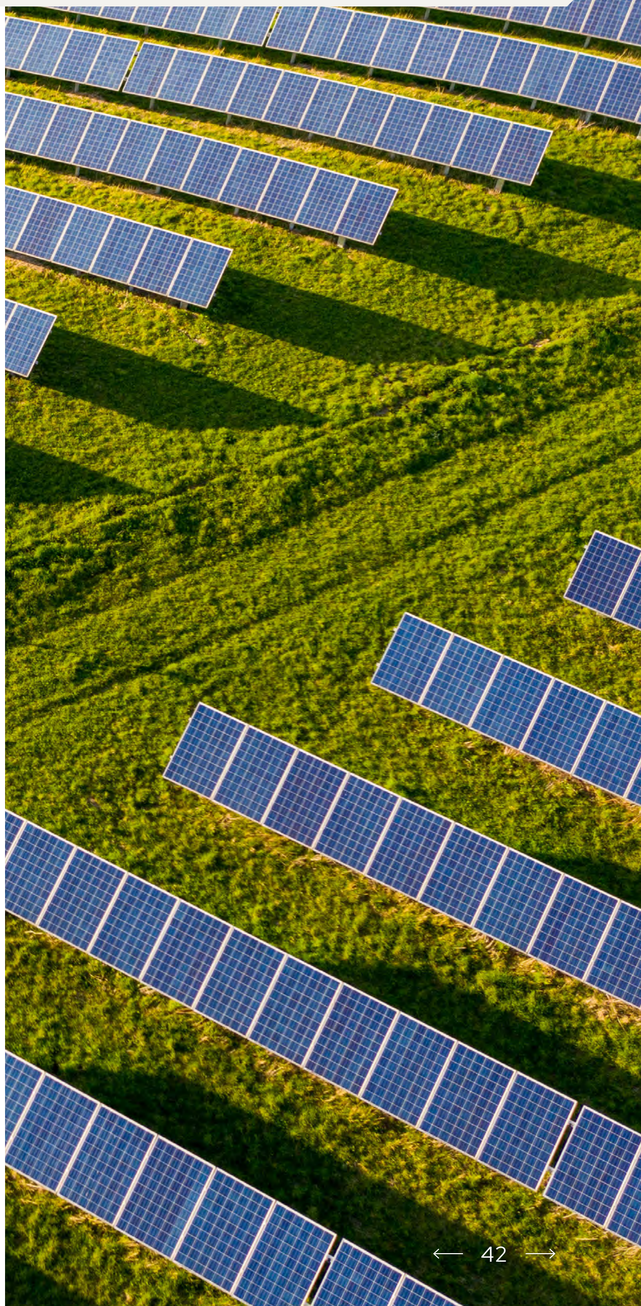
ACWA Power Redstone

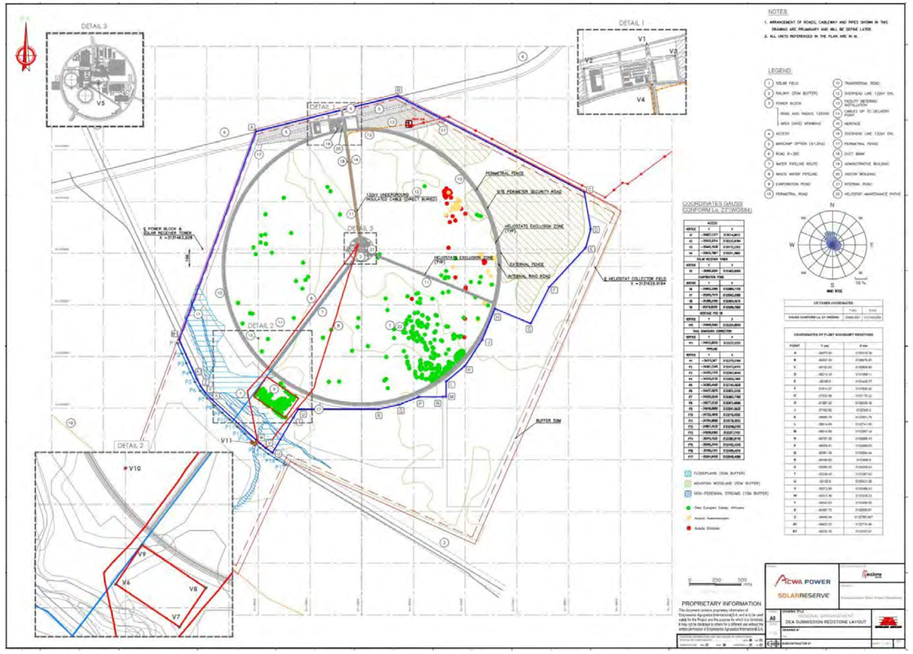
ACWA Power Redstone is a 100 MW concentrated solar power (CSP) plant near Postmasburg in the Northern Cape, one of the strongest solar resource areas in the world. It was awarded under REIPPPP Bid Window 3.5, the programme's dedicated CSP round, and sells its power to Eskom under a 20-year power purchase agreement. The plant reached commercial operation on 31 May 2025,[1] and is the first molten salt tower CSP plant in sub-Saharan Africa.[2]

The project is led by ACWA Power, the world's largest developer and operator of CSP plants, together with the Central Energy Fund, Pele Green Energy, a black-owned independent power producer, and a community trust that holds 15% of the project company for the benefit of communities within 50 km of the site.[3] The plant was built by SEPCOIII, a subsidiary of PowerChina, and is operated by ACWA Power's operations company.



Aerial view of ACWA Power Redstone near Postmasburg, Northern Cape, with neighbouring solar PV plants in the background.





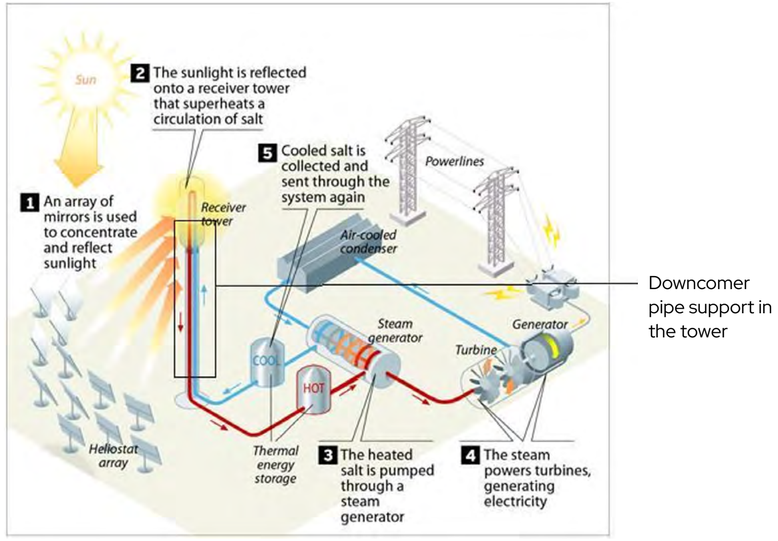
Redstone site layout, showing the circular heliostat field around the central tower, the power block and the site boundary near Postmasburg.

Source: Mott MacDonald technical due diligence report, 2019.

Redstone's storage enables peak-demand generation

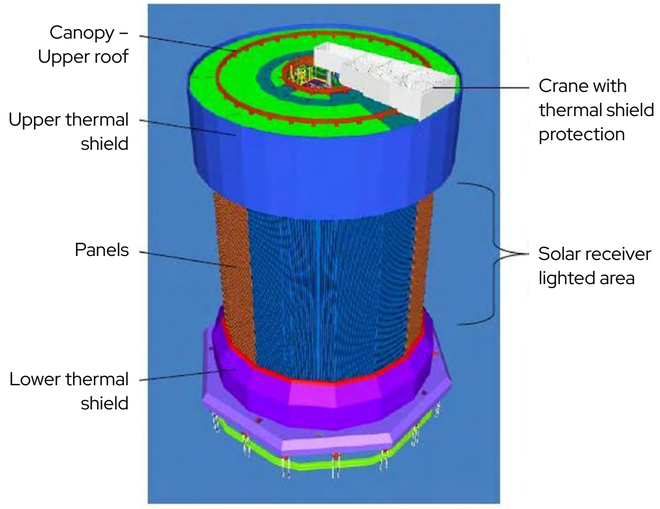
Unlike a solar PV plant, Redstone does not generate electricity directly from sunlight. More than 41 000 mirrors, called heliostats, track the sun and focus its energy on a receiver at the top of a 248-metre tower.[2] Molten salt pumped through the receiver is heated to about 565°C and held in an insulated storage tank. When power is needed, the hot salt is used to make steam, which drives a turbine.

The storage is what sets Redstone apart. With 12 hours of full-load storage, the plant can generate after sunset, during the evening peak when demand is highest and solar PV output has fallen away.[4] Its tariff reflects this, with a higher rate paid for power delivered in the evening peak. Redstone is also the first renewable energy plant in South Africa to provide ancillary grid services to Eskom at no additional cost.[3]



How a molten salt tower plant generates electricity.

Source: Redstone lender information memorandum, 2021.



The molten salt receiver supplied by John Cockerill (formerly CMI), which sits at the top of the tower and absorbs the concentrated sunlight.

Source: Mott MacDonald technical due diligence report, 2019.

Experience gives comfort

The Prescient Clean Energy and Infrastructure Debt Fund participates in Redstone's senior debt, in a lender group that includes the African Development Bank, the DBSA, British International Investment, FMO and South African banks.[5]

Our decision was based on:

- **An experienced sponsor:** ACWA Power had already built and operated molten salt tower and parabolic trough plants in Morocco and the UAE, and operates the Bokpoort CSP plant in South Africa.
- **A contractor with relevant experience:** SEPCOIII built ACWA Power's Noor III molten salt tower in Morocco, and the construction contract was fixed price and fixed date, with performance testing in the early years of operation.
- **Contracted revenue:** a 20-year power purchase agreement with Eskom, supported by the REIPPPP implementation agreement with government.
- **Strategic value to the grid:** dispatchable evening power that complements the large volumes of solar PV and wind being added to the system.
- **Lender protections:** a debt service reserve account, sponsor contingency funding, and independent technical and environmental and social reviews on behalf of the lenders.

Patient capital

Redstone was not a straightforward project. It is a technically complex plant, the first of its kind in South Africa. When it reached financial close in 2021, commercial operation was expected in late 2023.[5] It began commercial operation in May 2025, after delays during construction.[1] As with any new plant of this complexity, it has initially focused on improving reliability and bringing output up to design levels.

As lenders, we follow this closely through the lenders' technical adviser and regular reporting by the project. For a lender, the work does not stop at financial close. Staying engaged through construction and the first years of operation, and structuring loans with that risk in mind, is how we protect our clients' capital.

Clean power, local jobs and community ownership

Redstone supports South Africa's just energy transition in a number of ways:

- **Clean, dispatchable power:** around 480 GWh a year, enough for more than 200 000 South African homes, including during the evening peak.[2,4]
- **Lower emissions:** an estimated 440 000 to 490 000 tonnes of CO_2e avoided a year, based on lender and developer estimates.[3,6]
- **Jobs and skills:** more than 2 000 people worked on site at the peak of construction, most of them South African. The plant now employs about 100 people, 85% of them South African citizens and 65% from local communities.[9]
- **Local content:** about 44% of procurement spend during construction was local.[3]
- **Community ownership and development:** the project has spent about R172 million on enterprise and socio-economic development since commercial operation.[9] The community trust's shareholding directs a share of the project's returns to nearby communities, and the ACWA Power Redstone bursary programme funds tertiary study for young people from the Tsantsabane and Kgatelopele municipalities.[7]
- **Environmental management:** the plant uses dry cooling to limit water use in an arid area, and bird and bat species are monitored under a biodiversity management plan.[6] Consultation with neighbouring communities, a community grievance mechanism and community liaison officers formed part of the project's environmental and social action plan, aligned with the IFC Performance Standards and monitored by the lenders' independent reviewer.[8]

> The project shows that clean energy in South Africa is no longer only about adding daytime capacity. Storage that moves solar power into the evening adds real value to the grid, and financing it needs lenders who are prepared to stay involved through construction and the early years of operation.

We believe this is a good example of how the Prescient Clean Energy and Infrastructure Debt Fund supports the energy transition while managing risk on behalf of clients.



A BrightSource heliostat of the type supplied to Redstone. Each mirror tracks the sun and reflects its energy onto the receiver.

Source: Mott MacDonald technical due diligence report, 2019.

10

Thought leadership



Before the drawdown: in private credit, ESG is written into the loan

ESG is usually discussed from a shareholder's point of view. A shareholder in a listed company can vote at the AGM, or sell their shares if they are unhappy with how the company is run. A private lender usually cannot do either. Once a facility is drawn, it is typically held for ten to fifteen years, and there is no ready market for the loan.

For a lender, influence over ESG outcomes is therefore greatest before the loan is drawn, and it is exercised mainly through the terms of the loan agreement. This shapes how we approach ESG in the Prescient Clean Energy & Infrastructure Debt Fund and the Prescient Infrastructure Debt Fund.

A lender's view of ESG is asymmetric

A lender's upside is capped at the coupon. Its downside is the loan. We therefore care less whether a borrower has a good sustainability story than whether an ESG failure can stop it from repaying. Rating agencies see the same asymmetry. Moody's has found that ESG considerations affect about a quarter of the ratings it assigns, and that the effect is negative for more than half of speculative-grade issuers.[1] At S&P, negative ESG-related rating actions outnumbered positive ones by more than five to one in 2025, and governance was a factor in 80% of them.[2] Most private credit borrowers are unrated, or would be rated below investment grade, which is where the evidence suggests ESG has the greatest effect.

> Almost 70% of the engagements recorded in our register this year concerned governance, and two credit transactions were declined on ESG grounds.

Our own experience is consistent with this. Almost 70% of the engagements recorded in our register this year concerned governance, and two credit transactions were declined on ESG grounds.[3] In one, a security services business scored well on its ESG questionnaire, but the risk lay in the nature of the work, including use of force and human rights exposure. In the other, the questionnaire did not reconcile with the public record of the borrower's founder. In both cases, the questionnaire alone would not have identified the risk.

Key stages when lenders can exercise their influence

There are three junctures when the lender "holds the pen". The first is when the decision to lend is made. Declining a deal is the most direct ESG tool a lender has, and it is widely used. In a survey of private debt investors by the European Leveraged Finance Association, 90% had passed on a deal for ESG reasons in the previous twelve months.[4]

The second is conditions precedent. In South African project finance, environmental authorisations, water use licences, land rights, a constituted community trust and an agreed environmental and social action plan are typically conditions to first drawdown. The Equator Principles, which are adopted by about 126 financial institutions, including South Africa's largest banks, require projects here to meet the IFC Performance Standards, and those standards end

up in the loan documents.[5] Once a condition precedent is waived, the lender rarely has the same leverage again.

The third is the life of the loan: information undertakings, covenants and events of default. REIPPPP made this concrete. Projects are contractually committed to spend at least 1% of revenue on socio-economic development over a 20-year operating life, and black local communities own on average 8% of the projects in the first five bid windows.[6] For a lender, these are not disclosure items. They are obligations that sit alongside the debt service cover ratio for the full tenor.

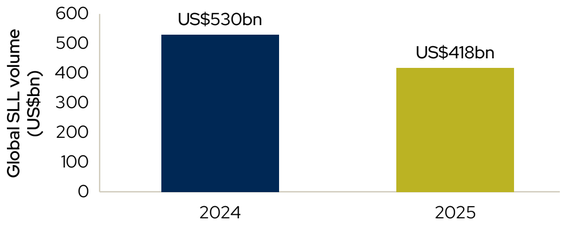
> A small margin discount rarely changes a borrower's behaviour. The risk of an event of default is more likely to.

Labels are cheap, terms are not

The loan market has recognised this risk. Global sustainability-linked loan volumes fell from about US$530 billion in 2024 to US$418 billion in 2025, and sustainability-linked loans and bonds combined fell by a further 54% in the first half of 2026.[7] Part of the reason is that the incentive rarely changed behaviour: margin ratchets on these loans have typically been worth single-digit basis points.[8] The Loan Market Association's 2025 update now requires, rather than recommends, external verification of performance against targets.[9]

Global sustainability-linked loan (SLL) issuance volumes, 2024 vs 2025

SLL + SLB volumes fell a further 54% in H1 2026



Source: 9fin and LMA/APLMA/LSTA data, as cited in note 7 above.

We therefore focus on what can be enforced. Can we get the data we need, in a form we can check, every quarter? Is the environmental and social action plan tied to a date and a consequence? Does the security package still work if a community dispute delays construction?

The social aspect is often completion risk

In July 2026 the Minister of Public Works and Infrastructure reported that more than 180 construction projects worth about R63 billion had been disrupted by extortion syndicates.[10] A project that cannot get onto site misses its commercial operation date, and a late project uses up its reserves before it generates revenue. Community trusts, local procurement plans and stakeholder engagement are therefore mitigants we test before we lend. A quarter of our engagements this year were environmental, largely through site visits to the wind and solar projects we fund, where we also looked at community initiatives and health and safety.[3]

Evidence, not claims

Regulation is moving the same way. Earlier this year the FSCA confirmed that sustainability claims fall within existing conduct obligations, and warned against greenwashing, social washing and impact washing.[11] The ISSB has clarified how financial institutions disclose financed emissions from 2027,[12] and the Partnership for Carbon Accounting Financials' (PCAF) updated standard now covers project finance and business loans.[13]

Private lenders are well placed to meet that standard, because we can write the reporting into the contract. Since launch, the Prescient Clean Energy and Infrastructure Debt Fund has deployed R5.4 billion in 38 projects, adding 3.6 GW of clean power. Project-level reporting shows 3 763 jobs supported and R2.4 billion of community spending.[14] The Prescient Infrastructure Debt Fund requires every investment to contribute to at least one SDG, and requires investees to report on it. Eagle Towers, for example, submits a quarterly ESG return covering its tower roll-out, workforce and site-level environmental approvals. In both funds, we report avoided emissions separately from financed emissions, because a tonne avoided is measured against a counterfactual, not taken off anyone's inventory.[15]

The bottom line

For a lender, responsible investing is not a separate activity added to credit analysis. It is credit analysis, performed for the full life of an illiquid loan. Most of a lender's leverage is exercised before the loan is signed, and that is where we focus our efforts on behalf of clients.

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The physical climate risk in South African credit

When climate risk is discussed in relation to credit, the focus is usually on transition: carbon taxes, emissions targets and the assets that may be stranded as the economy decarbonises. South Africa's recent history shows that physical risk, the cost of the weather itself, can reach a lender just as directly.

In April 2022, floods in KwaZulu-Natal became the country's costliest insured event, with claims of R15 to R16 billion against an estimated total economic impact of R54 billion.[1] Most of that loss was not insured. It was absorbed by businesses, households, municipalities and the state, which is to say by the balance sheets that lenders finance.

Physical risk is already a credit issue

The floods showed how quickly physical damage travels through a capital structure. Toyota's plant in the province was shut for months,[1] and around 4 000 vehicles had to be scrapped.[2] Losses of that kind rarely stay with the business where they first fall: they pass to insurers, suppliers and, where public infrastructure has failed, to the public sector. The same floods closed the port of Durban, the country's largest, after the roads into it were damaged,[3] a reminder that a business's exposure can extend beyond its own sites to the infrastructure it depends on.

Drought works more slowly, but no less directly. During the Western Cape drought of 2018, the cost to the provincial agricultural economy was estimated at roughly R5.9 billion in gross value added, with agricultural production expected to fall by as much as 20% and about 30 000 jobs at risk.[4] For lenders to farming, food processing or the municipalities that supply the water, that translates directly into cash flow. Chronic changes, such as rising temperatures and declining water availability, work through the same channels over longer periods.[5]

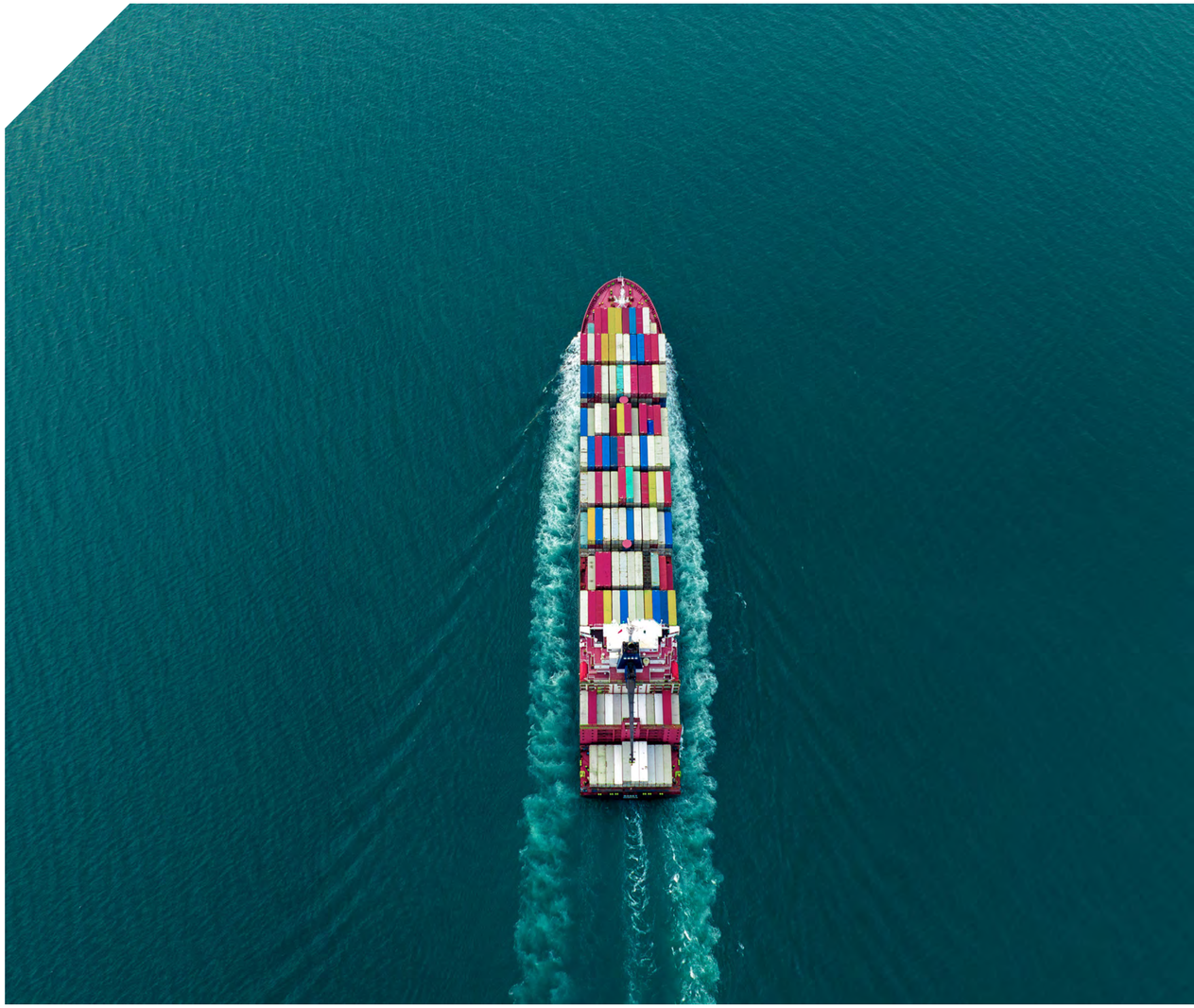
Where the loss lands

Much of the cost of physical damage in South Africa lands on public balance sheets. After the June 2025 floods in the Eastern Cape, the provincial government estimated the cost of repairing damaged infrastructure at R5.1 billion, of which R1.8 billion was municipal.[6] Many municipalities are already under financial strain, as the energy section of this report sets out, and they also maintain much of the infrastructure that local businesses rely on.

Measuring physical risk is still difficult

The South African Reserve Bank's 2024 climate risk stress test found that climate change is likely to weigh on GDP in every scenario tested, and that the physical risks are likely to outweigh those of the transition.[5] It also showed how hard these risks are to measure: many of the banks tested struggled to identify the location of their collateral assets, and provincial-level data made localised hazards such as flooding and drought difficult to capture.[5] A company's accounts show last year's revenue, but rarely that its main plant sits on a floodplain or that its operations depend on a water supply that failed during the last drought.

Insurers are moving to source more information. Santam, for example, uses geocoding and peril mapping to set insurance terms, and estimates that the approach saved it more than R300 million in flood claims in 2024 by



reducing riskier exposures.[1] As insurers price location more closely, more of the remaining loss may shift to uninsured balance sheets.

Location as a credit variable

Physical risk is increasingly treated as something that can be measured. Climate risk assessment commonly looks at three things:[7] exposure, meaning where a borrower's critical assets are and how prone those sites are to flood, drought or heat; sensitivity, meaning how much its operations depend on a single water source, municipal services or a transport route it does not control; and adaptive capacity, meaning whether it has tested its business against a severe event and planned for it. As data improves, these characteristics can be tracked across portfolios over time, much like leverage or interest cover.

Physical exposure and emissions describe two sides of a portfolio's climate profile. Financed emissions show what a portfolio contributes to climate change, while physical exposure shows how climate change could affect the portfolio.

Disclosure is developing. Climate-related disclosure under IFRS S2 is being built into South Africa's reporting guidance, and the Climate Change Act requires national, provincial and municipal governments to develop climate adaptation plans.[8]

Responsible investing is moving from responsibility to results, and physical risk is where that shift is most tangible. A transition plan protects a borrower against the risk of change. An adaptation plan protects it against the consequences of change arriving anyway.

Responsible investing is moving from responsibility to results, and physical risk is where that shift is most tangible. A transition plan protects a borrower against the risk of change. An adaptation plan protects it against the consequences of change arriving anyway.

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8. Climate Change Act 22 of 2024. See also the regulatory landscape section of this report.



South Africa's first sovereign green bond: a milestone for local fixed income

South Africa's green bond market has been developed by municipalities, banks and corporates for more than a decade. The City of Johannesburg listed the JSE's first green bond in 2014, and the JSE launched a dedicated Green Bond Segment in 2017. Yet one issuer has been missing, the sovereign itself. That is set to change.

On 29 May 2026, National Treasury published its Sovereign Use of Proceeds Framework, which was developed with Rand Merchant Bank and J.P. Morgan. The framework lays the groundwork for government to issue green, social and sustainability bonds, and Treasury has indicated that it would like to bring a first issue to market within the current fiscal year. Whether that debut is denominated in rand, dollars or euros is not yet known.

A well-trodden path

South Africa will not be breaking new ground globally. Poland issued the world's first sovereign green bond in 2016, Nigeria became the first African sovereign to follow a year later, and Egypt's debut in 2020 was more than seven times oversubscribed. These issuers have shown that there is real demand for sovereign green paper, provided the framework behind it stands up to scrutiny.

Treasury's framework is aligned with the International Capital Market Association's principles and the South African Green Finance Taxonomy. Some of its key features include:

- **Eligible green spending:** renewable energy, electricity transmission and storage, low-carbon transport, water and waste water, energy-efficient buildings and forestry.
- **Eligible social spending:** healthcare, education and affordable housing.
- **Clear exclusions:** fossil fuel production and power generation, nuclear power and deforestation.
- **Governance and reporting:** a Treasury-chaired Sustainable Finance Working Group will oversee project selection, with an allocation report due within a year of issuance, to be followed by annual allocation and impact reports.

Sovereign green bonds will provide a benchmark

As a longstanding investor in South Africa's debt capital markets, we believe the most significant contribution of a sovereign green bond would be the benchmark it creates. At present, local green bonds are priced against conventional government bonds, as there is no sovereign green bond to reference. A rand-denominated issue of meaningful size would give retirement funds and asset managers a liquid green instrument, and give municipalities, state-owned companies and corporates a reference point for pricing their own issues.

On pricing, expectations should be realistic. Rand Merchant Bank expects sustainable issues to price better and attract stronger demand. However, research published by the Centre for Economic Policy Research finds that the "greenium" on sovereign green bonds averages around 13 basis points in emerging markets and shrinks further once certification and reporting costs are considered. The green label does not change the credit behind the bond. What it can change, over time, is the depth and diversity of the investor base.

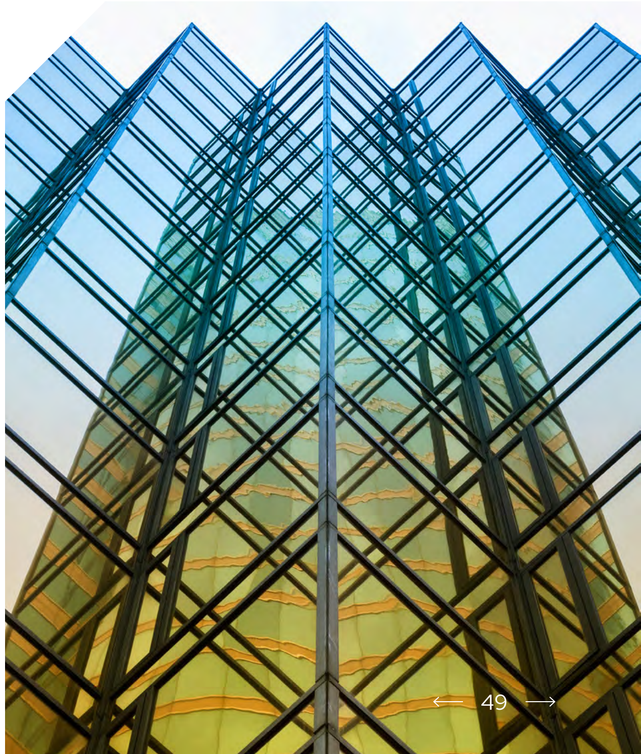
The real test: what happens after issuance

Like most sovereign issuers, the South African government will not ring-fence the proceeds in a separate account. Instead, an amount equal to the proceeds will be allocated to eligible projects, which may include spending from the three full calendar years before issuance. Poland followed a similar approach, financing and refinancing existing projects.[6] This is standard market practice, but investors will rightly want to see a growing share of allocations directed to new projects over time. The quality and timeliness of Treasury's reporting will ultimately shape how the market receives the second and third issues.

Looking ahead

The framework is designed to evolve. Treasury intends to extend it to sustainability-linked financing and may update it as market practice develops. There is also room to broaden its scope. The nature category currently covers forestry and land rehabilitation, but not fisheries, marine protected areas or coastal ecosystems, despite the fisheries sector alone being worth around R6 billion a year.

> A debut sovereign green bond would be a milestone for South Africa's sustainable finance market, but it is only the beginning. The real measure of success will be whether it lays the foundation for a deep, liquid and transparent sovereign green bond market, one that can help channel capital towards the country's climate and development needs.



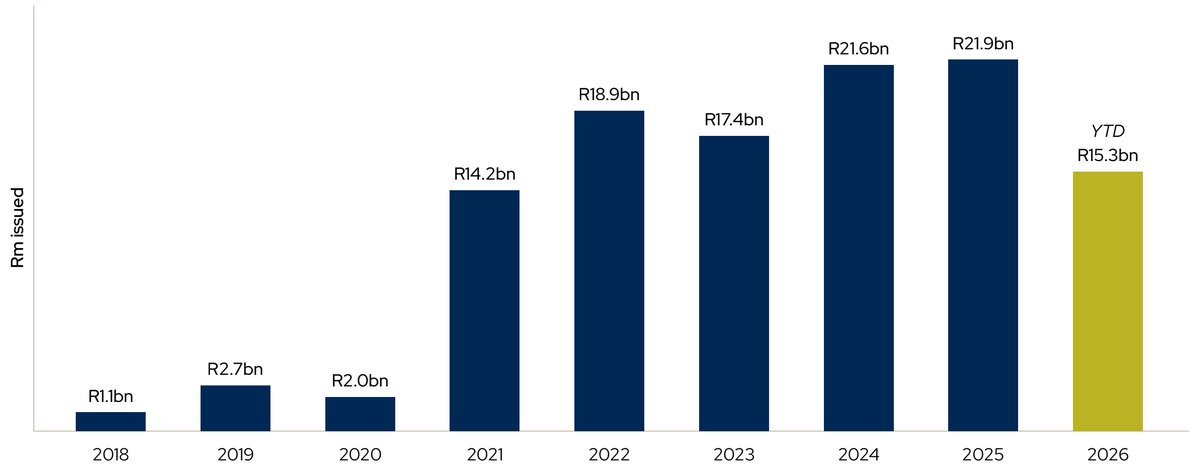
What South Africa's ESG bond market tells credit investors

South Africa's ESG-labelled bond market turns twelve this year, and it is still leaning on almost the same handful of issuers it started with. The City of Johannesburg priced the market's first-ever green bond in 2014, and only a few have followed it into the market. That absence is a quieter, more telling story than the market's headline number, and it is worth keeping in mind against the concentration numbers.

R118.5 billion has been raised across 170 ESG-labelled instruments on the JSE since 2014, spanning green, social, sustainability, sustainability-linked (SLB), gender and, most recently, nature-linked bonds. But the JSE's own listed-instrument data, as at 31 August 2026, shows that, once redemptions are accounted for, only R28 billion is still outstanding: R22.9 billion across 34 sustainability bonds and R5.1 billion across seven sustainability-linked bonds. Redemptions, calls and maturities have quietly retired three-quarters of everything this market has issued.

Put differently: South Africa's entire outstanding stock of ESG-labelled paper is less than 0.5% of the roughly R5.7 trillion in bonds currently listed on the JSE. For a market this young, that's not a damning statistic, it's the normal shape of a segment still working through its first full replacement cycle. But it's a useful corrective to any narrative that treats the cumulative issuance number as a market size.

SA ESG-labelled bond issuance by year (Rm)



Source: JSE data 2026, PIM workings. 2026 reflects data to 9 June 2026, not a full year.

2026 is already a record year, on a partial count

Annual issuance by value is shown in the figure below. It shows R15.3 billion has already been priced through the data cut-off in 2026, across just 13 instruments.

Extrapolated, it means 2026 is set to be the biggest year yet, but with roughly a third fewer deals than 2025's 32. Average deal size is rising, and it's worth naming who's driving that rather than leaving it as a general "issuers are more comfortable pricing size" claim.

Illustrative annualisation, to put a number on it: the R15.3 billion priced by 9 June 2026 covers 160 of 365 days of the year (about 44%). A straight-line scale-up of that run rate implies a full-year total of about R35 billion, some 60% above 2025's R21.9 billion record. That figure is illustrative only, not a forecast, as ESG bond issuance is lumpy and deal-driven. A single large bank issuance can move the annualised number by several billion rand, and the same exercise applied to 2025's own first-half data would have understated that year's actual total.

2025's 32 deals were, on a consolidated issuer basis, essentially a three-way tie at the top: FirstRand (R5.53 billion in seven deals), the Industrial Development Corporation, a development finance institution (DFI) rather than a bank (R5.46 billion in 11 deals), and Absa (R5.42 billion in just three deals). Together those three accounted for over 75% of 2025's rand volume. The contrast in deal shape is the interesting part: the IDC wrote 11 smaller tickets (average c.R496 million) to reach its total, while Absa wrote three large ones (average c.R1.8 billion). Banks are doing fewer, bigger deals, while the DFI is doing many small ones.

2026's jump in average deal size is concentrated in two names: FirstRand (R7.15 billion in four deals so far) and Standard Bank (R5.4 billion in just two deals, the R2.7 billion ZARONIA-linked social bonds priced in May 2026). Both are banks funding their own balance sheets, not corporates or infrastructure project vehicles, the same concentration point made below under "the market is a banks' market".

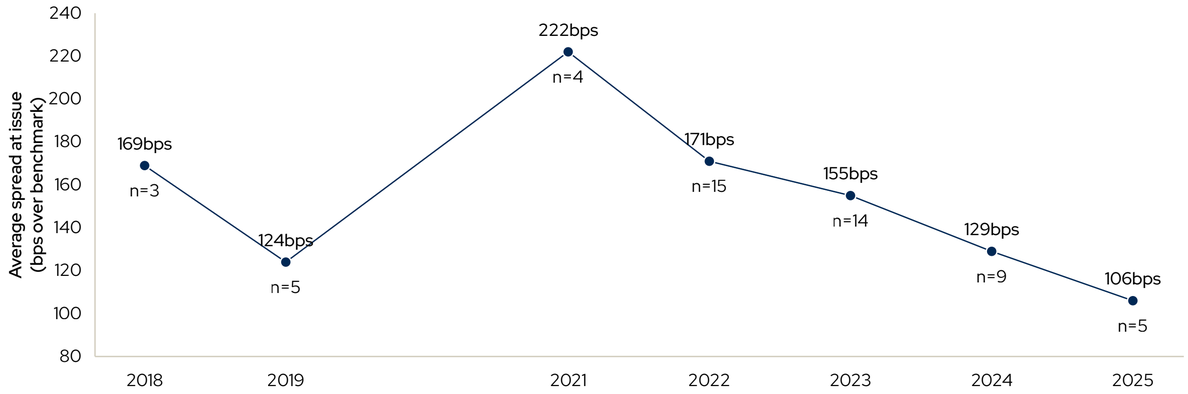
The benchmark transition has arrived in ESG paper

Six ESG bonds were priced against ZARONIA in 2025 to 2026, totalling R10.7 billion (Standard Bank's two ZARONIA-linked social bonds of R2.7 billion each, priced in May 2026, were among them). That's a meaningful share of recent issuance already moving off Jibar ahead of its cessation, which the SARB revised in November 2026 from 31 December 2026 to 31 May 2027. It means the ESG bond curve is being rebuilt on the new benchmark in real time, not bolted onto the old one after the fact, and the five-month extension gives issuers and investors more room to complete that rebuild in an orderly way.

Spreads for green paper are tightening, but not for social paper

Green bond new-issue spreads have fallen almost every year since the 2021 private-credit boom pushed pricing wide, as the graphic below illustrates:

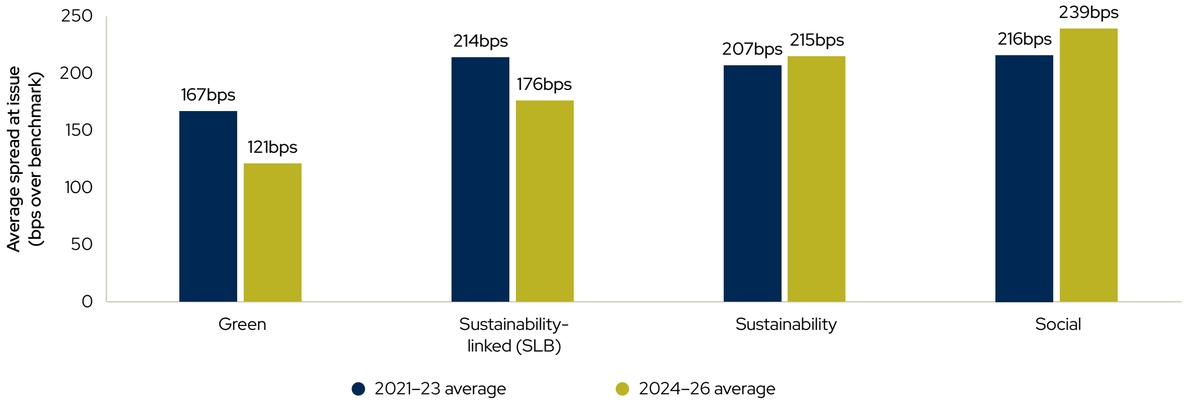
SA green bond average new-issue spread by year (bps over benchmark)



Source: JSE data 2026, PIM. Annual sample sizes (n) range from three to 15 bonds; the multi-year direction is the reliable takeaway, individual year-on-year moves are not, given how few deals sit behind some of the points.

Set against the other labels, the divergence is sharper still. The figure below compares average new-issue spreads for 2021 to 2023 against 2024 to 2026:

Average new-issue spread by bond label, 2021–2023 vs 2024–2026 (bps over benchmark)



Source: JSE data 2026, PIM.

That divergence is the actual credit signal here, not the ESG label itself. Green bonds fund physical, measurable, cash-flow-generating assets, solar plants, transmission infrastructure, and energy-efficient buildings, which are easier for investors to underwrite and easier for issuers to report against. Social bonds fund outcomes that are harder to verify (affordable housing access, healthcare reach, financial inclusion), and pricing appears to be catching up with that verification gap. For an infrastructure debt investor, the read-through is straightforward: the market is already paying up for hard, asset-backed green paper. REIPPPP-style renewable projects, such as Prescient Investment Management's own Clean Energy and Infrastructure Debt Funds already hold, sit squarely in the bucket being rewarded by the market.



Drawing a fairer comparison

It's tempting to size the domestic market against the full global GSS+ (green, social, sustainability, sustainability-linked) bond stock, which is worth almost a cumulative $6.8 trillion, after passing $1 trillion in annual issuance for the third consecutive year in 2025. But that comparison stacks a single emerging-market country against a global aggregate dominated by the US, EU, Japan and China, markets with decades more capital-market depth, reserve or near-reserve currencies, and vastly larger domestic institutional investor bases. It makes South Africa look negligible, which isn't a useful comparison for gauging whether the market is actually developing well.

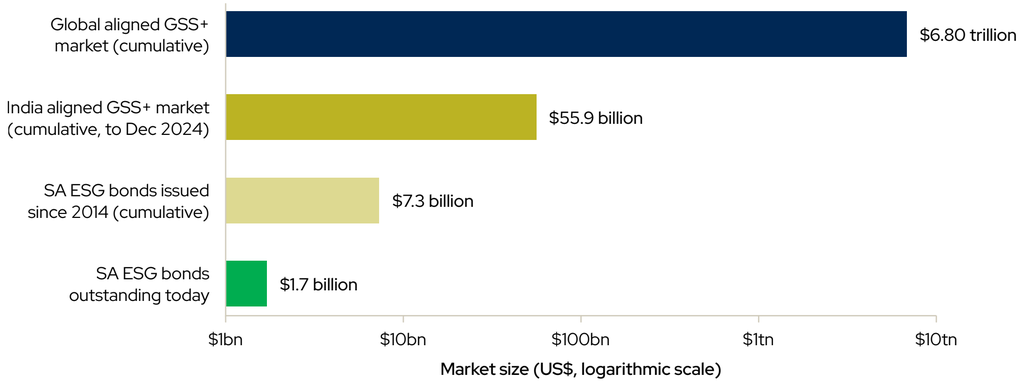
A fairer benchmark is a peer emerging market. India is a reasonable comparison: a large, single-country emerging market with its own currency, its own regulator, and, per Climate Bonds Initiative/MUFG research, the world's fourth-largest emerging-market source of aligned GSS+ debt, behind only China, South Korea and Chile. India's cumulative aligned GSS+ issuance reached US$55.9 billion by December 2024, up 186% since 2021 (US$21.4 billion). South Africa's US$7.3 billion cumulative since 2014 is roughly 13% of India's stock: SA is a genuinely small market next to a comparable EM peer, not merely small next to the entire developed world.

The size and depth of the global market is not only a function of longer history. The IFC/Amundi Emerging Market Green Bonds 2025 report explains why in a way that's directly relevant to how South Africa's market should be read: fixed-income issuance as a share of GDP is roughly 58% in developed markets versus just 8% in emerging markets (EM) excluding China, a structural depth gap, not a temporary one. 75% of EM GSS+ bonds issued outside China are still priced in hard currency (largely US$/EUR) rather than local currency, reflecting thin domestic institutional investor bases. India itself is only 55% US$/44% INR. South Africa is the exception worth noting: this market is, on the workbook supplied, effectively 100% rand-denominated. That's a genuine structural advantage over most EM peers. It means there is no currency mismatch for issuers, no currency hedging cost embedded in the pricing, and arguably makes the more interesting "how does South Africa compare" data point than its absolute size.

The direction of travel also compares favourably. Emerging-market GSSS bond issuance fell 14% in 2024 (green bonds specifically were down 27%, according to the same IFC/Amundi report), while South Africa's own issuance kept growing through 2024 and 2025, bucking, rather than following, the broader EM pullback.

It is worth highlighting that the global SLB segment is the fastest-growing label (+46% YoY in 2025), while South Africa's SLB issuance has gone the other way: eight deals in 2021, eight in 2022, and only a handful since (three in 2023, four in 2024, and effectively none in 2025 and 2026, according to our analysis). Either local issuers/investors have soured on SLB structures (sustainability-linked coupons that step up or down against KPIs have drawn global criticism over weak target-setting), or the label has simply migrated into use-of-proceeds "sustainability" bonds instead, which continued to be issued in the same period.

Scale comparison: global vs India vs South Africa (log scale, US$)



Source: Climate Bonds Initiative, "Sustainable Debt Market Nears US$7 Trillion in Aligned Issuance" (2025 full-year data); Climate Bonds Initiative/MUFG, India sustainable debt market report (to December 2024); JSE data 2026, PIM calculations for SA figures. US$/ZAR at approximately R16.19/US$ (10 September 2026 spot).

A caveat on "greenium"

It's tempting to read South Africa's green-spread compression above as a growing "greenium", the premium investors are willing to pay (in yield given up) for green paper versus an equivalent conventional bond from the same issuer. It isn't the same measurement, and conflating the two would overstate the case.

The academic/market-data version of greenium, a matched-pair comparison of a green bond against a conventional bond from the same issuer, same tenor, same time, is measured globally at close to zero: roughly 1.2 bps in 2024 (down from 2.5 bps in 2023), and effectively 0.25 bps, which is statistically insignificant, in emerging markets specifically, according to the IFC/Amundi Emerging Market Green Bonds 2025 report. In other words, the global evidence says investors are barely paying anything extra for the green label once credit quality and structure are controlled for.

The South African figures in this piece are a different thing entirely: the average absolute new-issue spread across all green-labelled bonds over time, with no matched conventional-bond comparator and no control for the shifting mix of issuers (more bank paper, different tenors, JIBAR vs ZARONIA) across the period. The more plausible explanation for that compression, on the balance of the wider research, is scarcity rather than a genuine investor willingness to give up yield for the green label. Ardea Investment Management's review of greenium pricing across sovereign green curves finds that observed premiums are shaped more by issue size, relative scarcity and liquidity than by any stable ESG preference, and that the apparent premium tends to shrink once those technical factors are controlled for*. Applied to South Africa, where the entire outstanding ESG-labelled market is just R28 billion against a R5.7 trillion listed bond market, a persistent supply-demand imbalance, with more buy-side appetite for green-labelled paper than there is paper to buy, would compress new-issue spreads on scarcity alone, independently of what investors actually think the green label is worth.

This is a banks' market

By cumulative amount issued, the top six issuers are FirstRand (R24.2 billion across 21 instruments), Standard Bank (R20.5 billion across 12), Absa (R16.3 billion across 12), Nedbank (R13.4 billion across 12), Redefine Properties (R8.1 billion across 14) and the Industrial Development Corporation (R7.0 billion across 14).

> Four South African banks account for 63% of the R118.5 billion ever issued in green bonds

Those four banking groups alone - FirstRand, Standard Bank, Absa and Nedbank - account for R74.4 billion of the R118.5 billion ever issued: 63% of the entire market's history, from four balance sheets. Apart from Redefine, a REIT with a natural green-building story, and the IDC, a development finance institution mandated to lend into exactly this space, the list is dominated by the big four banks issuing into their own funding programmes. Corporate SA, beyond financials and a handful of DFIs and property counters, has barely appeared as an ESG bond issuer, and neither, as noted at the outset, has local government. The City of Johannesburg's 2014 green bond remains the only municipal issue this market has ever seen. That's either an opportunity (a thin field for well-structured corporate, infrastructure-project or municipal issuance) or something deeper (the market may still be too immature, or too costly to access, for a single infrastructure project company or metro to use on its own). It may be both, depending on the credit.

Implications for a credit and infrastructure portfolio

- Green-labelled paper backed by hard assets is where spread compression is real and durable. REIPPPP-linked and grid infrastructure issuance should be prioritised for green-bond financing where the option exists, both for pricing and for signalling.
- Social-bond spread widening reflects a pricing-in of impact-verification risk, not a rejection of the social thesis. Issuers can be expected to respond with tighter use-of-proceeds reporting and third-party verification, which should, over time, pull spreads back in.
- The ZARONIA shift means any new ESG-labelled issuance, including infrastructure project bonds Prescient Investment Management might structure or invest in, should be priced and modelled on the new benchmark from the outset, not treated as a JIBAR instrument with a label attached.
- The outstanding market remains small enough (R28 billion) that liquidity premia are still embedded in every deal. This represents a real cost, as well as a real opportunity, for a long-hold infrastructure debt investor who does not need to trade out.

**https://www.ardea.com.au/market-mechanics-the-greenium-puzzle/*
https://www.abnamro.com/research/en/our-research/esg-strategist-investigating-commonly-cited-factors-of-the-greenium
https://cepr.org/voxeu/columns/unbearable-lightness-sovereign-greenium

Sources:
JSE data 2026, PIM calculations (History of ESG Bonds tab, 2014 to 2026; JSE Outstanding Bonds file as at 31 August 2026) for all SA figures and charts. Global and emerging-market figures: Climate Bonds Initiative, "Sustainable Debt Market Nears US$7 Trillion in Aligned Issuance" (2025 full-year data); IFC/Amundi, "Emerging Market Green Bonds" report (June 2025, covering 2024 data and the global/EM greenium estimates); Climate Bonds Initiative/MUFG, India sustainable debt market report (data to December 2024). USD/ZAR conversion at approximately R16.19/US$ (10 September 2026 spot), illustrative only, not a hedged or averaged rate. The 2026 SA issuance and outstanding totals reflect the workbook as supplied and are not full-year figures.



AI and Alternative Credit

Globally, AI infrastructure is pulling in trillions of dollars of debt to fund the data centres, power plants and networks on which it depends. South Africa is a small but real participant in that build-out, through Teraco, Vantage, Africa Data Centres and the hyperscalers now expanding here, and its own alternative credit market is deepening at the same time.

For a responsible investor, the two halves of this story are the same story: financing AI's power backbone in South Africa looks, in practice, a great deal like financing the renewable energy projects this market already knows how to underwrite.

The global financing wave

The scale of capital required to build AI infrastructure has moved well beyond what technology companies can self-fund. J.P. Morgan estimates hyperscaler capital expenditure will reach approximately US$697 billion in 2026, and Morgan Stanley research suggests global data-centre investment of roughly US$2.9 trillion until 2028, of which hyperscalers' own operating cash flow is expected to cover only around US$1.4 trillion. That leaves a financing gap of about US$1.5 trillion that credit markets, rather than equity, are being asked to close.

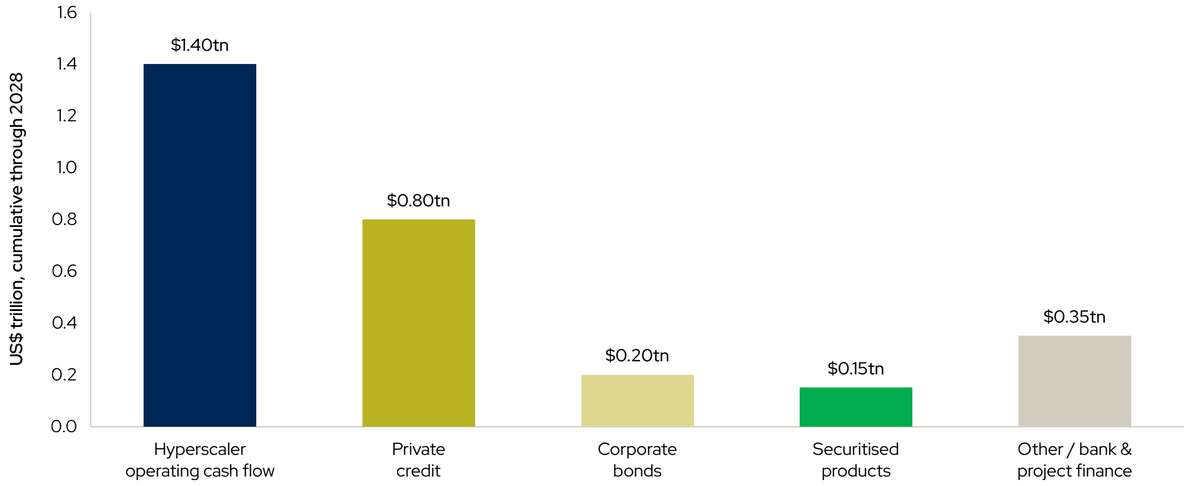
Private credit has stepped into a large share of that gap. According to Morgan Stanley's projections, private credit could supply an additional US$800 billion of data-centre financing over the next two years, on top of loans to AI-related companies that the Bank for International Settlements estimates have already grown from close to zero to more than US$200 billion in a few years. Corporate bond issuance by hyperscalers has also surged. It was about US$121 billion in 2025 alone, more than four times the five-year average, while a growing share of the build-out is being funded off balance sheet through special-purpose joint ventures. The largest known example is Blue Owl Capital's roughly US$27 billion debt raise, through the Beignet special-purpose vehicle, for Meta's Hyperion data-centre campus in Louisiana.

Opportunity and disruption sit side by side

For credit investors, AI is creating opportunity and risk at the same time, and often within the same portfolio. On the opportunity side, private credit managers such as HPS Investment Partners describe the AI build-out as "reshaping the private credit opportunity set", drawing large, well-capitalised corporate borrowers and investment-grade companies into private markets for flexible financing that banks and bond markets cannot always match on speed or structure.

On the disruption side, the same technology is unsettling some of private credit's traditional borrowers. Software companies, which were for a long time a core holding in direct-lending portfolios, face genuine uncertainty about how AI-native competitors and productivity tools will reshape their margins and growth trajectories. The Bank for International Settlements (BIS) has flagged a more structural tension worth watching: in a July 2026 bulletin on AI disruption in private credit, BIS researchers found that business development companies have not, so far, priced software-sector loans any differently to reflect AI-driven revenue uncertainty, even as equity markets have priced AI-exposed companies for much higher expected returns. Either private credit is under-pricing that risk, or equity markets are over-pricing the opportunity. We would treat this as an open question rather than a settled view, and one that argues for disciplined, borrower-by-borrower credit work rather than thematic enthusiasm.

Indicative composition of global data-centre financing through 2028



Source: Morgan Stanley Research, "Bridging a $1.5tn Data Center Financing Gap", as cited by lynkcm.com (Aug 2026) and iCapital (Dec 2025). Estimates vary by provider and should be read as directional.

> Our own reading of that BIS finding: if private credit lenders aren't yet pricing AI-driven revenue risk into software-sector loans, while equity markets are already paying up for AI exposure, one side of that gap is likely to close, and it is not yet obvious which.

Source: PIM Credit Team, drawing on BIS Bulletin No. 128, "AI disruption in private credit: exposure to software firms in BDCs" (14 July 2026)

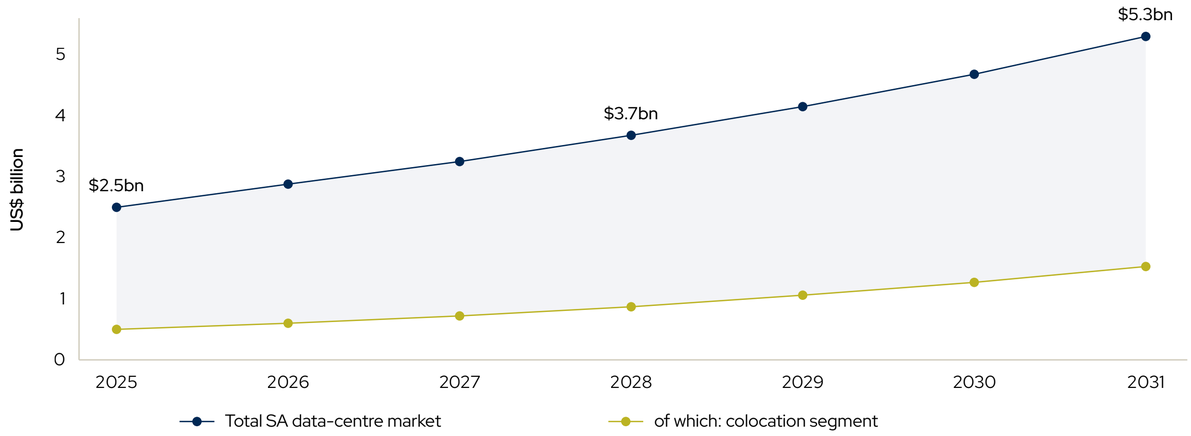
AI build-out in South Africa

South Africa is a modest but tangible participant in this global cycle. The country already hosts more than 50 operating data centres, more than any other African market, anchored by Teraco (a Digital Realty company), Africa Data Centres, Vantage Data Centers, Equinix, NTT and Open Access Data Centres. Teraco's combined campuses across Johannesburg, Cape Town and Durban now exceed 189 MW of critical IT load, and the group is reportedly backing four new facilities with almost US$900 million of capital. Vantage is investing approximately US$1 billion in a new campus at Waterfall in Midrand.

Hyperscalers have also committed meaningfully to the country. Microsoft has added a further R5.4 billion to its South African cloud and AI capacity on top of an earlier c.R20 billion Azure commitment. Amazon Web Services continues to scale its Cape Town region on the back of an approximately US$1.7 billion investment, and Google has opened its first African cloud region in Johannesburg. In his February 2026 budget speech, Finance Minister Enoch Godongwana said data infrastructure was as critical to the economy as electricity, ports and transport networks, and government has indicated it will explore ways to support the sector's expansion, a notable, if early-stage, policy signal.

The constraint that matters most for credit investors is power. Combined expansion plans by Teraco and newer entrants such as the Cavaleros Group could add about 1 000 MW of demand, roughly equivalent to a full stage of Eskom load-shedding. Operators are responding by financing their own generation: Teraco has committed to a 120 MW utility-scale solar facility in the Free State, backed by a R8 billion syndicated loan for its JB7 expansion, while Vantage and Africa Data Centres have secured power purchase agreements and are developing their own solar capacity. This is a financing pattern South African credit investors will recognise. It looks a great deal more like the renewable energy and grid-wheeling structures financed under the REIPPPP programme over the past decade than like a hyperscaler compute loan in the US, and it is the clearest point of overlap between this piece and the AI-and-energy discussion elsewhere in this report.

South Africa's data-centre market size, total market vs. colocation segment, 2025 to 2031



Source: ResearchAndMarkets, South Africa Data Center Market Investment Analysis 2026–2031 (Mar 2026); Mordor Intelligence, South Africa Data Center Market report (Jan 2026). Interim years interpolated from published compound annual growth rates; indicative trend, not a point forecast.

South African alternative credit plays a role

Global private credit assets under management are estimated at approximately US$1.7 to US$2.0 trillion currently, with most forecasts (Preqin, Moody's) suggesting about US$2.6 to US$3.0 trillion by 2028 to 2029. South Africa's private credit and alternative lending market is far smaller. One estimate is that it will be less than US$2 billion in AUM by 2029, growing at roughly 14% a year, but it is deepening from a low base, supported by banks' continued retreat from mid-market and higher-risk corporate lending under Basel III capital rules.

Two domestic tailwinds are particularly relevant. First, the July 2022 amendments to Regulation 28 now permit retirement funds to allocate up to 45% of assets to domestic infrastructure, yet actual allocations reportedly remain below 5%. Second, National Treasury and industry estimates put South Africa's broader infrastructure investment gap at about R4.8 trillion by 2030, to which digital and power infrastructure adjacent to the AI build-out will be one contributor among several.

A multi-asset entry point

Rather than a single "AI credit trade", the opportunity for South African investors spans several distinct segments of the market, each with a different risk and return profile:

- **Infrastructure and project debt:** financing the power and connectivity backbone that AI-ready data centres depend on, solar and wind generation, wheeling and grid-connection structures, and the syndicated facilities that fund campus expansions. These are typically senior, contracted-cash flow exposures with defensive characteristics, and are closest to Prescient Investment Management's existing REIPPPP and infrastructure debt experience.
- **Direct lending to tech-adjacent corporates:** loans to software, fintech and technology-enabled businesses across the domestic credit universe, where credit analysis increasingly needs to weigh a borrower's AI exposure as both an opportunity (efficiency gains) and a risk (competitive disruption), rather than a background factor.
- **Public and private debt capital markets:** domestic bond and loan issuance by infrastructure SPVs and utilities-adjacent entities, offering a more liquid, if less bespoke, way to access the same underlying growth in data and power demand.

Held together in a portfolio, these segments complement one another: the infrastructure leg offers contracted, lower-volatility cash flows, direct lending offers higher yield in exchange for taking on more idiosyncratic borrower risk, and capital markets exposure adds liquidity. A portfolio concentrated in only one of these, for example unsecured lending to AI-exposed software borrowers, would carry a very different risk profile to one diversified across all three.

Prescient is well positioned

Prescient Investment Management has spent more than five years building the credit infrastructure that this theme now calls for, even though it was originally built around renewable energy rather than AI. The Prescient Clean Energy and Infrastructure Debt Fund has grown from approximately R1 billion five years ago to around R5 billion today, and the Prescient Infrastructure Debt Fund is about R3.5 billion, taking Prescient Investment Management's total infrastructure-related investment to roughly R8 billion. Both funds were built to finance exactly the kind of asset that is now underpinning the AI build-out locally: utility-scale solar and wind generation, grid-wheeling structures and long-term power purchase agreements, several of which are directly comparable to the renewable capacity that Teraco, Vantage and Africa Data Centres are contracting to power their own facilities.

Prescient Investment Management's Private Markets team, led by Conway Williams as Head of Private Markets, has direct transaction experience in the kind of structuring this theme requires, including guarantee facilities, equity-bridge financing and REIPPPP-linked debt for utility-scale renewable projects. The firm's proprietary, data-driven ESG methodology, overseen by Prescient Investment Management's ESG Committee, is also well suited to assessing the environmental and social trade-offs, water use, grid strain and community impact that increasingly accompany data-centre financing decisions, both locally and globally.

As a signatory to the PRI and participant in CRISA 2, Prescient Investment Management is positioned to bring the same rigour to AI-adjacent lending that it has applied to renewable energy: assessing not only credit risk but the broader developmental case for each investment. To be clear, this is a case for strategic fit rather than a claim that Prescient Investment Management has already originated a data-centre-specific loan. The more accurate framing is that Prescient Investment Management's existing infrastructure debt capability, built for REIPPP, extends naturally into financing the power and connectivity backbone that AI now needs in South Africa, well before any decision to lend directly against hyperscale compute risk, which remains a young and still-forming asset class, even in developed markets.

A balanced view

The evidence so far suggests AI's effect on South African alternative credit is likely to be additive rather than purely disruptive: a new, power-hungry source of demand for the kind of infrastructure debt this market already knows how to underwrite, alongside a more familiar and separate question of how AI reshapes the prospects of existing tech-adjacent borrowers.

Investors who spread exposure across infrastructure debt, direct lending and capital markets, rather than concentrating in any single point of the capital structure, are best placed to capture the opportunity while managing the disruption risk that comes with it. Given the pace at which financing structures, power constraints and regulatory signals are all still moving, this is a theme that will reward continued monitoring rather than a single, static allocation decision, and one this report will probably need to revisit as the local build-out matures.

Sources:
J.P. Morgan, "Financing AI infrastructure and U.S. data centers" (Aug 2026); Morgan Stanley Research, "Bridging a $1.5tn Data Center Financing Gap", as cited by iCapital (Dec 2025) and lynkcm.com (Aug 2026); Bank for International Settlements, BIS Bulletin No. 128, "AI disruption in private credit: exposure to software firms in BDCs" (14 July 2026); Alternative Credit Investor, "The AI build-out frenzy" and "AI infrastructure buildout 'reshaping' private credit opportunity set" (Jul–Aug 2026); Mordor Intelligence, South Africa Data Center Market report (Jan 2026); ResearchAndMarkets, South Africa Data Center Market Investment Analysis 2026–2031 (Mar 2026); TechCentral, "South Africa's biggest data centres, ranked"; TechCabal, "South Africa plans incentives as data centres gain 'critical' status" (Feb 2026); Daily Maverick, "How the AI era is reshaping South Africa's data centres" (Feb 2026); BC Funding Solutions, "Private Credit in South Africa – 2025 in review" (Mar 2026); Prescient Investment Management, 2025 Responsible Investing Report coverage (Nov 2025) and prescient.co.za. Figures are as reported by these sources at the time of writing and should be verified against primary sources before use in client-facing material, as data-centre and private-credit estimates are being revised frequently.



What Makes an ESG Risk Financially Material in South Africa

Financial materiality refers to the ESG factors that could have an impact on a company's financial performance and prospects.[1] South Africa incorporated financially material ESG considerations into its retirement fund investment framework in 2011, with the amendment to Regulation 28 under the Pension Funds Act.[2] This evolved with the introduction of King V in 2025, which explicitly adopts a double-materiality perspective encompassing financial and impact materiality.[3]

Financial materiality test

The International Sustainability Standards Board issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. The IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.[4] As it pertains to ESG reporting, considering financial materiality helps investors to focus on relevant ESG issues that could affect an investment's cash flow, risk, valuation or long-term returns.

The financial relevance of a sustainability issue is company-, industry- and context-specific. It may depend on the regulations that govern business practices, the industry practices that firms must abide by, the availability of natural resources which a company depends on, and the value chain process. A mining company, a bank and a software company may all be affected by climate-related issues, but their exposure, transmission mechanisms, time horizons and financial consequences could be very different.

Consider climate-related costs as an ESG issue: a commercial farm that is experiencing low rainfall may experience lower crop yields. In this case, the commercial farm may face immediate financial losses, soaring operational costs and supply chain disruptions, resulting in lower revenue, higher pressure on profit margins and difficulty accessing financing. These financial consequences would therefore be relevant to an investor analysing the commercial farm for investment.

It is also important to conceptually distinguish financial materiality from impact materiality. Often, financial materiality and impact materiality are seen as serving the same purpose, but in fact they ask different questions. Impact materiality asks how a company's activities affect people and the environment, while financial materiality asks how sustainability-related risks affect a company's value and financial performance.[5]

South Africa requires contextual analysis

Regulation 28 under the Pension Funds Act was amended in 2011, stating that prudent investing should give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character.[6] This was supported by the FSCA Guidance Notice 1 of 2019.[7] For the South African retirement fund industry, the inclusion of ESG considerations is not just a voluntary overlay but forms part of the regulatory framework governing prudent investment.

In October 2025, King V, the fifth iteration of South Africa's corporate governance code, was launched by the Institute of Directors in South Africa (IoDSA) and the King Committee. King V is principles-based guidance on corporate governance, not legislation. It became effective for financial years beginning on or after 1 January 2026.[8] Principle 4 of King V states that the governing body ensures that external reports issued by the organisation enable stakeholders to make informed assessments of how the organisation creates, preserves and erodes value within its economic, social and environmental context over the short, medium and long term.[9] King V explicitly adopts a double-materiality approach to sustainability disclosure, requiring organisations to disclose issues that significantly affect both their finances and prospects (financial materiality) and information about matters that impact their ability to create sustainable value for stakeholders over time (impact materiality).[10]

Water Risk

South Africa is one of the 30 driest countries in the world[11] and is faced with increasing water demand due to economic growth, population growth, urbanisation, inefficient use (including increasing physical losses in municipal distribution systems), degradation of wetlands, and the impacts of climate change.[12] The National Water and Sanitation Master Plan stated that agriculture is the largest water use at 61% of total water use, followed by municipal use at 27% (including industrial and commercial users provided from municipal systems), with power generation, mining and bulk industrial use, livestock and conservation and afforestation together making up the remaining 12%.[13] An ESG issue such as water scarcity may be financially material for agricultural businesses, mining firms and food production factories through production interruptions, higher operating costs, capital expenditure requirements and constraints on future production or expansion. The same issue may be less financially material to a low water use financial services business or law firm, although they may have indirect exposures through investments, lending, insurance or supply chains.

Climate/energy transition risk

Climate-related risks provide another example of why financial materiality must be assessed within the South African context. In cases where disclosure is required, organisations will be required to disclose both physical and transition climate risks. Physical risks refer to the direct economic costs and potential damage to infrastructure, disruption to people and productivity caused by climate change. Transition risks refer to the financial and operational impacts that arise from transitioning away from fossil fuels and other greenhouse gas (GHG)-emitting activities to a low-carbon economy.[14] South Africa remains heavily reliant on a coal-powered electricity grid. Stats SA reported that coal was the primary source of fuel, making up 83% of local electricity generation in 2024.[15] Carbon-intensive energy and extractive industries are significant parts of the economy. Consequently, transition risk may be particularly relevant for companies whose operations, energy inputs or value chains are emissions intensive. A carbon-intensive mining or industrial company could face material transition risks from decarbonisation, regulation, changing energy systems and financing conditions. For an agricultural business, however, physical risks such as drought, heat and changing rainfall may be more immediately material.

ESG affects each company differently

For South African investors, applying global sustainability standards should not mean treating every ESG disclosure as equally relevant. Regulation 28 requires retirement funds to consider ESG factors within their investment processes, while King V places sustainable value creation within the organisation's economic, social and environmental context. The investor's task is therefore to move beyond identifying an ESG issue and determine how that issue could affect a particular company through its business model, industry, operating location and value chain. The relevant test is whether these transmission channels could reasonably be expected to affect cash flows, access to finance or the cost of capital over the short, medium or long term. Global standards can provide a common disclosure baseline, but determining financial materiality ultimately requires investors to apply that information to the specific South African context in which a company operates.



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What a fund-level ESG score can and cannot tell you

We have scored individual companies on ESG for many years. The natural next step, and the one we are building now, is to carry those company scores up to the level of a fund.

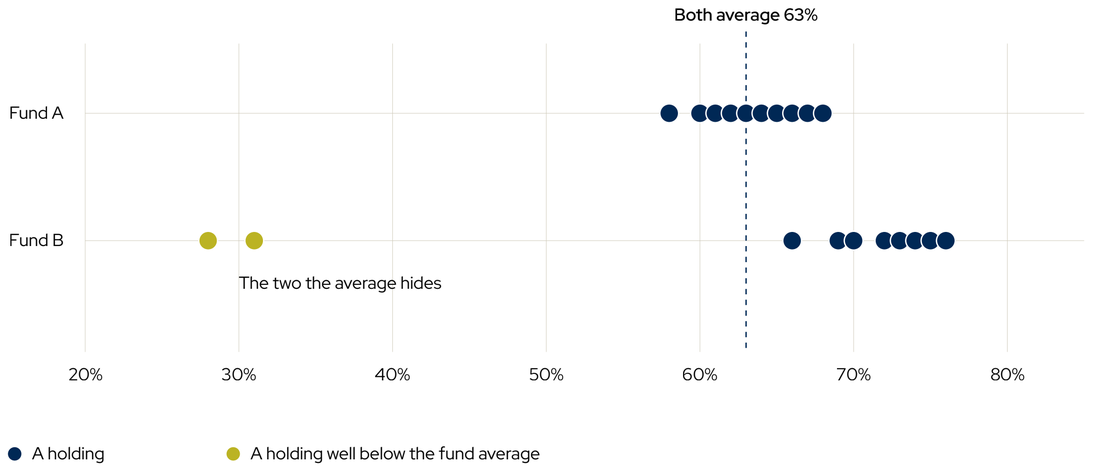
The construction is straightforward, and it works the way it always has: one company at a time. Each company is scored separately on environmental, social and governance, every pillar running from zero to one, one being the best. Those three then combine into a single company score, with each pillar weighted according to what actually drives risk in that industry. Governance factors matter more for a bank, so governance carries a heavier weighting in its overall score; for a miner, it is the environmental factors that carry the greater weight.

The overall fund score is that same calculation, one level up. Each holding contributes its own environmental score in proportion to its size in the fund, so a large position pulls harder on the result than a small one. Social and governance are done the same way, and the three combine into the fund's overall score. Nothing in that chain is bought in, and every value and calculation is traceable in the model.

The harder question, and the one worth writing about, is why do we need an ESG score for a fund?

Two funds, the same average, different risk

Built, and entirely illustrative: no holding, fund or real score appears. Each dot is one holding; both funds average the same. Fund A's holdings sit close together. Fund B carries two that sit far below everything else – the two a single average number cannot show you.



A fund score is an average, and ESG risk is not average-shaped. Two funds can report the same average score and carry entirely different risk: one holding a cluster of unremarkable names, the other holding several excellent ones alongside two that should worry you. The average conceals precisely the holding you would want to know about.

So the score is not a verdict on a portfolio, and we do not use it in isolation. **It is the visible summary of decisions already taken.** We use it as one of our risk monitors, with a lower score indicating that a deeper analysis into the portfolio is needed. The decisions that matter happen issuer by issuer, long before anything is aggregated.

Read this way, a fund score is worth two things. The first is direction: tracked over several years it shows whether the investments we own are getting better or worse at managing risks that eventually appear in price. The second, and the more valuable, is decomposition – the ability to ask which holdings sit at the bottom of the distribution, and whether we are being paid for them.

What we expect to use it for

The first is answering a question allocators are entitled to ask and rarely get a straight answer to: *what am I actually holding, on ESG?* Today the answer tends to be qualitative. A number makes it answerable, and comparable from one year to the next. It also makes it decomposable.

The second is detecting drift. If a fund's score moves while its holdings did not, the issuers changed underneath us – a risk change that might otherwise have gone unnoticed.

The third is comparison between our own funds. They are all scored the same way by the same model, so setting them side by side is a fair comparison, and a useful way of seeing which mandates carry more of which risk. The same cannot be said of comparing a fund against an external benchmark: a portfolio and an index are only comparable on ESG if both have been assessed on the same measures, and different providers do not measure alike.

What makes all three possible is that we built every layer of the score ourselves. Any figure can be opened up – back through the pillar, the factor and the metric, to the disclosure it came from. That depth is the point. An average can tell you where a fund sits. Only the layers beneath it can tell you which holding put it there, and whether we are being paid to hold it.

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Conclusion: from responsibility to results



Conway Williams
Head of Private Markets
Prescient Investment Management

Every year this report gives us a chance to step back and look at what responsible investing has meant in practice at Prescient Investment Management. Reading this year's contributions, what stands out this year is not the frameworks or the policies on their own. It is the work behind them, and the difference that work is making.

Last year we described responsible investing as the new operating system for investing. This year we put that system to work. In April the FSCA confirmed that sustainability claims fall within existing conduct law, and that managers must be able to show evidence for what they say. We welcome that ruling. It rewards the managers who have done the work, and this report shows that we have.

Evidence collection

Our ESG Committee draws members from every asset class, client relations and the executive team, so ESG is decided at the same table as investment strategy. This year the committee rebuilt the foundations of our ESG scorecard. Data is now collected directly from companies' own published reports, and every value can be traced to the document and page it came from. A decade ago, about a third of what we scored on emissions in the Top 40 was an assumption about a sector. Today almost all of it is a figure the company published about itself. That is careful, painstaking work, and it means we can justify the ESG views reflected in every credit rating and every equity position we hold.

We also stayed close to the companies and projects we fund. We recorded 16 engagements this year, of which 13 have been resolved, mostly with a positive outcome. We sat across the table from the leadership of a state-owned issuer to question procurement and funding. We walked through wind and solar sites to see bird monitoring, community initiatives and health and safety practices for ourselves. Twice, our ESG analysis led us to decline a loan. That is ESG shaping decisions, not decorating them.

Our investments make a meaningful difference

This is the part of our work we are proudest of. Since 2015 the Prescient Clean Energy and Infrastructure Debt Fund has deployed R5.4 billion into 38 projects that will add 3.6 GW of clean power to the grid, enough for about 4.3 million South African homes. Those projects reported 3 763 jobs in the most recent quarter: 61% are held by people from local communities, 47% by young people and 35% by black women. They have spent R2.4 billion on enterprise and socio-economic development, more than half of it in the Northern Cape, one of the country's poorest provinces.

> We can justify the ESG views reflected in every credit rating and every equity position we hold.

The case studies in this report show what that looks like on the ground. Eagle Towers is bringing a first mobile signal to rural villages, with members of each community paid to look after their local tower. Eternity Power turns waste heat from a platinum smelter into about a tenth of the smelter's electricity. Redstone, the first molten salt tower plant in sub-Saharan Africa, stores the day's sunshine to produce power for the evening peak, and a community trust owns 15% of the project. We backed Redstone as a first for South Africa and stayed with it through a demanding construction and ramp-up period. Patient capital is part of impact too.

None of these positive outcomes comes at the expense of returns. The Clean Energy and Infrastructure Debt Fund has outperformed its benchmark over every period since it was launched. Impact and performance reinforce

each other because both rest on the same foundations: contracted cash flows, strong counterparties and terms we can enforce. The emissions our projects avoid are the result of sound lending, and that is exactly why they last.

Responsible investing starts at home. Women make up 54% of our staff and half of our investment team and board, and 41 colleagues took part in this year's Women's Mentorship Programme. The values we look for in the companies we fund are the ones we work to live by ourselves.

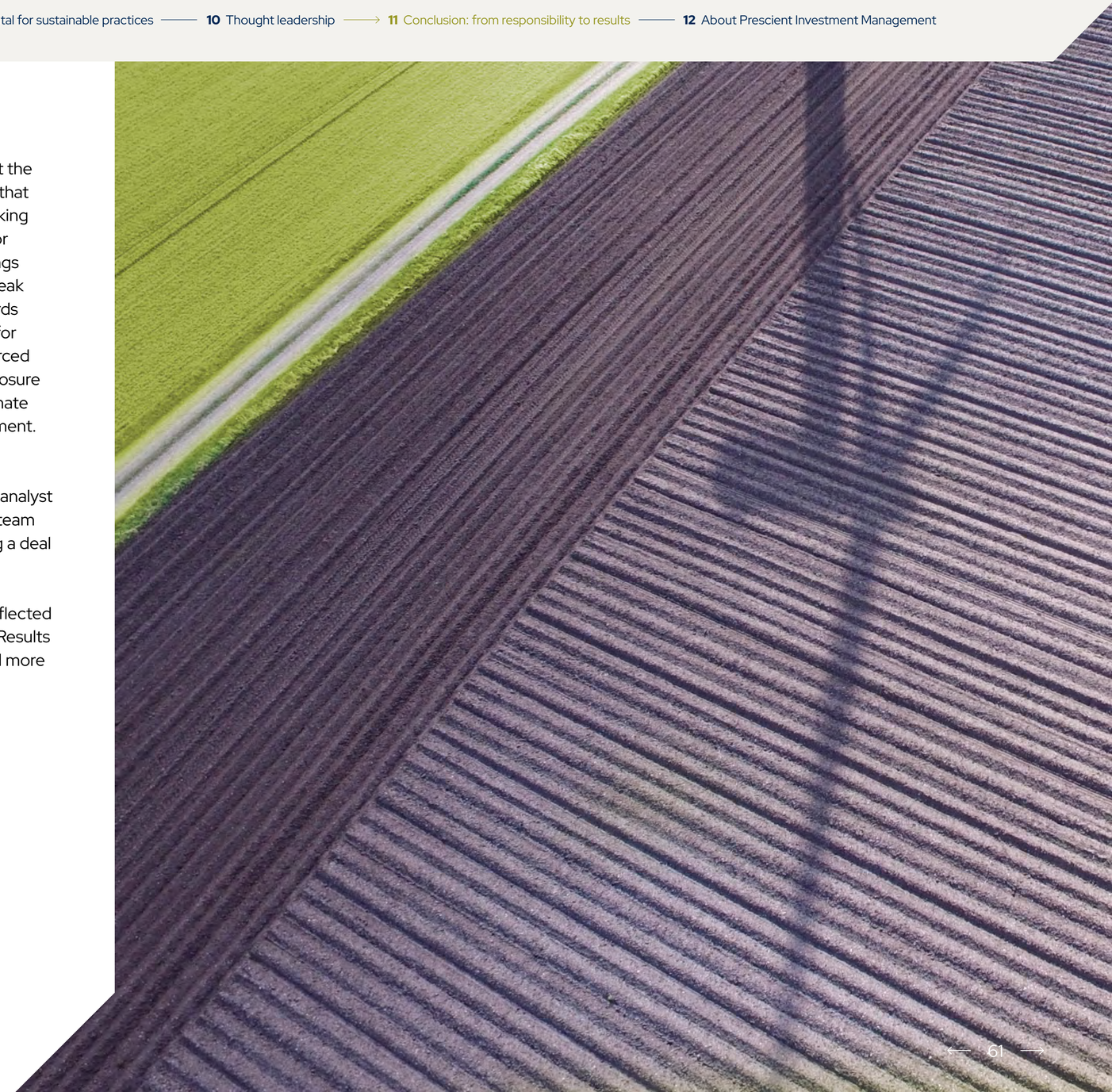
Looking ahead

The opportunity in front of us has never been larger. Since 2018 the energy regulator has registered 20.1 GW of private generation, and this year companies buying power directly are expected to add more solar and wind capacity than government programmes. The Credit Guarantee Vehicle and the independent transmission programme, representing about 14 000 km of new lines, will open the grid to private capital, and Regulation 28 allows retirement funds to hold up to 45% in infrastructure. South Africa's savings can help to build what the country needs.

Prescient Investment Management intends to be at the centre of that activity, bringing the same discipline that has served our clients for more than a decade: backing structures that pass scrutiny, being paid properly for the risks we carry, and making sure retirement savings earn their place on merit. While global headlines speak of a retreat from ESG, South Africa is moving towards mandatory, ISSB-aligned disclosure. We are ready for it. In the year ahead we will extend our directly-sourced ESG data into more of our holdings, bring ESG exposure into client reporting, prepare for portfolio-level climate metrics and set clear milestones for every engagement.

Responsible investing at Prescient Investment Management is not a department or a label. It is an analyst checking a figure against the page it came from, a team walking through a wind farm, a committee debating a deal until it is right.

A heartfelt thank you to everyone whose work is reflected in these pages. Responsibility is where we started. Results are what we can now show, and there is a great deal more to build.



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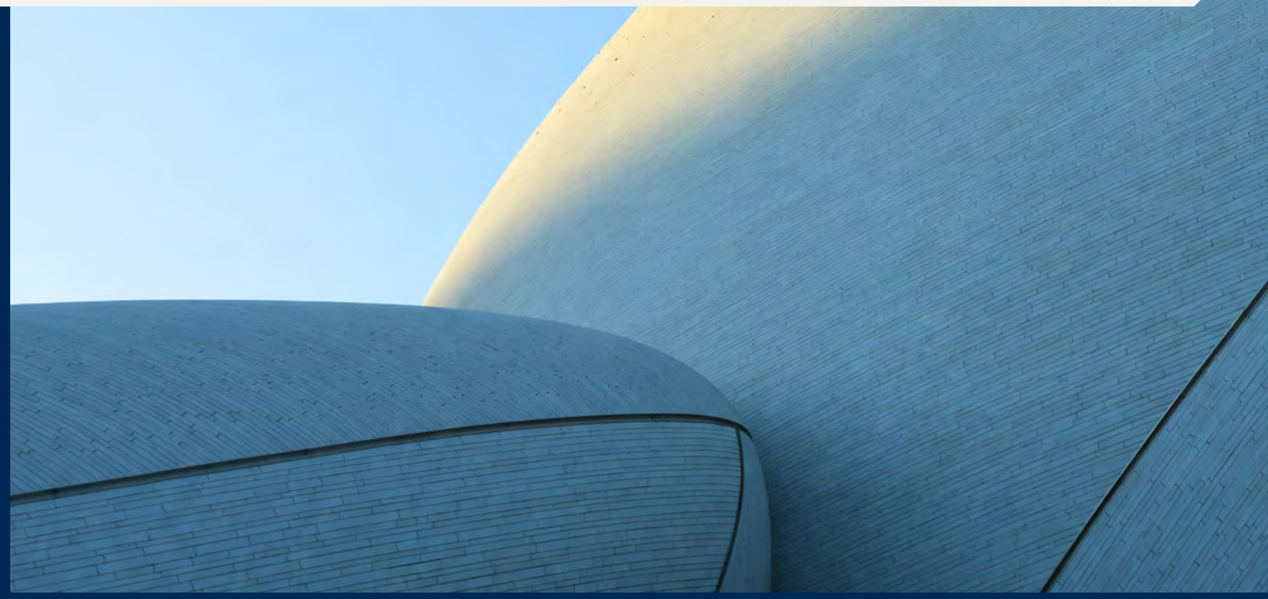
About Prescient Investment Management



At Prescient, our purpose is to create financial certainty for our clients in an ever-changing world.

Many investment decisions are still driven by instinct, headlines or the latest trend. We built Prescient on a different philosophy: let the evidence lead. Our systematic models process vast amounts of data, and investment professionals keep refining them as markets evolve. Every decision is disciplined, consistent and risk-managed.

This evidence also shapes how we think about responsibility. Our research shows that the companies that manage climate risk proactively, invest in their people and run responsible operations are better positioned to create durable, long-term value. We see these as signs of lasting strength, and they form part of how we invest.

We never lose sight of what sits behind the numbers: a retirement, a child's education, an institution's promise to its members. We carry the complexity of data, models and process so our clients can focus on living their lives with confidence.

That is what we mean by the future of investing.

Prescient Investment Management is an Authorised Financial Services Provider (FSP 612).

For any additional information such as fund prices, brochures and application forms, email info@prescient.co.za or visit www.prescient.co.za

We would like to thank the members of the ESG committee and team for their dedication to helping build a better South Africa and for their contribution to this report.



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