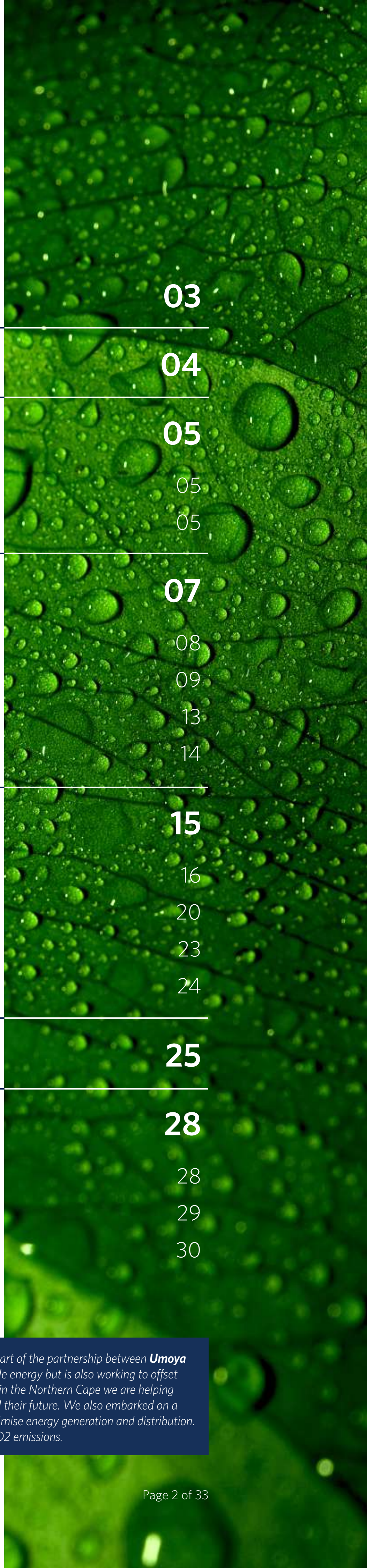
momentum investments

Annual
Stewardship Report 2022

Signatory of:
PRI Principles for Responsible Investment

Contents



***Cover page:** Responsible investing means making choices that help build a sustainable future. We are proud to be a part of the partnership between **Umoya wind farm**, in Hopefield in the Western Cape, and the West Coast National Park, which is not only providing renewable energy but is also working to offset the potential effect that development has on our country. With our investment in **Ilangalethu Karoshoek** Solar CSP 1 in the Northern Cape we are helping to build a greener future and, at the same time, working alongside the people who drive these projects forward to build their future. We also embarked on a solar-partnership journey with **Terra Firma** Solutions. This Cape Town-based company's solutions are designed to optimise energy generation and distribution. Through our investment, we have completed seven solar plant installation projects at our retail properties to reduce CO2 emissions.*

Foreword

Welcome to the 2022 edition of the Momentum Investments Stewardship Report. This is one of our keystone reports in which we update you on the progress that we made on our responsible investing journey and highlight some future initiatives and plans.

In the last few years, the importance of responsible investing and matters related to environmental, social and governance (ESG) factors have increased significantly. The war between Russia and Ukraine as well as resultant energy crises have highlighted how nuanced and mindful we must be when making key decisions. Ultimately, responsible investing is a long-term journey and any decisions that are made must properly consider their sustainability and robustness.

The issue of climate change and climate resilience is a key factor that we must incorporate more centrally in our decision-making and approach. In this publication, you will see a myriad of initiatives that we have kicked off in this regard. As sustainability is fundamental in our approach, we explicitly incorporate a Just Transition perspective when considering climate-related action. We are making steady progress and during the year, we became a member of the Climate Action 100+ initiative where we constructively and practically engage with Sasol and Eskom, alongside other major investors, on the climate agenda with these companies. To responsibly drive real change, we must be honest and practical about the potential trade-offs and consequences of actions in pursuing the climate agenda.

In this report, we highlight some of these real-world effects and we demonstrate how we have set targets for addressing the United Nations-supported sustainable development goals we decided to focus on. The focus on clean energy and climate action is clear through our investments in renewables in addition to other key themes of inclusion and growth.

Purposeful and thoughtful transformation is an important imperative for our business to remain relevant into the future. To make meaningful progress, we highlight how we have approached transformation from within our own business as well as how we have engaged with the broader industry to enable responsible transformation through the investments we allocate. For us, the need for transformation is to create an inclusive and representative business that reflects the realities of South Africa and our own client base, so transformation and sustainability go hand in hand. We want to be a business that creates opportunities for all our employees and the industry. It is important to be mindful in our decision-making and fair to everyone, so that we do not inadvertently leave anyone behind or create invisible barriers.

Apart from the focus on climate and transformation, this report will also give an update on some of our long-standing initiatives. This covers areas spanning engagement to adherence to a variety of industry-related codes and practices. These create the bedrock from which we will continue to grow and evolve our responsible investing initiatives.

I hope that you enjoy reading this report as much as we enjoyed putting it together. Sustainability and responsible investing is close to our heart and I am proud to be able to provide feedback on the steady progress we are and will continue to make.

Mike Adsetts
Acting Chief Investment Officer

Overview

Responsible investing

Responsible investing is an approach to investing that aims to incorporate ESG factors into investment decisions. Governance is the framework of rules and practices by which a board of directors looks after accountability, fairness and transparency in a company's relationship with all its stakeholders. Responsible investing makes sure that companies are aware of possible risks and can keep generating incomes in the long run.

We advocate

We participate in market-related industry events and serve on the responsible investing committee of the industry body the Association of Savings and Investments South Africa (ASISA).

- We form part of an international collaborative group that signed a Just Transition statement to support the workforce in our transition to a resilient and low-carbon economy.
- We are part of a Steinhoff Shareholder Group that works together in a number of legal actions against Steinhoff International Holdings NV.
- We form part of the Investment Consultants' Sustainability Working Group, focussed on applying the UK Stewardship and UNPRI principles when advising pension fund trustees.

We report on progress

We show you that we take our duty to act in your best interests to heart.

We seek disclosure

We have a register that shows how we engage with companies that we invest in to keep them accountable.

- For the latest proxy history, please **click here**
- To view the UN PRI annual transparency report, please **click here**
- To view our integrated report, which shows the yearly update on our responsible investing initiatives, please **click here**
- To view our responsible investment and climate change investment policies, please **click here**

We integrate ESG

We integrate ESG factors.

We have a responsible investing committee that serves as an oversight function of responsible investing practices across the investment team.

We follow an integrated ESG approach across all our asset classes.

We are active owners

We use our influence to help maintain a well-governed corporate South Africa.

We keep to these rules and regulations

How we voted in financial year 2022**

257	Number of shareholder meetings
3998	Total resolutions
49	Abstentions
3464	Votes in favour
485	Votes against

*We will abstain if there are conflicts of interest
** 1 July 2021 to 30 June 2022

Climate Action 100+ Global Investors Driving Business Transition

ICSWG

THE UK STEWARDSHIP CODE 2020

Signatory of: PRI Principles for Responsible Investment
Signatory of the United Nations supported PRI since 2006

ASISA
Serve on the ASISA RI Committee

CRISA Code for Responsible Investing in South Africa

We participate and collaborate

Important memberships

Code for Responsible Investment in South Africa (CRISA)

We are long-time supporters of the CRISA. Our company responded to the CRISA 2020 revision consultation draft in February.

Our CRISA statement is available here.

Investments Consultants Sustainability Working Group (ICSWG)

As a member of the ICSWG, we contributed to the guide for assessing climate competency of investment consultants, published in January 2021.

The Association for Savings and Investments South Africa (ASISA)

We are a member of the ASISA responsible investment committee. We have wide representation across various ASISA technical and investment committees as well as working groups. Our chief investment officer serves as a representative on the ASISA investments board.

UK Stewardship Code

The UK Stewardship Code 2020 (the Code) is a voluntary set of principles that sets high stewardship standards for investment managers. Momentum Global Investment Management (MGIM), our UK-based investment manager, fully supports this code.

Task Force on Climate-related Financial Disclosures (TCFD)

In May 2021, we became the first South African insurance company to sign up as a formal supporter of the TCFD. Our first TCFD report was published and available on our website.

Climate Action 100+

We are signatories to the Climate Action 100+ initiative.

CDP

We are a voluntary participant in the annual CDP climate change disclosure project.
We achieved a B score in 2021.

Principles for Responsible Investing (PRI) and PRI Just Transition

We became a signatory of the United Nations-supported Principles for Responsible Investment (PRI) in 2006 and report on our progress against these principles.

We signed the PRI-led international statement of investor commitment to the Just Transition initiative. We also serve on the working group.

UN PRI Scorecard 2021

Module name	Our score	Global median score
Investment & Stewardship Policy	89%	60%
Direct Listed Equity – Active Fundamental Incorporation	75%	71%
Direct Listed Equity – Active Fundamental - Voting	62%	54%
Direct Fixed Income – SSA	74%	50%
Direct Fixed Income - Corporate	82%	62%
Indirect – Listed Equity - Active	74%	67%
Indirect – Fixed Income - Active	87%	57%

The modules listed cover at least 50% or more of our assets under management
Visit our website to view our PRI Assessment report and Transparency report here.

We have also increasingly been part of active collaborative engagements. Some are once-off for specific short-term issues while others are larger and ongoing. A good example of the latter is the Climate Action 100+.

This international investment industry engagement group seeks to use the combined power of a great number of investors to, as they state: "Ensure that the world's largest corporate emitters of greenhouse gasses take the necessary action on climate change".

Big international names are involved, including Alliance Bernstein, BlackRock, BNP Paribas, Goldman Sachs and Robeco. In South Africa they have identified two specific emitters for long-term engagement: Sasol and Eskom. We are part of this industry grouping and our responsible investment team is part of the Sasol engagement group, while our fixed interest team forms part of the Eskom engagement group.

The future

In a relatively small resources economy such as South Africa it may be problematic to engage in strong exclusionary policies. What has been noticeable in the past few years is that, despite some exceptions and smoke and mirrors, engagements were starting to have a marked effect on the management teams of companies. Reputational risk is an ever-increasing factor for most boards. Refusing to engage with shareholders is less and less viewed as a winning strategy in a world where people are now more informed. Our proxy voting activities have always been ongoing ESG engagements but are becoming a bigger part of our activities as a team. Increasingly directors are now called to account, privately and publicly, for their performance and decisions, especially where it affects the wider society.

We protect your investments

Proxy voting and other stewardship activities for the financial year ending 30 June 2022

During the period under review there were:

- Additional waves of COVID
- The Russian invasion of Ukraine
- A dramatic return to fossil and nuclear-generated electricity in Europe
- Petrol pump prices continuing to increase dramatically on a global scale
- The possibility of widespread famine in Africa and the Middle East because of the war in Ukraine

In South Africa:

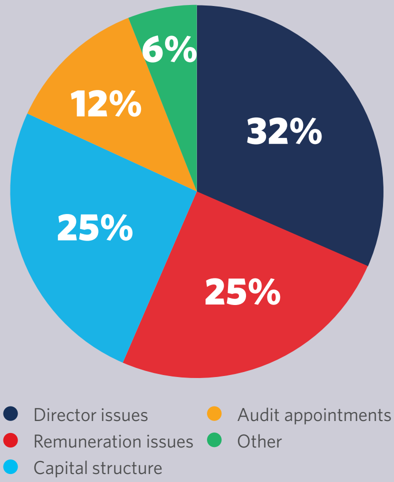
- The Zondo Commission delivered its reports on state capture
- KwaZulu-Natal and Gauteng were convulsed by riots, killing hundreds of people and many shopping centres were burned down and looted
- Later in the year KwaZulu-Natal was also hit by devastating floods which again took the lives of many people and destroyed scores of homes
- The South African economy continued to stagnate
- Loadshedding was worse than ever
- Some resource companies such as Glencore were found guilty of bribery while others such as Thungela Resources and Exxaro made record profits from coal mining and coal exports

It was against this tumultuous and everchanging backdrop that we would continue to deploy client funds and our responsible investment team would continue our stewardship activities, adding another layer of protection to the client funds that we manage.

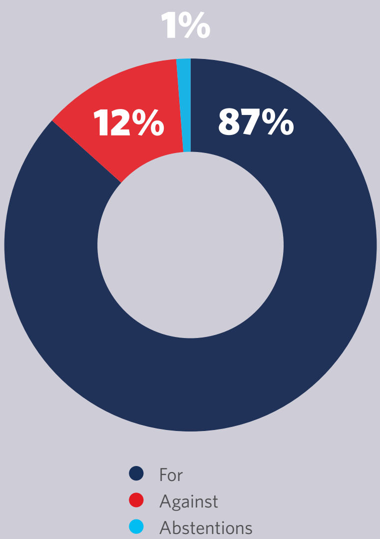
Stewardship activities
from 1 July 2021 to 30 June 2022

257	shareholder meetings
3998	resolutions voted on
31	engagements
17	environmental engagements
14	social engagements
27	governance engagements

Proxy votes against by category
for the financial year ended June 2022



Votes by resolution
for the financial year ended June 2022



Industries engaged	Frequency
Real estate	13
Financial services	12
Insurance and financial services	1
Basic materials	2

Engagement topics	
Company board governance	19%
Remuneration policy	26%
Climate change risks	7%
Toxic spill and mining rehabilitation approach	4%
Pre-voting discussions	15%
ESG reporting	20%
Succession planning	2%
REIT structure	2%
Sustainable Development Goals	4%
Green bonds	4%

Number of meetings per quarter	
Q1	7
Q2	9
Q3	5
Q4	10

Engagement status	
Closed	29
Ongoing	2

Case studies

CLICKS

We found it difficult to arrange an engagement with the Clicks Group. We had continually voted against two directors and two remuneration resolutions over several years.

At this year's annual general meeting (AGM), one director stood down before a vote could be taken on his re-appointment to the board of directors and the other received 61% of all votes cast at the shareholder meeting. The remuneration policy resolution received 67% of the votes and the implementation thereof only 38%.

As these were stinging rebukes of management not often experienced in South Africa, it was rather surprising to find that it proved difficult to contact the company management to explain the negative votes from our side. Usually, shareholder engagements are viewed as a chance for management to convince shareholders to reverse their negative votes at future shareholder meetings.

Eventually a meeting took place between our responsible investment team and Clicks' outsourced investor relations team. The representative listened to our concerns but had no mandate to respond to them. However, she undertook to convey these to management. To date, there still has been no response. It is our hope that at the 2023 AGM the concerns we highlighted will be reflected in the resolutions and policies put forward for approval by shareholders. If they are not, our response might again be a series of negative votes. We remain optimistic.

Lessons learnt from the relationship between companies' willingness to engage with shareholders and the resulting positive reception to resolutions at shareholder meetings.

Confirming a long-standing pattern, most of those company managements that, from an investor point of view, practised good governance were open to engaging with investors.

On the other hand, those whose corporate governance practices did not align successfully with investor expectations were more hesitant to engage on matters of corporate governance disagreement.

Those who were eager to engage with investors were also more successful in obtaining positive outcomes from shareholders during voting at AGMs.

Companies such as Exxaro and Thungela, despite being in industries that climate activists target, do not shy away from engaging with their shareholders. Other companies such as Clicks, judging by their reception of requests to engage, are not very enthusiastic about this prospect, and accordingly receive unnecessary negative votes from shareholders at AGMs.

thungela

This company was established in July 2022 when Anglo American divested itself from all its South African coal mining holdings and to position the company to gradually step into the inevitable zero-carbon future.

A theme that is gaining traction is that of rehabilitation funds. It is an integral and practical part of the Just Transition, which does not need addressing in a strategic way in the future. The funds must be provided for now. While this applies mostly to environmental degradation due to mining operations, the implications are far-reaching. This issue has increased in prominence in recent engagement.

While it is sometimes relatively easy to distinguish the responsible investment buckets of environmental (E), social (S) and governance (G) from each other, they may also be part of an integrated whole. It has become apparent to us that good governance at any specific company usually precedes positive environmental and societal impact.

Thungela Resources faced a simultaneous environmental and social challenge in the past year. Just after Thungela's listing in July 2021, we contacted the company to try and ascertain whether enough attention and money was being provided to its rehabilitation funds.

In the listing prospectus it was stated that the average economic lifespan of a mine was estimated at the time to be eight years. In the light of the current spike in fossil fuel prices one can surmise that depending on the sustainability of the recent steep rise in coal prices this figure might be substantially revised upwards. This is a definite possibility illustrated by the fact that when this company was still a part of the Anglo American Group, its six-monthly profit in June 2021 was R351 million, while the comparative June 2022 figure is R 9.63 billion.

But at the time of listing, with the estimated economic life of eight years, we decided to engage on the issue of rehabilitation funds with the company. On occasion, rehabilitation funds are abused and the money transferred out of these funds are sometimes never returned. When the mine then eventually closes in this case, there could almost be nothing left in the rehabilitation fund to rehabilitate a degraded environment. When the mine then eventually closes there might almost nothing left in the empty rehabilitation fund to rehabilitate a degraded environment.

We engaged with the company shortly after its listing and was assured, as it was still early days, that adequate provision would be made for these funds and there would be ethical provisioning and maintenance of these funds in future by the company.

A second engagement with Thungela Resources took place in April 2022 after a toxic spill from a supposed closed mine shaft which polluted farms and affected many communities and farms along a 60-kilometre stretch of river in Mpumalanga.

The company blamed illegal miners for sabotaging the seals on the shaft. We were assured that the Departments of Environmental Affairs and Mineral Resources and other relevant authorities were involved and receiving full co-operation from the company. The company was also involved in assisting the communities to recover. At the time of the engagement this issue was still ongoing and it will be addressed in later engagements.

At the AGM of 24 May 2022 almost all the resolutions passed with approvals in the late 90% – a strong vote of approval by investors. This was mainly due to two reasons. Firstly, the massive profits due to the increase in international oil prices. Secondly, the company in its current form is relatively new and there has not been time to build up a negative reputation, if there is ever going to be one. One has the feeling that with massive coal profits many investors have decided that ESG issues are now secondary and will be addressed in future, but just not yet. South African coal companies are not unique in this respect. It is a global phenomenon and will probably last for as long as the current economic war between the Russian federation and the West on the Ukrainian issue lasts. From an ESG perspective, the continuing high prices of oil and coal might make alternative energy sources more viable purely on an economic basis in future. Globally there is also talk of a resurgence of nuclear power. Time will tell and as we have seen in the past few years the future is unpredictable with too many negative surprises. Hopefully we have a few positive ones now.

Our engagement with Fortress was out of the ordinary and involved the property company wanting to preserve its real estate investment trust (REIT) status. The problem was that the solution that the company management proposed, in our opinion, did not follow a process of shareholder consultation. This would have ensured the success of the proposals put to shareholders at a subsequent shareholder meeting.

The company has a dual 'A' and 'B' share structure. Because of cash and income issues mostly caused by the COVID pandemic, the company decided to have a share swop where a certain number of B shares were to be swopped for each A share. Issues in the circular for the shareholder meeting made it one of those meetings with implications for the property team and the responsible investment team. Company management maintained that its proposals were the only way to save the REIT status of the company, which was important to them. The property team disagreed with management's solution for the issues.

It was decided to vote against the proposal at the special meeting convened for this as the swop ratio, in the opinion of the property team, was to the detriment of the A shareholders. As it turned out, most shareholders agreed with our view and most shareholders duly voted down the proposal. Shortly after this shareholder meeting, company management insisted on meeting the teams of Momentum Investments on the issue. What followed was an unfortunate discussion with an extremely disappointed Fortress management team. We suggested that they consult shareholders more widely in the run-up to any such meeting in future. Their opinion, in a sympathetic light to Fortress management, was discussed in a few financial press articles afterwards as if they hoped to reach shareholders through the media. It seems that the advice was not taken as a second meeting was held in August 2022 where we again voted on what to them was essential a proposal with not enough changes. Shareholders again rejected the proposals. Interestingly, from a governance perspective, apart from a few remuneration issues in the past few years, we have had cordial engagement sessions with this company in the past and will hopefully do so in future.

What was noticeable on the engagement front was the many property companies engaging with shareholders on governance issues. This is a good sign of the attitude of management teams of companies in that sector, as well as a tribute to our listed property team, who has made ESG integration an active part of their investment processes.

The importance of shareholder activism as part of responsible investing

Dramatic media headlines are the reason most people are aware of proxy voting. These often occur after some financial scandal, following which, the public rightfully asks: "How could shareholders (investment managers) have allowed this?" or "voted for that?".

The backlash is usually in reference to seemingly generous executive director remuneration packages, the reappointment of the same company auditors, year after year, or the appointment of independent non-executive directors after having been part of a board for many years.

We take our fiduciary duty seriously and use our influence as one of the large investment management businesses in South Africa to help maintain a well-governed corporate South Africa.

Our shareholder activism programme is well thought through and we vote at all shareholder meetings where our mandates allow us. But while exercising proxy votes starts with the aim to enforce and enhance ethical standards in South African companies, there are also practical considerations that need to be considered.

The South African investment universe is much smaller than those in more developed countries. It is therefore impractical, from a portfolio management perspective, to exclude shares within portfolios from that universe. Proxy voting allows investors to have their say, influence and improve areas such as the quality of management, remuneration policies and other governance issues, while still allowing these shares in portfolios over time.

Taking the longer view, it is clear that proxy voting, which was a stepchild a decade or two ago, has come of age. It is now very much part of any investment manager's investment view and process and part of an investment team's fiduciary duty to their clients.

We take that duty seriously and engage with companies that we invest in, on behalf of our clients, to keep those companies accountable. That is how we make it personal. Because with us, investing is personal.

Proxy voting is part of our responsible investing processes, which forms part of our core belief. Sustainable and responsible investment practices are a material factor underpinning our long-term success, as well as the success of our clients. Find out more by visiting our responsible investing page.

Engagement register
from July 2020 to the end of June 2021

Date	Company		Topic
30 May 2022	Investec Bank	Africa/Europe	Governance/REM discussion
26 May 2022	Standard Bank	Africa	ESG roadshow
5 May 2022	Nedbank	Africa	ESG roadshow
25 April 2022	Thungela Resources	Africa	Toxic spill
31 March 2022	Clicks	Africa	Outcome of AGM discussion/ governance issues
30 March 2022	Fortress	Africa/Europe	REIT and capital structure discussions
31 January 2022	Redefine Properties	Africa	AGM and remuneration
6 December 2021	Nedbank	Africa	ESG and remuneration discussions
25 November 2021	MAS	Africa/Europe	Governance discussions
5 November 2021	Growthpoint Properties	Africa/Europe/Australia	REM policy
3 November 2021	Growthpoint Properties	Africa/Europe/Australia	AGM preparation
13 October 2021	Thungela	Africa	Rehabilitation funds for coal mines
5 October 2021	Fortress REIT	Africa/Europe	Remuneration/staff movements
22 September 2021	Redefine REIT	Africa/Europe/Australia	General ESG discussion
11 August 2021	Vukile Property	Europe/Africa	Remuneration and director independence
30 July 2021	Nepi Rockcastle	Europe	Resignation of both CEO and CFO
13 July 2021	Investec Plc	Europe/Africa	Governance shareholder engagement - mostly REM
2 July 2021	Equites Property	Africa	AGM shareholder engagement

We integrate ESG

Our approach to the United-Nations (UN)-supported sustainable development goals (SDGs)

As investors, we have a profound opportunity to make a difference through our investment actions. All UN member states adopted the 17 SDGs in 2015, as a universal call to action to end poverty, protect the planet and make sure all people enjoy peace and prosperity by 2030. Our investment team went through a process of understanding the SDGs and concluded that it is a matter of making intentional forward-looking commitments. Using our strengths and capabilities, and doing what we do best as an investment team by identifying sound investment opportunities, we created an SDG framework.

It has been a year since we have mapped our SDG commitments across our respective investment capabilities. We have learned that disclosure is key to assess impact and build closer relationships with our investees to better understand the nature of the impact we are creating.

We have selected six SDG goals for a more focused approach that also seeks alignment, practical integration and scale across Momentum Metropolitan.

As an investment team, we also agreed on a set of principles to keep us honest and committed towards these selected goals:

- The goals should be practical and achievable
- The goals should be within our influencing sphere
- The goals should be forward-looking and intentionally create positive impact towards the SDG goals
- The goals must be reviewed annually to assess progress
- The goals may become more dynamic over time
- The metrics/targets to measure our progress may not be subjective and should be universally acknowledged
- We should not map SDG logos to our portfolios if we cannot illustrate through our SDG mapping framework that we have intentionally set out to achieve these goals

SDG framework 2022*:
One-year progress update

13 CLIMATE ACTION

Team	Hedge fund	Portfolio solutions	Listed equity
Target name	Climate change investment policy adoption		Publish TCFD report
Target description	Create climate awareness and achieve climate policy adoption across all appointed investment managers		Ensure heavy emitting companies report according to the TCFD recommendations
Metrics	The climate change policy coverage of investments increased from 16.36% (2021) to 21.55% (2022)	Percentage of appointed investment managers with climate policies increased from 10% (2021) to 23% (2022)	Eight of the nine companies we engaged with publish their reports in line with the TCFD recommendations

Team	Listed property	Private equity
Target name	Greening buildings	Climate change investment policy adoption
Target description	Greening buildings of listed property portfolios	Create climate awareness and achieve policy adoption across appointees
Metrics	Exposure to green buildings changed from 31% (2021) to 28% (2022)	10% of our appointees currently has climate investment policies in place

* *Financial year ending 30 June 2022*

SDG framework 2022*:
One-year progress update

7 AFFORDABLE AND CLEAN ENERGY

Team	Impact	Portfolio solutions
Target name	Contribute to the supply of affordable, reliable and modern energy services	Substantially increase the generation of clean and affordable energy
Target description	Increase our investments in clean energy sources such as solar and wind	Increase the number of sites for solar to generate clean energy and limit its CO2 emissions
Metrics	Total emissions saved by investing in renewables instead of fossil fuel investments: 559 954 MW (per year) Number of houses powered by renewable energy: 147 200 Investment increased by 3.22% to R96 383 890	Number of solar sites increased from seven (2021) to nine (2022) Total renewable power generated by the solar sites: 12 977 000 kWh (per year) Total emissions saved by investing in the solar sites: 12 329 tCO2eq/ per year

* Financial year ending 30 June 2022

SDG framework 2022*:
One-year progress update

4 QUALITY EDUCATION

3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY INNOVATION AND INFRASTRUCTURE · 13 CLIMATE ACTION

Team	Impact	Fixed income
Target name	Ensure affordable and reliable access to student accommodation	The investment funds within our fixed income funds will be used to finance businesses and projects that promote the selected six SDGs as outlined in our SDG bond framework
Target description	Increase number of student beds to 16 000	Sustainability bonds are specifically designed to raise money for environmental and social responsible initiatives. We will endeavour to increase our exposure to sustainability bonds.
Metrics	The current number of student beds are 988, with two buildings currently under construction	We have increased our exposure to sustainable bonds with a 0.52% increase across our total assets under management. Our total exposure to green sustainable funds as at 30 June 2022 is R410 972 752.

* Financial year ending 30 June 2022

SDG framework 2022*:
One-year progress update

9 INDUSTRY INNOVATION AND INFRASTRUCTURE

Team	Impact	Impact	Private equity
Target name	Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all	Significantly increase access to information and communications technology and strive to provide affordable access to the internet	Facilitate sustainable and resilient industry, innovation and infrastructure development in developing countries through investment support to African countries
Target description	Increase the number of flight passengers at Lanseria airport - the business strategy is to enable lower-income passengers to afford airline tickets. Increase the number of vehicles that use the road infrastructure we invest in: the N3 toll road concession and the Trans African Concessions that manages the N4 Toll Route	Increase the information and communications technology breadth across South Africa	Improve innovation, industry and infrastructure in Africa
Metrics	Number of vehicles (million) reduced to 32.63, a 40.25% reduction from last year Number of passengers (million) increased to 0.987, a 26.84% increase from last year	Kilometres coverage to service business with fibre increased with 48.15%, now 20 000 km Number of households to service with fibre increased with 60.13%, now 1.5 million homes passed A total of 620 000 homes were connected	The total Africa infrastructure market value invested increased by 65.43% to a total of R372 531 574.26

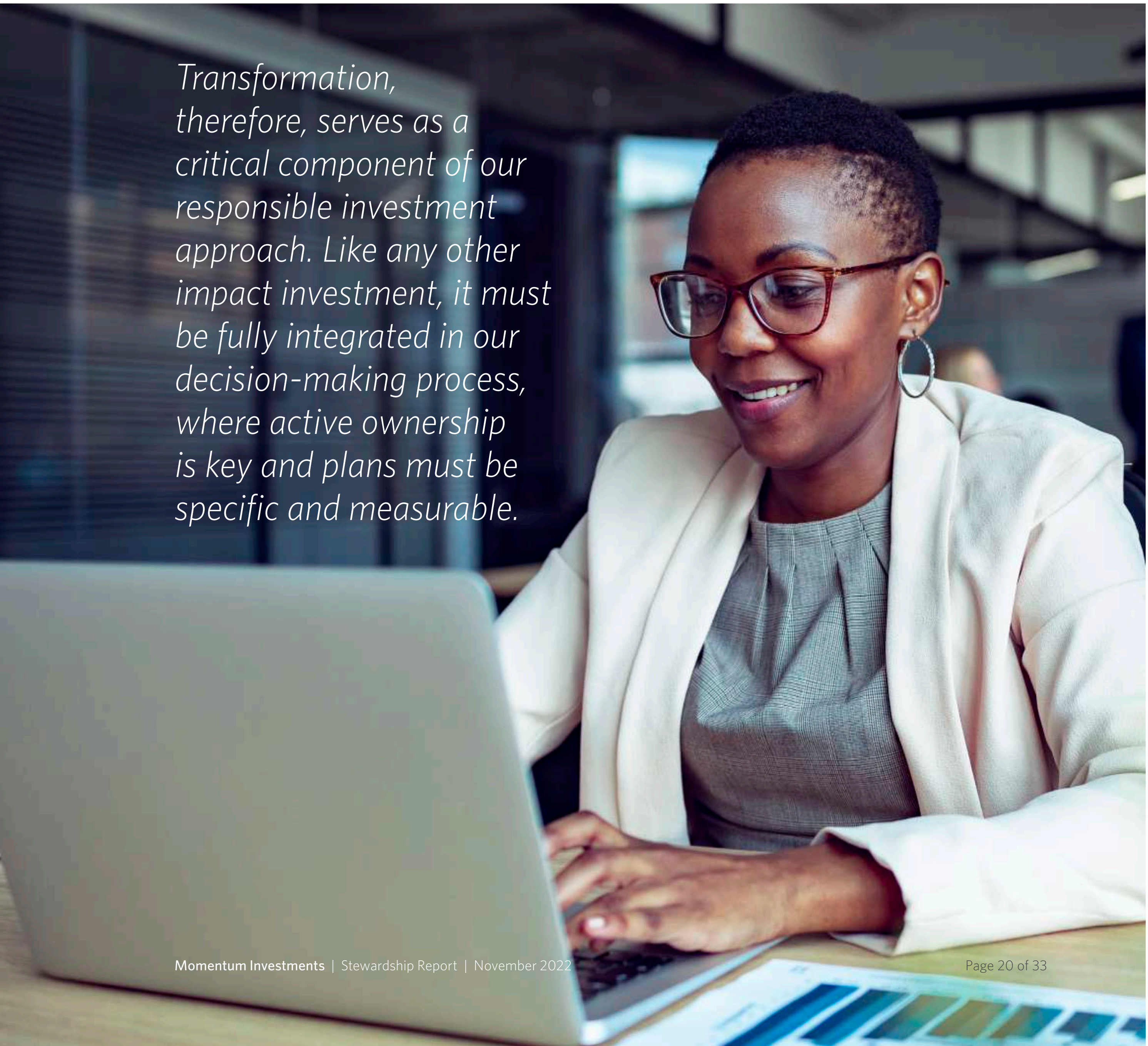
Financial year ending 30 June 2022

Transformation: A key part of responsible investing

As custodians of our clients' investments, we place their interests first. We share in the belief that transformation is one of the most important responsible investment concerns in our country that must be successfully implemented. A transformed industry will help solve our country's legacy economic imbalances, lack of education and levels of poverty. It is also a key component to achieve the targeted, **SDGs** we have committed ourselves to as a company.

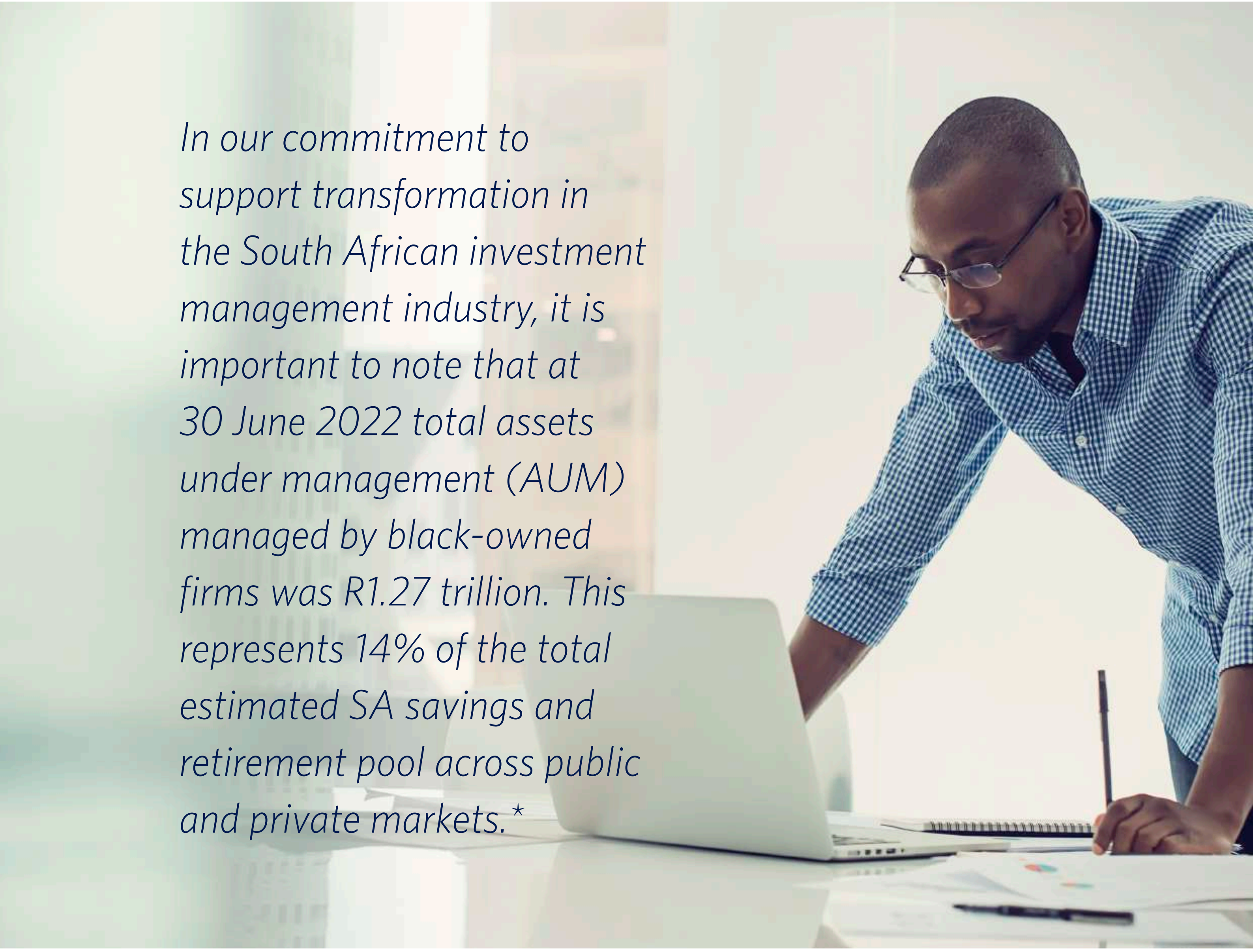
As fiduciaries of our clients' investments, we seek to maximise the probability of delivering on the predefined investment objective of the portfolio and in so doing ensure **the investment case always prevails.** Being subscribers to authentic and broad-based transformation across the value chain, we believe that responsible investing will enhance the longer-term risk-return objective of the portfolio.

However, we do believe that the investment management industry is embracing transformation and the opportunity set is expected to widen in the years ahead.



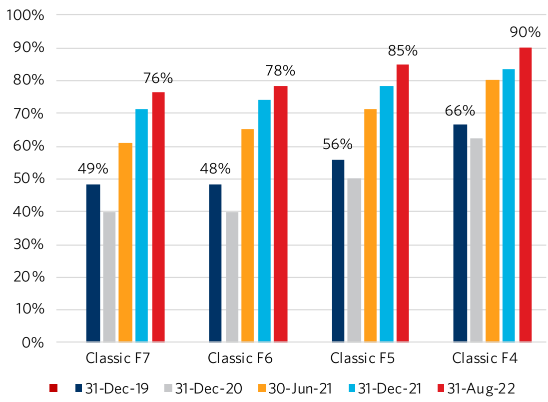
Transformation, therefore, serves as a critical component of our responsible investment approach. Like any other impact investment, it must be fully integrated in our decision-making process, where active ownership is key and plans must be specific and measurable.

Our investment team must make sure our transformation plan is **specific, measurable, verifiable and broad-based.** To this end, the metric we use is the allocated percentage in our portfolio to investment managers that have qualified for inclusion in the Alexander Forbes BEE Manager Watch™ Survey (AF BEE survey). We aim to have between **10% and 15% allocated to AF BEE managers.** Inclusion in the AF BEE survey is a metric that is simple to measure and captures our strategic intent. This metric unfortunately masks the granular more broad-based transformation credentials in our portfolios, for example percentage of our investments managed by female portfolio managers and investment analysts as well as the level of procurement. However, this is not easily measured and can at times be very fluid. We have developed a **detailed dashboard to monitor transformation metrics in our portfolios at a more granular level,** so we can focus our engagement efforts with our investment managers. The chart on the next page is an extract from our dashboard and demonstrates the progress we have made on our transformation plan. Since 2019, in our Enhanced and Classic range of portfolios we are pleased to report that the allocation to at least level 2 managers has significantly increased across the portfolios and our allocation to level 5 and non-compliant investment managers has reduced to 0%.

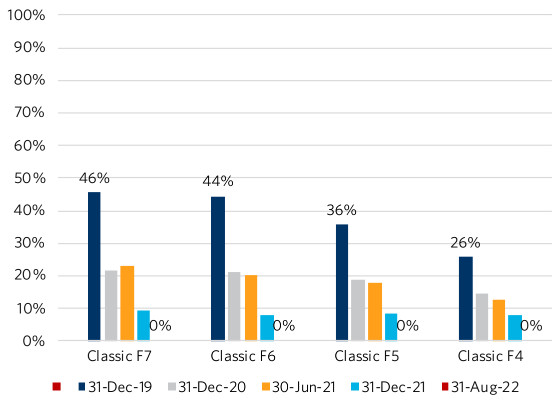


*In our commitment to support transformation in the South African investment management industry, it is important to note that at 30 June 2022 total assets under management (AUM) managed by black-owned firms was R1.27 trillion. This represents 14% of the total estimated SA savings and retirement pool across public and private markets.**

Allocation to level 1 and level 2 managers



Allocation to level 5 and non-compliant managers



It is worth noting that our commitment to transformation in this plan is expressed as a percentage of the local portion of the portfolio as roughly 30% (and expected to increase given recent regulatory changes) of our investments are allocated globally - a space where very few South African-based investment managers have successfully developed the required skill and expertise to deliver on the portfolio's objectives. We encourage the emergence of black-owned investment managers and professionals in this space and it is a key part of our research and engagement plan with investment managers.

How we engage investment managers to transform

We do not only focus on black ownership but rather favour broad-based transformation. Majority black ownership is only one element of transformation. We encourage broad-based transformation, which will lead to more diverse investment teams and more black people and, specifically, black women in senior decision-making positions across large established firms as well as boutiques. This will help to achieve a more transformed, inclusive investment management industry.

The large established, big-brand investment managers that are not necessarily majority black owned but still have meaningful B-BBEE ratings have been fertile training grounds and sometimes the largest employers of black and female investment professionals in the past. This trend continues and has been accelerating of late. Many of the large established investment managers have pioneered corporate initiatives that have contributed to meaningful transformation and the development of skills in the financial services industry. In many cases, these corporate initiatives have led to the establishment of independent black investment businesses. The large established investment managers also allocate meaningful size brokerage to black stockbrokers.

We continue to encourage and support the transformation initiatives of the large established and boutique investment managers, as they continue their journey of broad-based transformation. We are steadfast in our commitment to transformation and pride ourselves on being a responsible corporate citizen. This most definitely includes our responsibilities as a fiduciary of hard-earned retirement savings as well as our commitment to support and drive transformation within our circle of influence.

** Source: 27Four BEEconomics - 2022 - Transformation in South African Asset Management survey*

Our impact funds

1 Momentum Impact Fund:

This is the overarching portfolio, with three sub-funds. The funds are set up in a way that allows you maximum flexibility in a chosen area of focus. You can choose to invest at the top level with the Momentum Impact Fund, which will give you access to a portfolio of impact assets across the three sub-funds, or you could choose to focus only on one or two of the sub-funds.

2 Momentum Alternative Energy Fund:

The fund invests in the equity and debt instruments of sustainable energy companies and projects. Sustainable energy companies are those which are engaged in alternative energy technologies, including renewable energy technology, renewable energy developers, energy storage, energy efficiency, enabling energy infrastructure.

Alternative Energy

Sub-portfolios

Renewable Energy

3 Momentum Social Infrastructure Fund:

This is an impact portfolio that is invested in core infrastructure assets that provide essential services and have measurable impact outcomes. It provides diversification benefits and attractive financial returns, including income and inflation protection. Underlying assets have stable and predictable cash flows as well as strong environmental, social and governance features.

Social Infrastructure

Sub-portfolios

Student Accommodatio

4 Momentum Diversified Infrastructure Fund:

This fund aims to invest in social infrastructure projects. It invests in various types of accommodation facilities, which will have a positive impact on various communities. Some examples of these could include student accommodation, affordable housing and healthcare facilities.

Diversified Infrastructure

Sub-portfolios

Core Infrastructure

Telecoms

For more on our impact funds, visit our alternative investments page here.

Global ESG funds from Momentum Global Investment Management

Momentum Global Sustainable Equity Fund

Well-diversified, low-cost, systematic equity strategy providing exposure to global developed markets.

We aim to achieve

- At least a **20% lower environmental footprint** than the benchmark, as measured by greenhouse gas emissions, waste generation and water consumption
- At least a **20% better sustainability profile, as measured by the RobecoSAM Smart ESG Score**

How do we plan to achieve this? As of June 2022, the portfolio's:

Greenhouse gas emissions (Scope 1 and 2)	**21.5%** lower than benchmark	Waste generation	**23.3%** lower than benchmark
Water consumption	**22.5%** lower than benchmark	RobecoSAM Smart ESG Score	**20.9%** lower than benchmark

Managed by Momentum Global Investment Management (MGIM)

Approved as an **Article 8** (ESG integrated) fund under the European Sustainable Finance Disclosure Regulation (SFDR)

FSCA approved in South Africa

Momentum Africa Real Estate Fund (MAREF)

A institutional real estate portfolio that finances and develops commercial real estate in sub-Saharan Africa, excluding South Africa.

Governance

MAREF's governance benchmarking for all property development projects aligns with the International Finance Corporation Performance Standards 1 to 8.

Social impact

Its social impact includes sustained job creation, and all development projects are aligned to the International Finance Corporation's Performance Standards on governance benchmarking.

Environmental impact

The Rose development, MAREF's on-going service apartment development in Nairobi, is Leadership in Energy and Environmental Design (LEED) Silver certified.

LEED is a green building certification programme used worldwide, an initiative of the US Green Building Council.

Mon Tresor Business Gateway, MAREF's office development in Mauritius, **won the Best Green Building in Africa award at the Africa Property Investment Awards 2019.**

Harmony Sustainable Growth Multi-Asset Fund

Launched in 2022, this fund managed by MGIM is an approved Article 8 Fund under the SFDR.

The fund has strong sustainability credentials, with no exposure to coal businesses and a fossil fuel exposure (limited oil and gas). **60%** lower than its peers

TCFD

MGIM supports the TCFD and strongly encourages investment managers we invest with to do the same.

The two equity funds holding oil and gas are **Article 8** funds, ensuring ESG integration with high levels of disclosure.

Sustainable Model Portfolio Service

Also launched during F2022 was our Sustainable Model Portfolio Service with three different risk profiles initially made available for UK clients through the Aviva, Quilter and Standard Life platforms. The models are constructed with a range of active and passive funds, with a strong focus on the integration of sustainability factors in the selection process. The models also use negative screening, to reduce exposure to businesses deriving significant revenue from controversial areas.

Climate change

We encourage companies and investment managers to adopt the recommendations of the task force on climate-related financial disclosures.

Climate change risk refers to the risk resulting from human activities that cause extreme environmental pressures, which lead to climate changes that ultimately affect society and business. These risks vary and they can be expressed in terms of physical and transitional risks.

Physical risk refers to the weather-induced impacts of the changing climate which could affect the operations of the business, stakeholders and investment partners. Physical risks can be classified as acute or chronic physical risks.

- **Acute physical risk** refers to event-driven physical risks resulting from climate change such as an increased severity of extreme weather events, for example cyclones, hurricanes or floods.
- **Chronic physical risk** refers to the longer-term shifts in climate patterns that may cause sea level rise, chronic heat waves, floods and increased storm events due to sustained higher temperatures.

Transition risks are those risks emanating from the global transition towards a low carbon economy due to market and policy changes and changes in reputational expectations, where failure to adhere to these changes could have a negative impact on the company's reputation, operational costs and demand for its products.

TCFD thematic areas for disclosure

Under the governance theme:
The board and/or management need to pay adequate attention to climate-related risks.

Under the risk management theme:
It is important that businesses disclose how they identify, assess and manage climate-related risks.

Under the strategy theme:
The business' strategy and financial planning must disclose material climate-related risks and opportunities.

Under the metrics and targets theme:
Companies should disclose their key climate-related targets such as those relating to greenhouse gas emissions, water usage and energy usage.

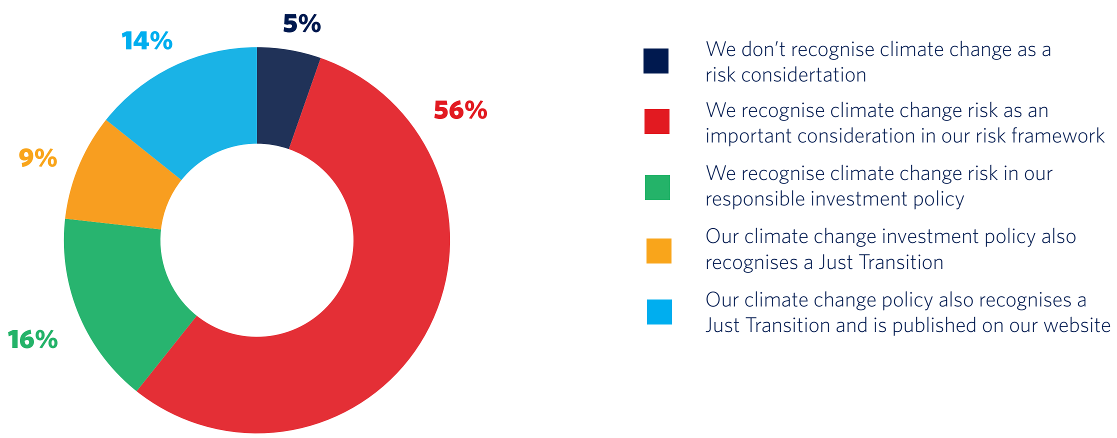
Any responsible investor worth its salt would assess its potential investment decision through a risk lens. Climate change is a real risk that affects the sustainability of markets and companies globally and it is therefore especially relevant to our investment decision-making process. TCFD developed voluntary recommendations for climate-related financial disclosures that are reliable, clear and efficient, and solicit decision-useful information from companies to inform lenders, insurers and investors. Please visit our website to read our TCFD report on how we assess our climate-related risks: **click here**

As investors, it is in our interest to encourage companies in which we invest to increase their awareness of climate matters and to ensure that they also have a climate focus for a sustainable and resilient future business. It is necessary to drive such considerations also through policy adoption and to assign proper oversight functions to ensure successful implementation.

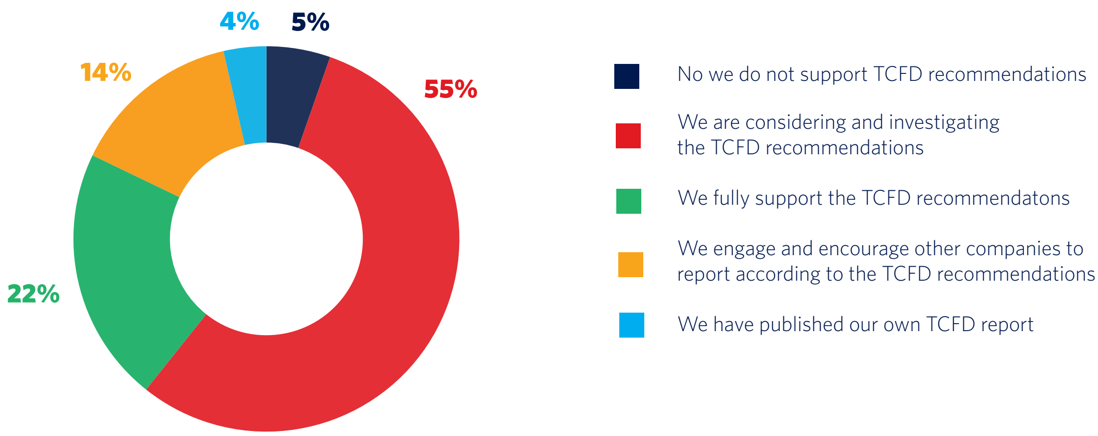
We encourage management to equip themselves to transition to a low carbon business. With our appointed investment managers, we conduct an annual investment manager responsible investment rating assessment, where we encourage them to adopt a climate-change focus for a sustainable and Just Transition future. We have assessed if climate-related risks were acknowledged and evident in the respective investment managers' policies. Information on how to write a climate-change investment policy and information on TCFD recommendations were shared as we want our appointed investment managers to be aligned to our investment approach. The total universe assessed for the calendar year 2021, were 56 investment managers in South Africa.

Through our stewardship efforts, we engage with the companies in which we invest and focus on ensuring that management considers climate-change risks and ESG is directly linked (at least 5%) to the CEO's remuneration policy.

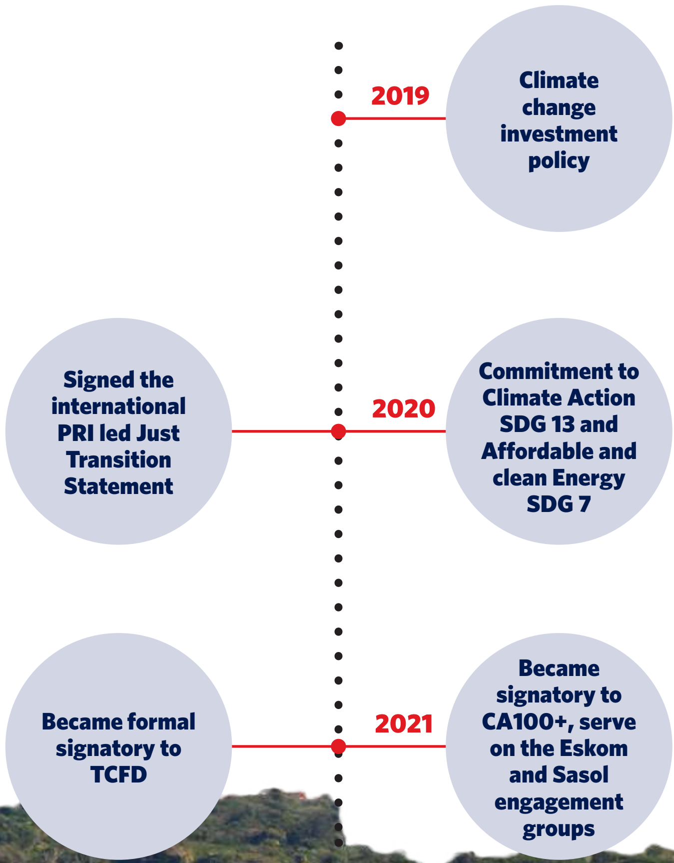
Climate policies assessment of investment managers (for 2021)

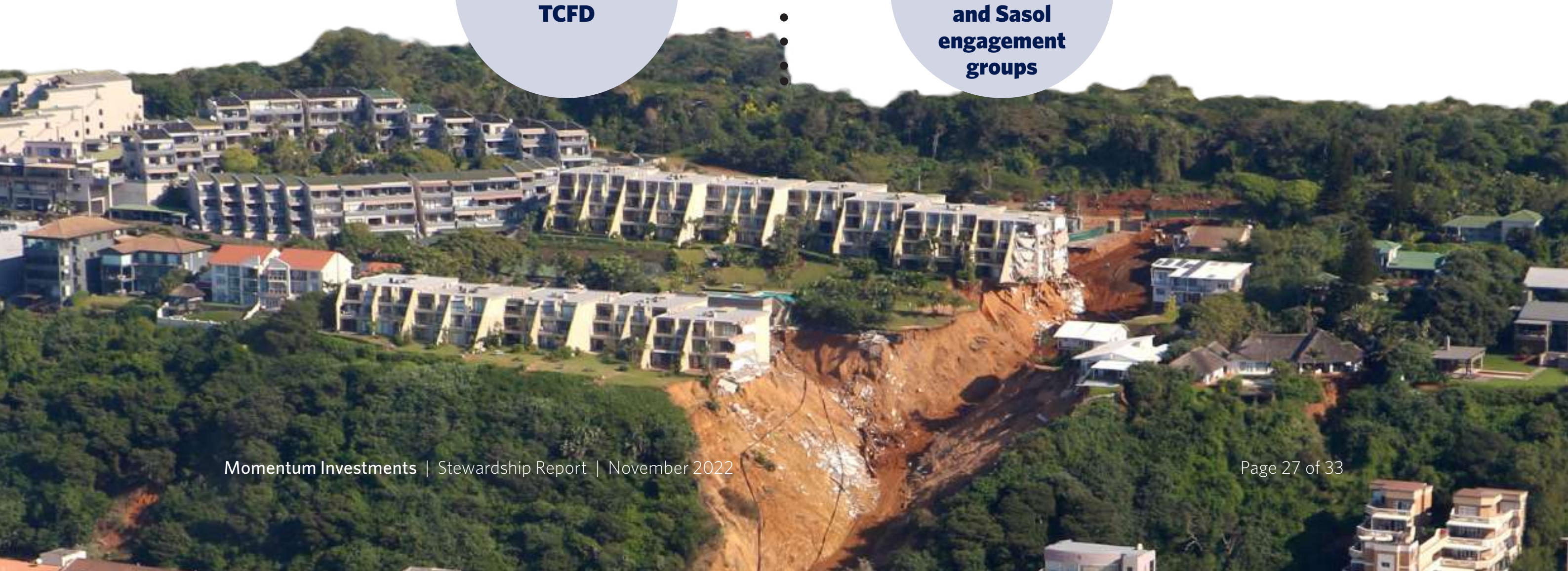


TCFD adoption assessment of investment managers



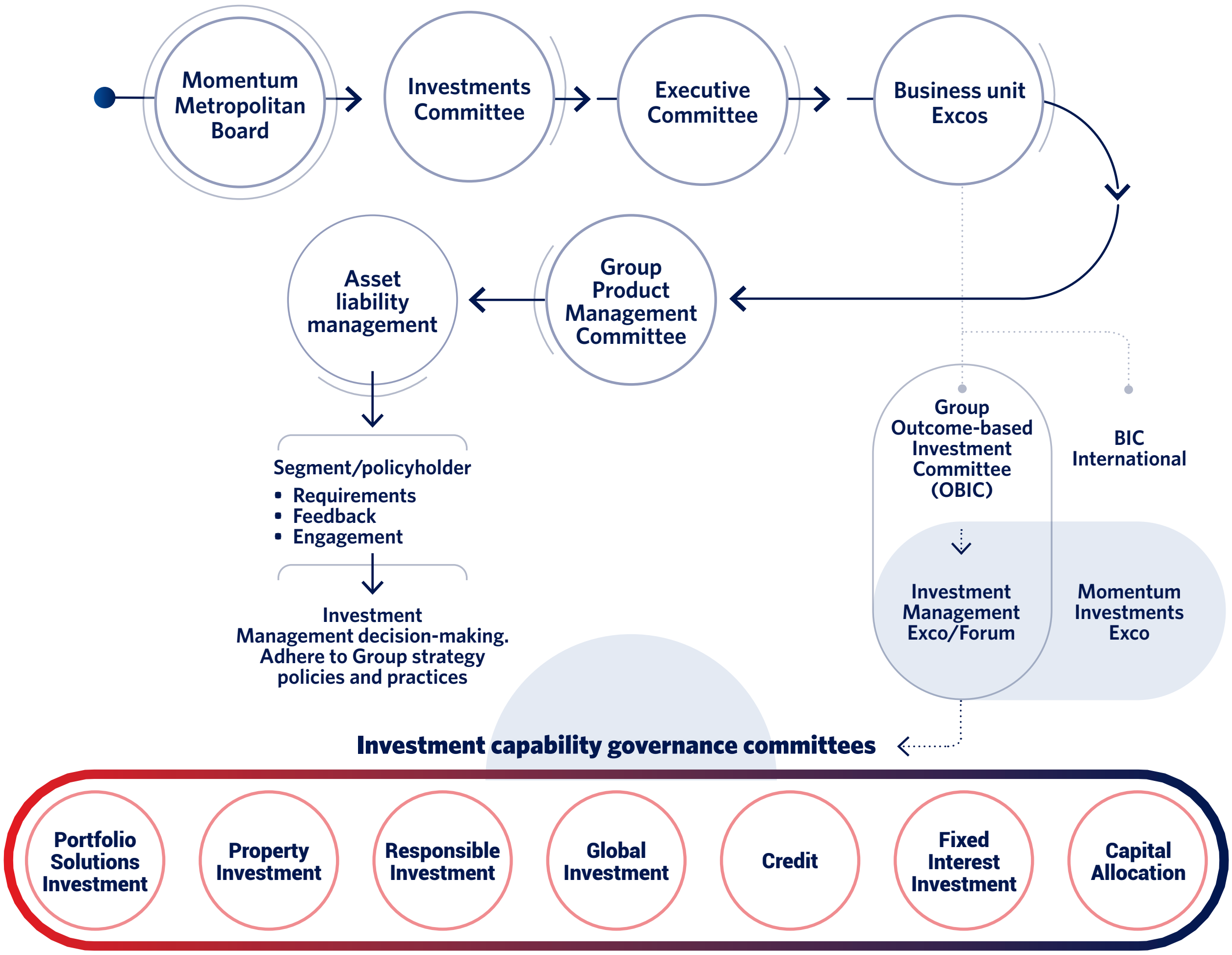
We will continue to assess and bring along our appointed investment managers and investee companies on this inevitable climate risk journey. This allows us to ensure that we understand the climate risks and opportunities that accompany this undertaking and give us the opportunity to incorporate such considerations in our investment decision-making process.





Business sustainability matters

Governance structures in place to achieve and promote responsible and ethical investing



The responsible investment team

Jana van Rooijen

Responsible Investment Specialist

She focuses on our overall responsible investment approach to strategy and advocates activities across business, research, reporting and SDGs.

Piet van der Merwe

ESG Analyst

He has extensive experience and focuses on proxy voting and engagement. He has specialist knowledge in the credit and private markets.

Luvuyo Mdingi

ESG Analyst

She has many years of ESG research experience and specialises in proxy voting and engagement.

More than 45 years of combined responsible investment experience

How we manage conflict of interest

Potential conflict	Mitigation
Profits and losses incurred as a result of errors	We apply the principle that clients should be put back into the position they would have been had the error not occurred and there is no materiality level applied to trading errors. Further information on the treatment of profits and losses incurred as a result of errors and breaches are contained in our Error Treatment and Reporting Policy.
Employee personal account dealing	Personal account trading of staff members is captured by our policy on personal account dealing, requiring scrutiny and pre-authorisation by senior management, before engaging in a trade for their own account. All employees are required to declare annually that they have complied with the policy and to provide details of personal dealings and holdings.
Rebates	It is a legislative requirement that rebates should be for the benefit of the client.
Commission arrangements	Equity broker allocation follows a best-execution principle, while also taking into account the pay-for-flow model, whereby brokers will get allocations based on their research capabilities that will serve in the best interest of our clients.
Gifts, benefits or inducements	Financial Interest and Conflict of Interest Policy stipulates that employees may not solicit or provide anything of value directly or indirectly to other financial services providers (FSPs) or third parties (except under limited circumstances), which would impair the FSP's duty to act in the best interests of clients. Accordingly, no financial interest of more than R 1 000 may be offered or accepted.
Segregation of key functions	Segregation of duties has been given due consideration in all areas of the investments value chain. Portfolio management and execution are conducted by different functions. Portfolio management is conducted by the portfolio managers and execution is done by the Dealing and Implementation teams. Back office functions are completely separated from portfolio management activity.
Client order and aggregation	Our primary focus is to ensure timely and fair allocation of all client orders. Client orders are prioritised based on arrival time and can be aggregated with other client orders and worked simultaneously if not detrimental to any client. Orders are managed by our dealing desk, which is independent from the portfolio management teams. All orders are allocated on a proportional basis across all client accounts in the event of the total order not being completed in the market. The allocation process is automated and each client account's portion is calculated by the company's order management system (OMS). The OMS also provides an audit trail detailing all actions implemented at each stage of the order's life cycle.
Proxy voting arrangements	In our proxy voting philosophy and the practical application thereof we consider the clients' interests in preference to our interests.
Insider trading	Should any staff member become a party to material non-public price sensitive information from any source the affected security/ies and/or entity/ies will be place on embargo by the investment compliance department on the portfolio management system. Personal deals by the affected individual/s will also not be permitted.

Our business transformation story

As part of our Reinvent and Grow strategy, transformation has been identified as a key strategic enabler, as this has a direct impact on our business strategy. We are continually making sure that we drive activities that guarantee Momentum Metropolitan's level 1 B-BBEE contributor status. The transformation enabler, as part of our strategy, is further cascaded into the Momentum Investments strategic scorecard, where executive leadership is responsible for delivery on same.

Given the changes in the regulatory environment, we are working towards an independent B-BBEE scorecard. There is a focus to ensure that we evaluate our current state on all B-BBEE elements and to create a base understanding of where we are in preparation for an audit. We are also focusing on the following high level key strategic shifts that positively contribute to transformation within the South African landscape:

Management control

During the last financial year, we have had various opportunities within our business where a focused effort was made to improve our representation on Employment Equity, which currently sits at 62%, with female representation at 60%. Whilst we continue to explore opportunities to improve representation at senior and middle management level, we acknowledge the amount of progress made to date and continue to prioritise transformation as a key strategic imperative. Our overall management control environment is sustained through an active effort to enable all employees through a culture of diversity and inclusivity, which is a core element of our culture DNA.

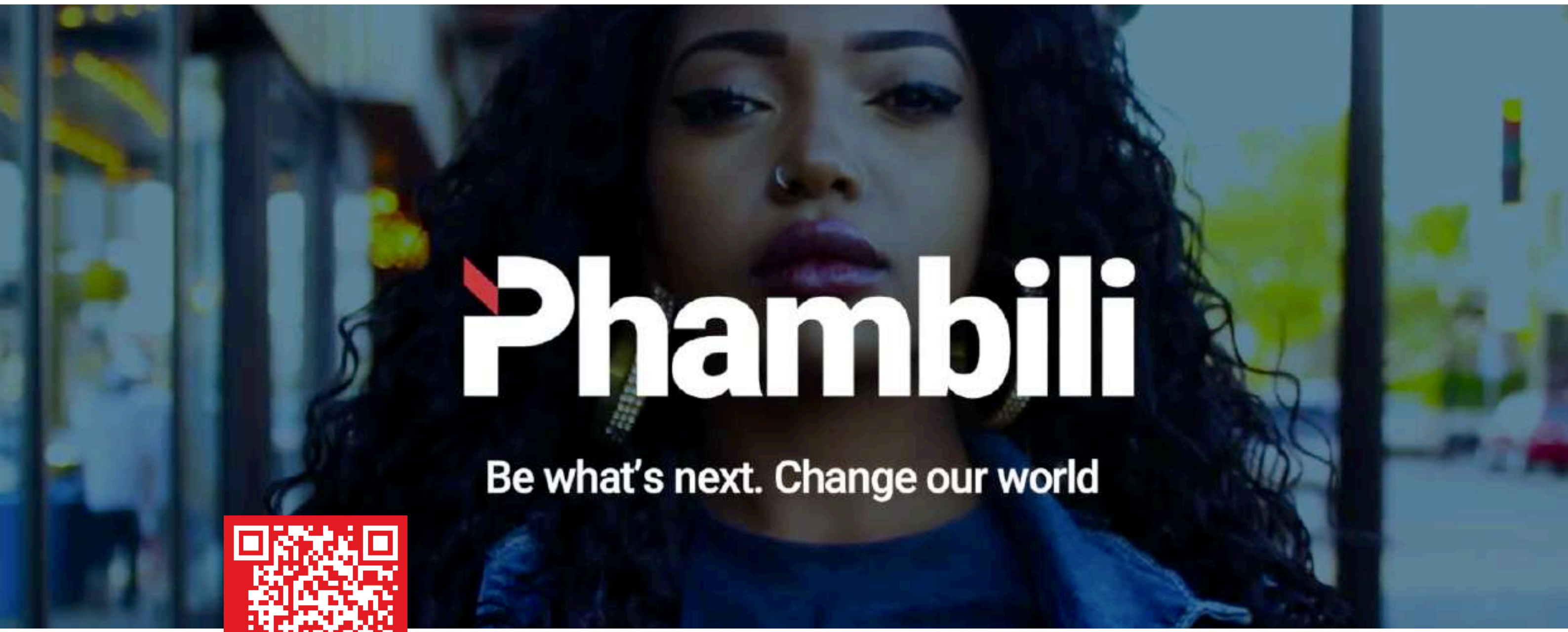
Skills development

The last financial year has seen an exponential increase in skills development spend and opportunities developed and implemented in support of our skills strategy.

We successfully launched our Phambili internship programme. The programme was designed to give ACI graduates an opportunity to gain exposure in the investments management business to improve their work readiness level and inadvertently increase their employability at the end of the programme.

We also went through a process of accreditation by SAIS as a workplace provider, which enabled us to participate in ASISA's Financial Markets Practitioner Learnership. Our inaugural participation in this programme took the form of an employed learnership where we provided an opportunity for three permanent ACI employees to form part of the programme.

Our priority is to optimise the equally-distributed talent and intellect in our country and create opportunities where they are lacking. In this way we believe we will enable the growth of our investment professionals in the market and build pipelines of talent within our business to ensure sustainable growth.



Scan the QR code to watch our video on Phambili

We are committed to diversity through creating opportunities and developing talent in the investment management industry, and that is why we launched our internship programme called 'Phambili', which means 'go forward' or 'go forth' a year ago.

For more information you may visit our website or **click here**.

momentum

METROPOLITAN

To achieve our long-term strategic business objectives and to strengthen our B-BBEE ownership, Momentum Metropolitan has made available an Employee Share Ownership Plan (ESOP) called 'iSabelo' to its employees. iSabelo is structured to benefit all permanent employed South African-based employees to promote inclusivity.

As a B-BBEE Scheme, iSabelo has allocated at least 85% of benefits to black beneficiaries, of which at least 55% will be for the benefit of black women. At the moment, about 78% of our staff is defined as black (which includes African, Indian and Coloured employees).

ABSIP
"Leading the Way"

Partnership with The Association of Black Securities and Investment Professionals (ABSIP)

We believe that investing is personal. For this reason, we want to continually engage with an industry body like ABSIP, which takes to heart the issue of financial transformation in our country and to help financial advisers to better understand their clients.

We believe that through the right tools, partnerships, and education, the journey to investment success for all South Africans can be made easier.

Momentum is mass in motion and our partnering with ABSIP is about thrusting us in the right direction towards helping in transforming the investment industry.

The objective of this partnership is to:

- Drive a dialogue that fosters economic transformation.
- Share knowledge, cross-collaborate and solidify financial empowerment and acumen.
- Better understand and tap into a seasoned audience to create and curate investment solutions tailored for them.

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