

Responsible Investing Report



2025

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01 A message from our CEO



Cheree Dyers | Chief Executive Officer
Prescient Investment Management

As we close another year marked by global uncertainty and change, I find myself reflecting not only on the macroeconomic and geopolitical challenges that investors worldwide have had to navigate, but also on the significant evolution of responsible investing itself. The investment landscape of 2025 appears considerably different from just a year ago, yet the core principles that guide us at Prescient Investment Management remain unchanged.

The past year has seen ESG face unprecedented scrutiny and debate. Political polarisation, concerns about greenwashing, and questions regarding performance have created a complex environment for investors committed to sustainable practices. Yet, it is precisely during such times of uncertainty that the value of systematic, evidence-based ESG integration becomes most evident.

At Prescient Investment Management, our commitment to integrating Environmental, Social, and Governance (ESG) considerations into every facet of our business is not a response to external forces. It is rooted in empirical evidence demonstrating that systematic ESG integration enhances long-term risk-adjusted returns while contributing to positive societal outcomes. This approach has served us well through multiple market cycles, and the events of recent years have only reinforced its importance.

THE EVOLUTION OF OUR APPROACH

Understanding where we are requires recognising our progress. The concept of ethical investing has deep historical roots, originating with religious groups in the 18th century who set standards for their investment practices. However, the modern ESG framework that appeared in the early 2000s is fundamentally different. It has shifted significantly from values-based exclusion to a systematic focus on integrating material risks and opportunities.

South Africa has been at the forefront of this evolution. Our King Reports on Corporate Governance have long emphasised stakeholder inclusivity, and Regulation 28 of the Pension Funds Act explicitly requires that pension funds consider ESG factors as part of their fiduciary duty.

This regulatory foundation has positioned us well as global standards continue to evolve, particularly with the International Sustainability Standards Board’s frameworks gaining traction worldwide.

The Climate Change Act, which came into force in February 2025, creates a comprehensive framework for South Africa’s climate efforts. Meanwhile, updates to the JSE’s Sustainability Disclosure Guidance and the CIPC’s XBRL taxonomy demonstrate South Africa’s commitment to aligning with global best practices while addressing our specific local priorities.

DELIVERING ON OUR COMMITMENTS

I’m proud to report that our systematic approach to ESG integration continues to produce measurable results for both our clients and society. Our Clean Energy and Infrastructure Debt Funds have now deployed R4.1 billion in 31 renewable energy projects, providing 2.9 GW of clean energy to the national grid, sufficient to power about 1.6 million South African homes. These investments have created over 5 000 jobs and facilitated more than R2.2 billion in economic and enterprise development initiatives in the communities where these projects are based.

This year, we marked the 10th anniversary of our Clean Energy Fund, a milestone that proves the potential of long-term sustainable investing. The fund has consistently beaten its CPI + 4.5% benchmark while ranking among the leading performers in Alexander Forbes surveys. This achievement has gained external recognition, including nominations for Financial Structure of the Year and Impact Trailblazer of the Year at the 2025 Africa Impact Investment Awards.

> A MESSAGE FROM OUR CEO

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Our Infrastructure Debt Fund, launched in 2021, has grown to over R2 billion in assets under management. It invests in projects across water, transport, telecommunications, and social infrastructure. These investments create over 500 direct jobs and approximately 7,000 indirect employment opportunities while actively supporting South Africa’s National Infrastructure Plan.

TRANSFORMATION AS A CORE PRINCIPLE

Our commitment to transformation goes beyond our investment portfolios to the heart of our organisation. As of September 2025, women comprise 49% of our workforce, 67% of our executive committee, and 50% of our combined board and executive leadership. Half of both our board and executive committee are black women. These results are the outcome of deliberate actions taken over time, since we view equity as a leadership priority rather than merely a compliance requirement.

The Prescient Women’s Mentorship Programme, launched in 2024, continues to deliver meaningful results, nurturing leadership skills and building a community of women equipped to drive change in our company and the wider industry. Our shareholding structure, which includes a 25% economic stake held by strategic staff through an evergreen trust and 36% held by our strategic BEE partner Sithega, underscores our commitment to broad-based economic empowerment.

NAVIGATING COMPLEXITY WITH CONVICTION

The current debate surrounding ESG presents both challenges and opportunities. While some question the validity of ESG frameworks, in our experience the evidence remains compelling. Research consistently shows that companies with strong ESG performance are more resilient during crises, as we witnessed during COVID-19. A comprehensive NYU Stern meta-analysis found that 58% of studies indicated a positive relationship between ESG performance and financial returns, and only 8% showed a negative correlation.

At Prescient Investment Management, we recognise that, regardless of terminology – whether we call it ESG, sustainable investing, or non-financial risk analysis – the core concept remains the same: the systematic inclusion of material risks and opportunities that influence long-term value creation. Our data-driven approach, analysing over 500 million data points through our proprietary ESG scorecard, guarantees that our integration is authentic rather than superficial.

Our scorecard, based on a 64-factor rules-driven model, accounts for industry materiality and company size biases, allowing us to perform advanced risk screening, identify areas for improvement, monitor trends over time, and make meaningful peer comparisons. This systematic approach enables us to engage effectively with investee companies: 71% of our engagements were resolved and 100% of those resolved achieved positive outcomes.

LOOKING FORWARD

As we approach 2026, we recognise both challenges and opportunities ahead. The regulatory environment continues to develop, with South Africa positioning itself at the forefront of emerging market ESG regulation. The expected mandatory adoption of ISSB standards within 18 months will introduce new disclosure requirements, which we welcome as they align with our long-standing commitment to transparency.

Infrastructure development remains a vital priority for our country, and we are dedicated to playing our part. However, as we have consistently argued, the solution does not lie in prescribed assets but in creating bankable projects that meet appropriate investment standards.

At Prescient Investment Management, we remain guided by our core principles: capital preservation, prudent risk management, and a systematic, data-driven approach. These principles, combined with our unwavering commitment to responsible investing, enable us to deliver superior risk-adjusted returns while contributing to a more sustainable and equitable world.

I want to thank our clients for their continued trust, our employees for their diligence and dedication, and all our stakeholders for their support. Together, we are actively shaping the future of responsible investing in South Africa and beyond.

Cheree

02 Prescient’s holistic approach to responsible investing



Michelle Green | Chair of the ESG Committee and Credit Analyst
Prescient Investment Management

Prescient Investment Management was among the first of South Africa’s asset management firms to integrate responsible investing principles into our investment strategies. Our approach to responsible investing emphasises the balance between delivering solid financial returns and fostering positive societal and environmental impact. By incorporating ESG factors into our decision-making process, we demonstrate our commitment to sustainable investing and long-term value creation.

We believe that integrating ESG factors into our process is essential to achieve sustainable long-term returns. Our corporate philosophy merges the practical principles of business success with an enduring commitment to sustainability. We believe this dedication to responsible investing, transformative growth, and innovative ESG integration sets us apart from our competitors.

ESG PROVIDES US WITH A COMPASS

In a world filled with noise and geopolitical uncertainty, Prescient Investment Management uses ESG as a steady compass to guide investment decisions and create certainty for our clients. ESG is not an add-on, but a deeply embedded framework that shapes how we evaluate sectors, companies, and economic trends. Every investment is assessed not only for its financial potential but also for its long-term environmental, social, and governance impact.

While challenges remain in standardising and implementing ESG, dismissing the framework overlooks the meaningful progress made to date. Research consistently shows that ESG integration enhances risk management and supports long-term financial performance, ensuring that non-financial risks are identified and managed effectively. ESG is not simply about “saving the world”, it is a fundamental pillar of a resilient, comprehensive investment strategy.

At Prescient Investment Management, we combine proprietary research with advanced quantitative models to analyse more than 120 million data points, building detailed sustainability profiles for each investment. This rigorous, data-driven process, aligned with global best practices, reinforces our leadership in responsible investing in South Africa.

We believe that true resilience comes when financial performance and responsible practices combine. That’s why our philosophy blends quantitative precision with qualitative insight, helping us to navigate uncertainty with consistency and confidence. The progress we see in ESG adoption across asset classes, the rise of innovative ESG-linked products, and increased collaboration between investors and companies all underscore ESG’s enduring value in driving both financial and societal impact.

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.

Transparency remains at the heart of our ethos. We report clearly on how ESG shapes our portfolios and the measurable outcomes delivered, to give our clients clarity in uncertain times. At Prescient Investment Management, we stand apart by combining systematic analysis with active stewardship, ensuring that, even through the noise, ESG remains an input in the process that creates certainty and sustainable growth for our clients.

**CONCLUSION: SUSTAINABLE GROWTH
AT THE FOREFRONT**

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, engaging with companies to drive better practices, and maintaining full transparency, we provide clients with clarity and confidence even in uncertain times. Our goal is not only to deliver strong, sustainable returns but also to create long-term value for investors and society, proving that ESG can be used as a compass to guide us toward certainty and growth.

OUR PRIORITIES FOR THE YEAR AHEAD ARE TO:

- > Deepen ESG integration through a systematic, evidence-based approach that mitigates material risks and identifies sustainable return opportunities.
- > Build ESG capability in the investment team by enhancing training, tools, and systems to better leverage insights across the business.
- > Grow assets under management in sustainability-focused and energy transition strategies that contribute to national development objectives.
- > Strengthen strategic engagement by adopting differentiated, holistic approaches with clearly-defined milestones and outcomes.
- > Expand partnerships and impact through collaboration with industry bodies, universities, and non-profit organisations to advance high-impact CSI initiatives.



03 Meet the team that drives our ESG strategy

Our ESG Committee’s primary purpose is to drive our ESG agenda and improve market standards through collaboration.

The committee has eight members, who represent all asset classes as well as client relations. It includes both the Chief Executive Officer and the Chief Investment Officer, to ensure alignment with the company’s business strategy. There is a strong foundation of both fundamental and quantitative skills among the members of the committee, which helps to drive innovation. The committee is chaired by Michelle Green, who has more than twelve years of experience in the industry.



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



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



Conway Williams[†]
Head of Credit
CA(SA), MPhil (Development Finance), Chartered Development Finance Analyst (CDFA), Executive MBA (Valar)
18 years in the industry



Michelle Green^{*†}
Credit Analyst and Chair of ESG Committee
BCom (Hons), Executive MBA
13 years in the industry



Dimpho Sekhaolelo
Quantitative Analyst
BSc Mathematical Statistics, MBA
5 years in the industry



Mujeerah Adams
Investment Operations Specialist
BBusSci Finance and Accounting
5 years in the industry



Kelly Vlug^{*}
Quantitative Analyst
BCom (Hons) Actuarial Science
1 year in the industry



Kelli Frew^{*}
Quantitative Analyst
BCom (Hons) Economic Analysis of Financial Markets
2 years in the industry

^{*}FAIS Representative under Supervision
[†]ASISA Representative

04 Responsible investment in action

Our investment philosophy emphasises capital preservation and prudent fund management. We prioritise risks in a systematic way to yield proportional returns. 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 assessment of 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. We have signed the Principles of Responsible Investing (PRI) and pledged to abide by the Codes of Responsible Investing in South Africa (CRISA 2).

The three pillars

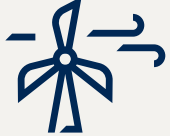
Our ESG investment process encompasses three main areas.

THESE ARE:

- > how we consider and make investments;
- > our product development and offering, including our responsible investing products; and
- > 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. While Prescient Investment Management offers dedicated responsible investing products, ESG principles are also embedded across our broader fund range.

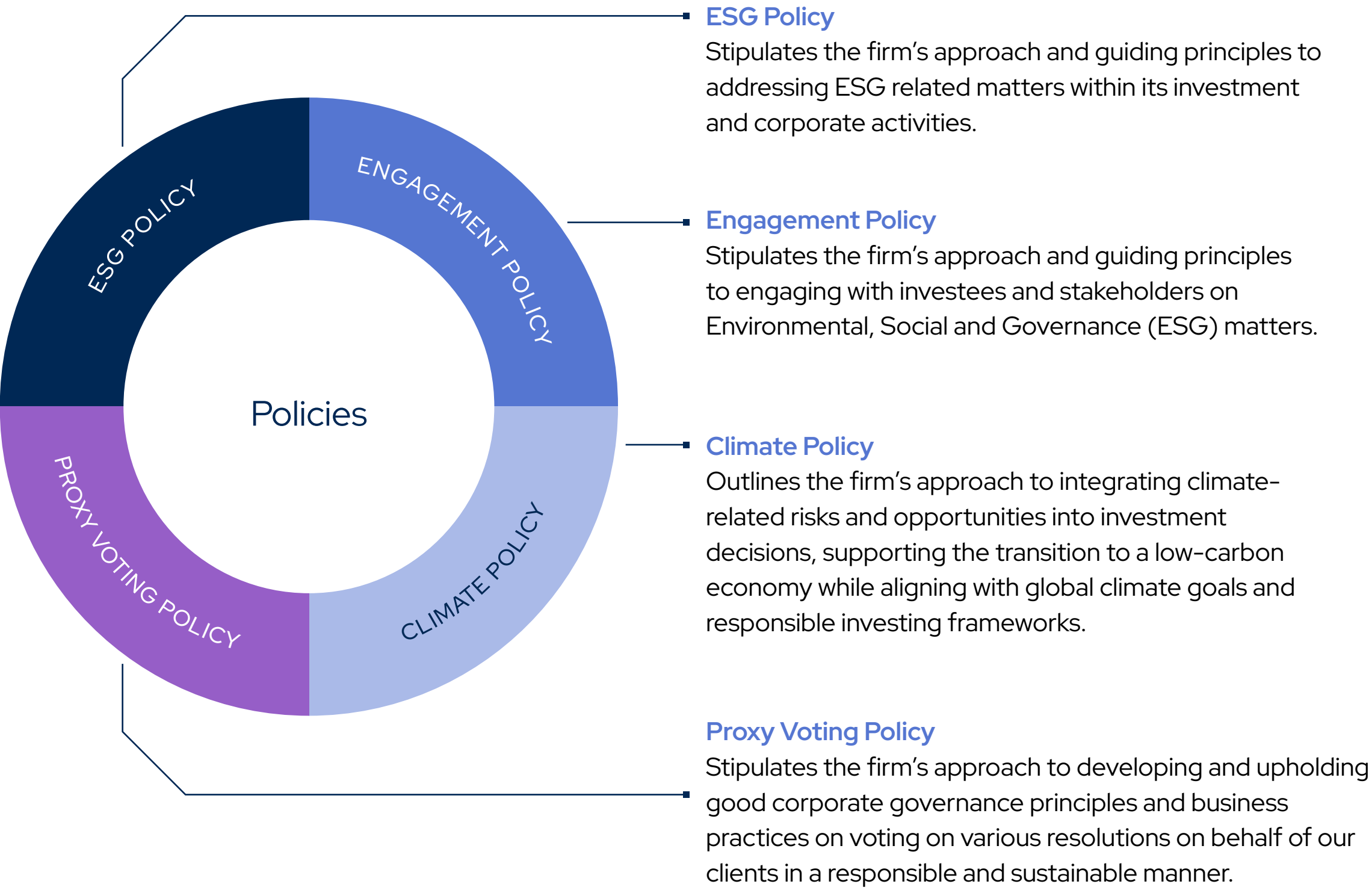
The Prescient Clean Energy and Infrastructure Debt Funds exemplify this philosophy, supporting at least six UN Sustainable Development Goals (SDGs). Notably, the Clean Energy and Infrastructure Debt Fund aligns closely with SDG 7, which promotes universal access to affordable, reliable, and sustainable 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
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Responsible investing policies

Four Responsible Investing Policies drive our ESG philosophy: the ESG Policy, the Engagement Policy, the Climate Policy and the Proxy Voting Policy. These are applied to all our assets under management (AUM).

THE OBJECTIVES OF OUR POLICIES ARE EXPLAINED BELOW:



THE PURPOSE OF EACH OF OUR POLICIES IS:



ESG Policy

Our ESG Policy defines the guiding principles for ESG-related matters in our investment and corporate activities. These principles apply to all asset classes and geographies where we implement the firm’s Responsible Investing Policy mandate.

For more information on our publicly available ESG Policy, please refer to our [website](#).



Engagement Policy

Our Engagement Policy outlines the principles guiding our interactions with investees and stakeholders on ESG matters across all asset classes and regions.

Engagement is integrated into both our investment and corporate activities, reflecting our belief that capital should drive positive ESG outcomes.

To support this, Prescient Investment Management maintains an engagement register and internal portal to track progress and key concerns, ensuring accountability and transparency.

More details are available in our publicly accessible Engagement Policy on our [website](#).



Climate Policy

The purpose of this policy is to integrate climate related risks and opportunities into Prescient Investment Management’s investment decisions, supporting 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 TCFD, to manage long-term risks and promote sustainable outcomes.

For more information on our publicly available Climate Policy, please refer to 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 on our publicly available Proxy Voting Policy, please refer to our [website](#).

Our ESG scorecard

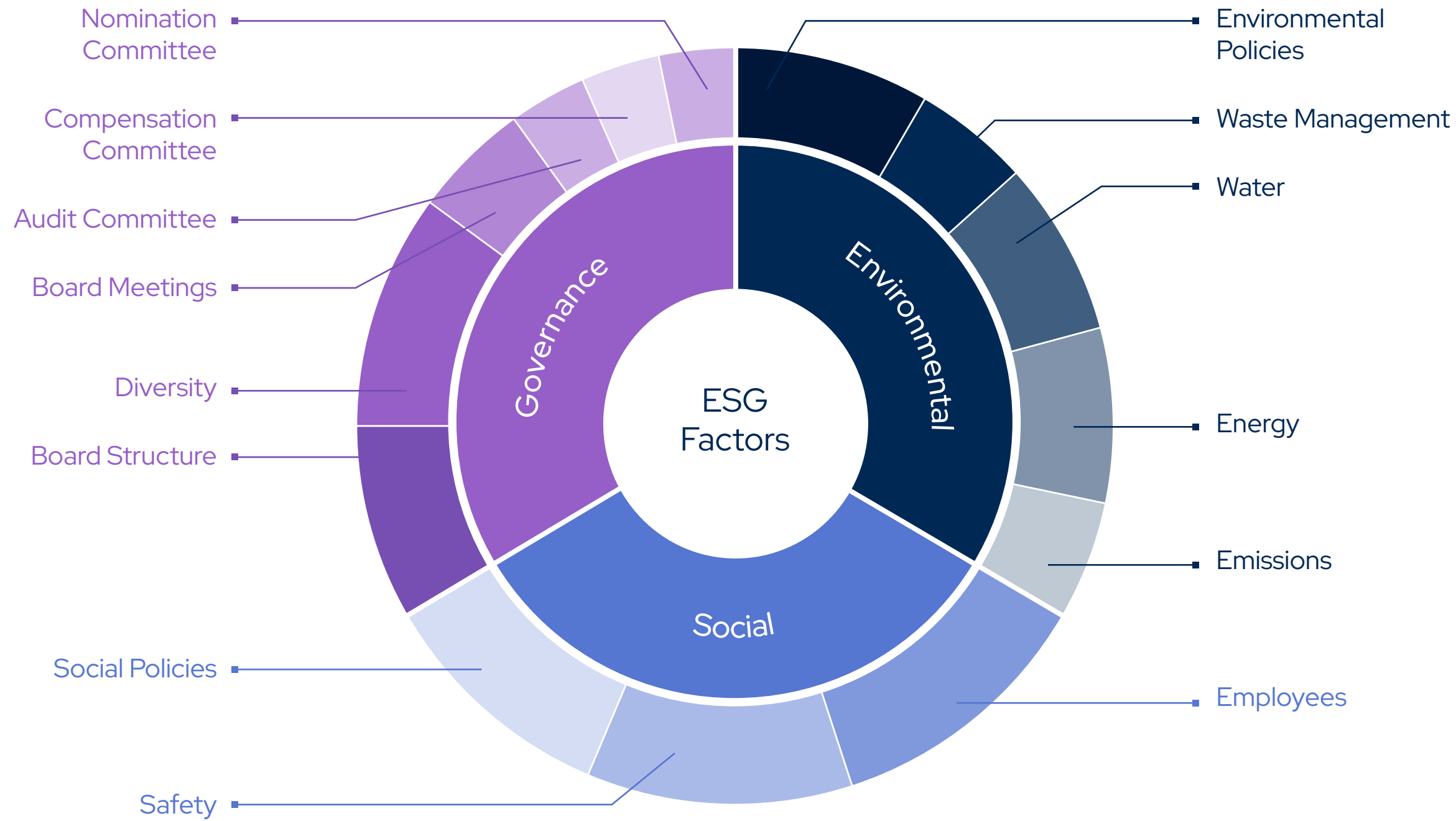
Our investment philosophy is underpinned by a systematic, data-driven, and evidence-based approach that has been tested and refined to deliver resilient outcomes over time. At the core of this approach lies a strong emphasis on risk management, as we believe that effectively identifying and mitigating risks is fundamental to preserving and growing value for our clients. Among these, ESG risks have emerged as some of the most significant long-term determinants of investment outcomes. To address this, we have developed a proprietary ESG risk analysis tool which is designed to systematically evaluate and rate companies based on both their ESG risks and opportunities.

Our ESG scorecard plays a pivotal role in this process. It extracts data from companies’ integrated annual reports and other publicly-available disclosures, translating qualitative ESG information into quantitative measures.

These measures are then reinterpreted to form a judgment on the probability of default, which is incorporated into our broader credit rating assessment for each company. This ensures that ESG factors are not assessed in isolation but embedded directly into our credit risk framework, aligning with our holistic investment philosophy.

THE KEY THEMES OF EACH ESG PILLAR THAT WE TRACK ARE REFLECTED IN FIGURE 1 BELOW:

Figure 1: Prescient Investment Management’s ESG scorecard

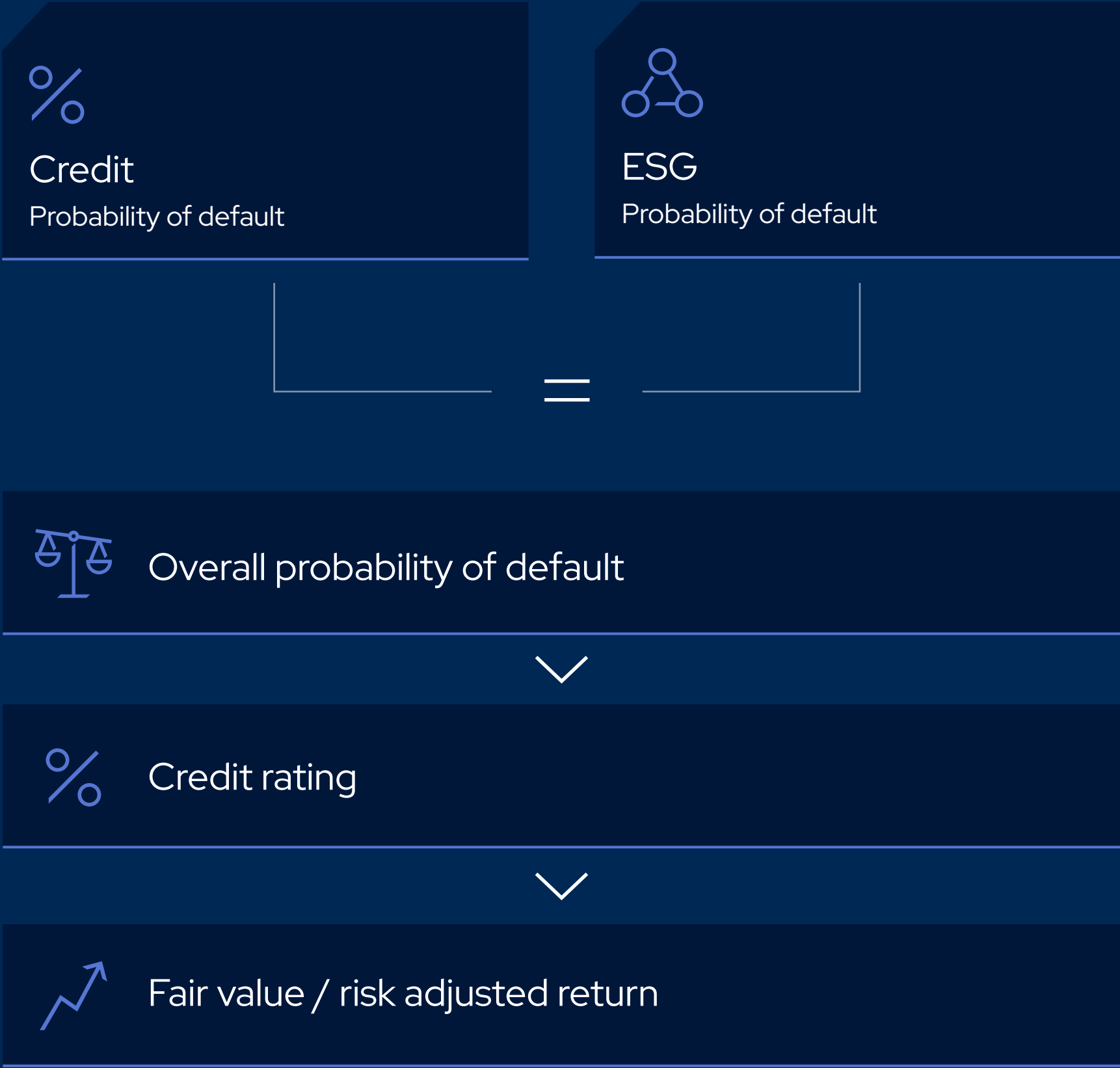


Source: Prescient Investment Management (2025)

By combining structured data analysis with company-specific insights, our ESG scorecard provides an evidence-based platform for conducting rigorous due diligence. Each company is evaluated across environmental, social, and governance dimensions, allowing us to form a balanced view of both risks and opportunities. Importantly, this process influences our determination of fair value, ensuring that ESG considerations are integrated into core investment decisions rather than treated as secondary inputs.

This approach also allows for dynamic monitoring. Because scores are derived from reported and verifiable data, we can track changes in a company’s ESG profile over time and assess how these developments may impact credit worthiness and long-term value.

In this way, our ESG risk framework not only strengthens our current investment process but also provides a forward-looking perspective, enabling us to adapt to evolving sustainability risks and opportunities.



Systematic investing creates a platform for relative assessment and an efficient investment decision-making process.

ESG SCORECARD: A COMPASS FOR CERTAINTY IN A COMPLEX WORLD

Our systematic investing approach provides a clear and consistent framework to navigate risk. At the heart of this is our ESG scorecard, a rules-based model built on 62 carefully selected factors and back-tested on first principles. This scorecard allows us to take a nuanced, sector-specific view of ESG risks and opportunities, recognising that each industry has unique material drivers.

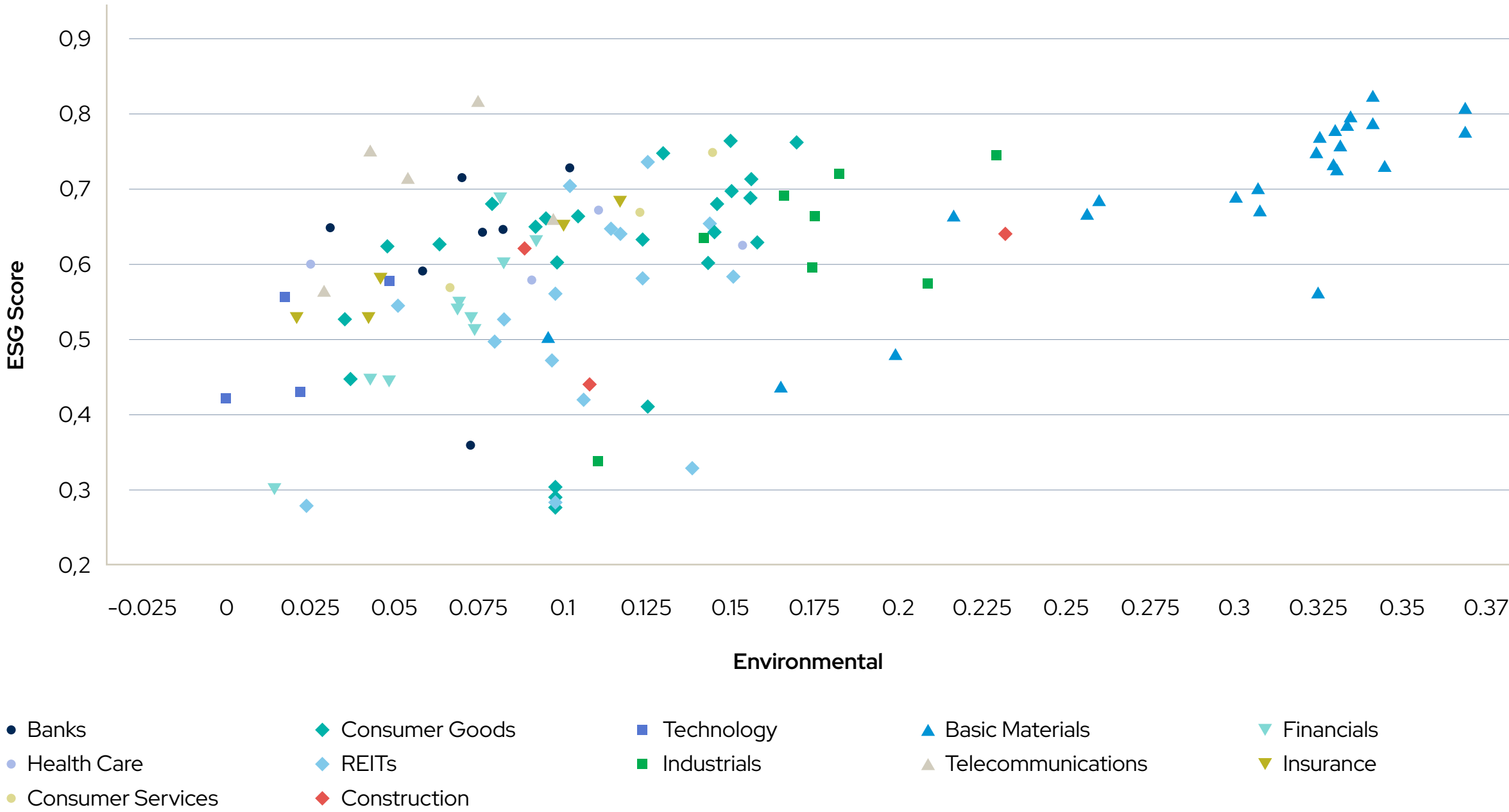
Through this approach, we are able to:

- > **Screen risk:**
Identify ESG risks and opportunities across our investment universe.
- > **Spot improvements:**
Highlight areas for engagement to drive positive change.
- > **Track progress:**
Monitor ESG score changes and trends over time.
- > **Enable comparability:**
Benchmark sectors and peers with a relative assessment.

As ESG becomes an increasingly critical driver of long-term value, our scorecard serves as a compass to cut through uncertainty and provide clarity. By combining sector-level insights with systematic analysis, we give our clients the confidence to invest responsibly and sustainably, knowing their capital is guided by a disciplined, future-focused framework.

The following three figures illustrate our ability to navigate and evaluate trends across the Environmental, Social, and Governance pillars at a sector level. A key part of our analysis lies in distinguishing leaders from laggards within each pillar and industry. It is not sufficient to simply understand sector averages. Investors need clear visibility into which companies are setting the benchmark, and which are trailing behind. Our methodology enables precise comparisons within sectors, offering a nuanced view of a company’s performance relative to its peers.

Figure 2: Environmental pillar – sector relative scores

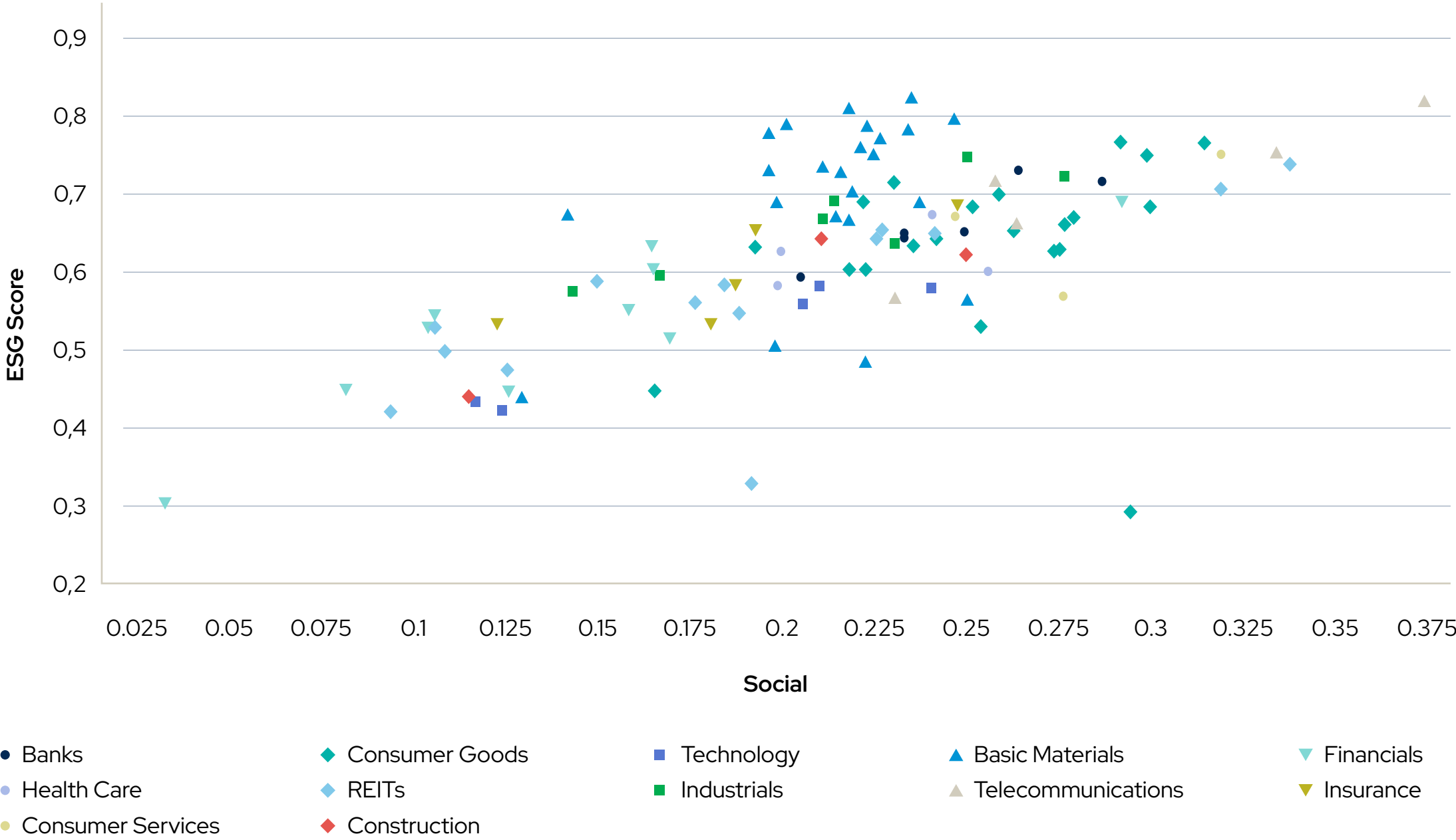


Source: Prescient Investment Management (2025)

FIGURE 2 focuses specifically on Environmental (E) scores across different sectors. Overall, there is a noticeable variation in environmental scores between sectors. For example, the REITs and Industrial sectors tend to show higher environmental scores, suggesting stronger environmental management practices or more advanced sustainability initiatives. In contrast, Banks, Insurance, and Consumer Services generally cluster towards the

lower end of the environmental scale, indicating room for improvement in addressing environmental risks and opportunities. This dispersion highlights that environmental integration remains uneven across sectors, reinforcing the need for continued engagement, targeted improvement, and monitoring within responsible investment frameworks.

Figure 3: Social pillar - sector relative scores

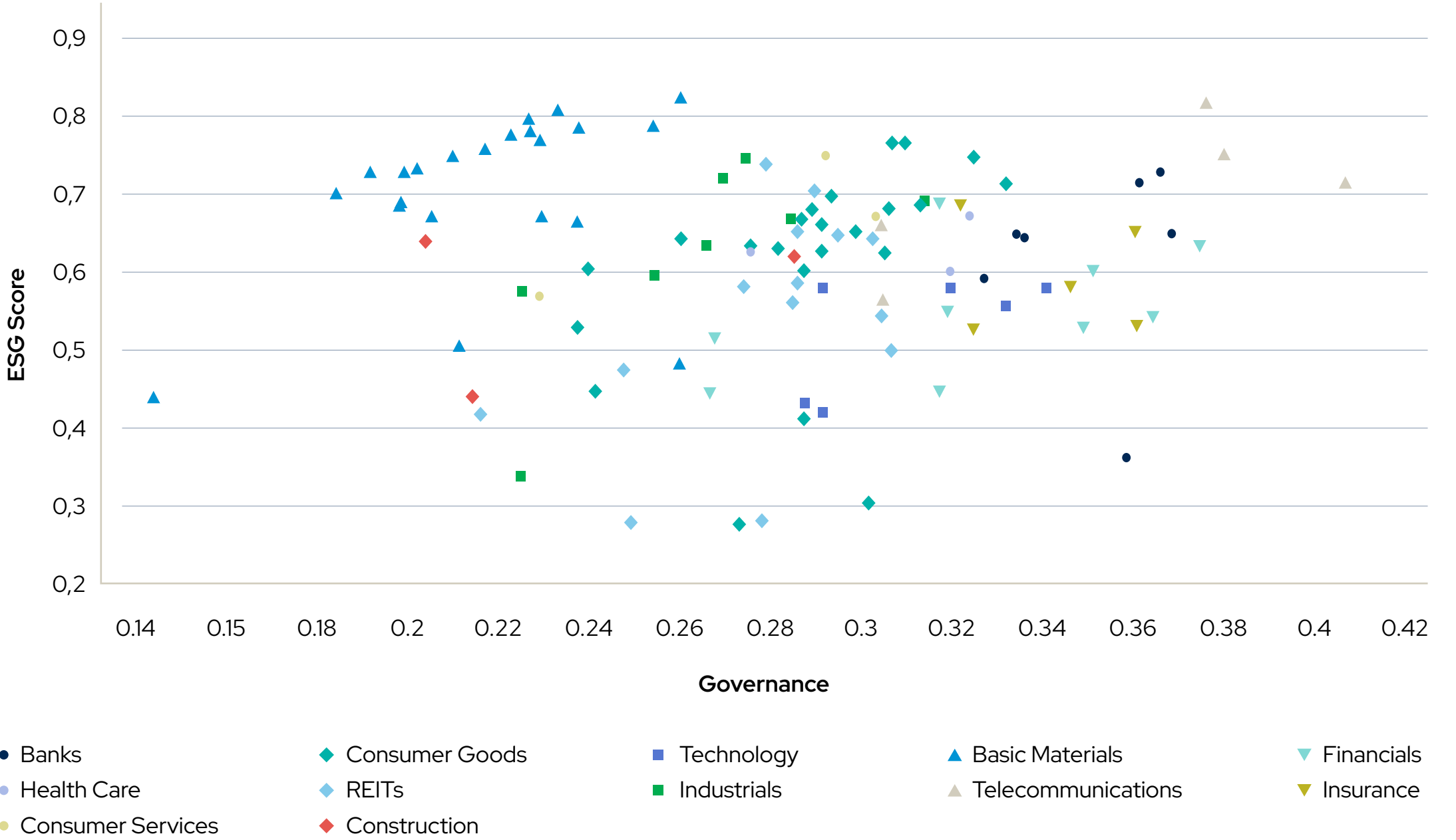


Source: Prescient Investment Management (2025)

FIGURE 3 illustrates the Social (S) pillar of ESG scores across sectors, showing how companies perform on factors such as employee welfare, diversity, community impact, and stakeholder relations, among others. The data reveals a more clustered distribution than the Environmental pillar, suggesting that most sectors demonstrate moderate and relatively consistent social performance. Notably, REITs, Industrials, and Financials display higher social scores on average, reflecting stronger practices in workforce

engagement or social governance structures. Conversely, Telecommunications and Health Care exhibit wider variability, implying uneven adoption of social responsibility initiatives. Overall, figure 3 highlights that while progress has been made, continued emphasis on inclusivity, fair labour practices, and stakeholder engagement is essential to strengthen the social pillar within sustainable investing frameworks.

Figure 4: Governance pillar - sector relative scores



Source: Prescient Investment Management (2025)

FIGURE 4 highlights the Governance (G) component of ESG performance across sectors, reflecting aspects such as board independence, diversity, and executive accountability, among others. The data indicates a stronger positive relationship between governance scores and overall ESG performance, suggesting that firms with robust governance structures tend to perform better holistically. Technology, Financials, and Basic Materials sectors show particularly strong governance alignment,

while Telecommunications and Construction display more dispersed scores, pointing to inconsistencies in governance practices. The relatively tighter clustering across most sectors suggests that governance standards are more uniformly embedded, though opportunities remain to enhance board diversity, disclosure practices, and long-term accountability frameworks to drive sustained ESG integration.

Importantly, the Prescient Investment Management ESG scorecard is not merely a risk assessment tool, it also gives the team deeper insight into a company’s fundamental drivers by analysing the components of that company’s scores within each ESG pillar.

It provides a platform for ongoing, efficient mechanisms to spot and proactively address ESG risks, uncover lucrative ESG opportunities, and identify specific areas where enhancements can be made. This information serves as a catalyst for meaningful engagement with company management, setting the stage for informed decision-making and responsible investing.

ESG data facilitates credit risk assessment

Prescient Investment Management prioritises risk management. Embedding ESG considerations into the investment process is critical to achieve favourable investment results, but it requires us to properly assess, manage and appropriately price a broader set of risks.

As long-term investors, we allocate capital to entities that demonstrate the same forward-looking mindset. Our integrated approach incorporates ESG factors directly into our credit risk assessment framework, which consistently indicates that companies with sustainable practices tend to exhibit stronger credit fundamentals and lower default risk over time. Our in-house, systematic credit risk model allows us to evaluate the default probability of over 200 issuers, both listed and unlisted, daily. We can detect credit quality deterioration almost in real-time, which enables us to re-evaluate the merits of an investment and act swiftly, if necessary. The model relies on a combination of reduced form and structural models and is guided by recognised international research to form a well-rounded assessment. Because the framework is developed internally, we have full transparency into its mechanics, from top-level outputs to the granular sub-models, ratios and inputs that highlight the drivers of any shift in credit quality.

The model’s output is further strengthened by integrating ESG factors, supporting effective risk management, opportunity discovery and long-term value creation for our clients. ESG integration represents the intentional and systematic incorporation of ESG factors into every stage of our investment and corporate decision-making processes.

The alternative to ESG integration is ESG screening, which means filtering out issuers with poor characteristics, regardless of their underlying financial position and debt servicing capability. At Prescient Investment Management, we apply ESG integration as a risk identification tool. It ensures that we take a broader and more holistic view of investments beyond traditional financial factors, by considering overall sustainability and alignment of all stakeholder interests.

As highlighted earlier (see “Our ESG Scorecard”), we assess the three main pillars of ESG based on 62 factors. Each issuer receives a composite score that incorporates an ESG component. The scorecard is entirely quantitative and systematic, translating qualitative information into objective metrics and removing the influence of human bias. Our model applies a one-, three-, and five-year perspective, allowing us to monitor the progress and effectiveness of ESG policy implementation over time. In line with our commitment to active stewardship, the outcomes of our scoring process are not used to exclude companies that fall short of our standards. Instead, they serve as the foundation for targeted, data-driven engagement with company management, facilitating informed discussions on ESG goals and implementation, analogous to the characteristics of our credit risk model.

Once issuers have been assigned ESG scores, these are incorporated into our credit assessment process by adjusting the initial credit rating to derive each issuer’s final default probability. Borrowers with a stronger ESG score than their peers are more likely to have a stable and experienced board of directors, use resources wisely, and treat employees well, leading to sustainable, less volatile financial performance.

These companies are also at a lower risk of incurring unnecessary ESG-related costs, such as environmental remediation and legal disputes. Put simply, our process enables us to deploy capital at the appropriate risk-adjusted spread, and importantly, over time, contribute to long-term change.

Engagement with investees

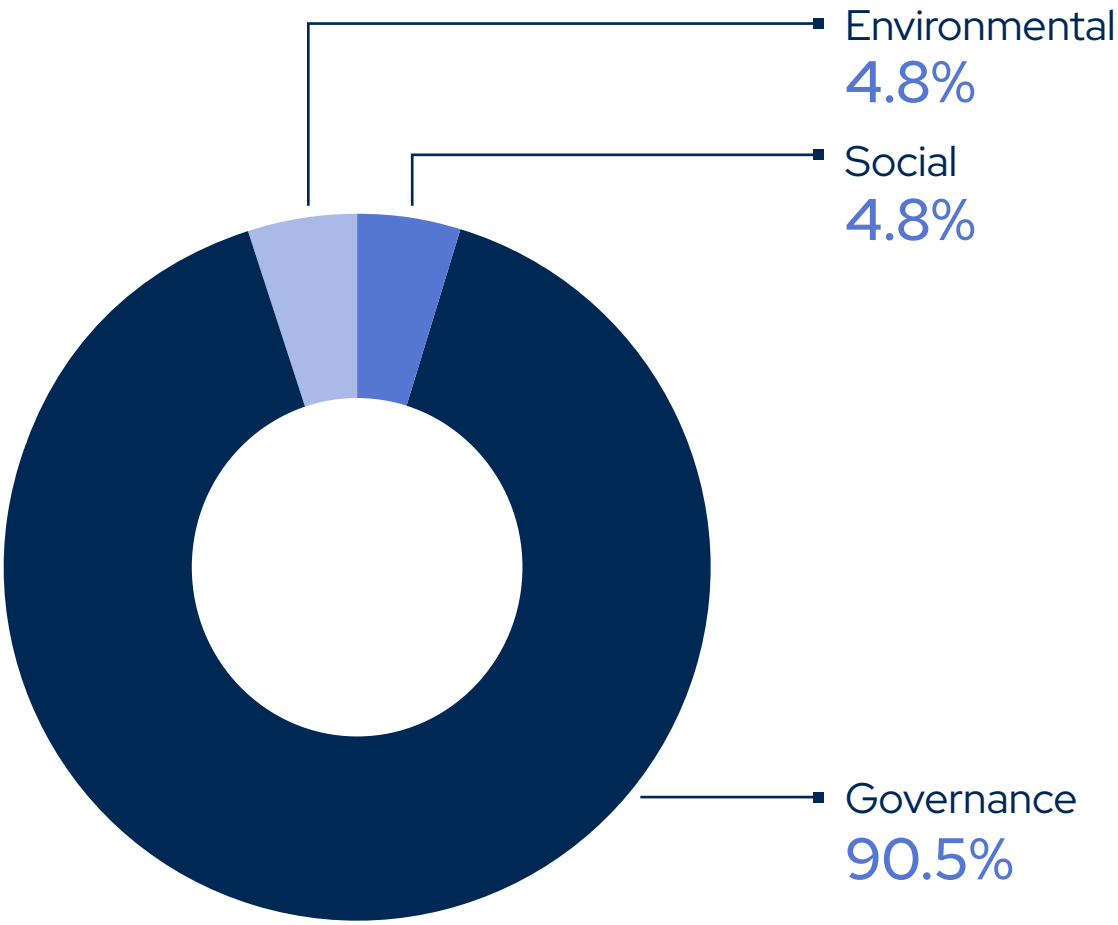
Prescient Investment Management’s Engagement Policy describes our guiding principles on engaging with investees and stakeholders on ESG matters. We have various types of engagements with investee companies, policymakers, and other stakeholders.

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



Most of our engagements with investee companies over the past year focused on governance standards.

Engagement subject breakdown



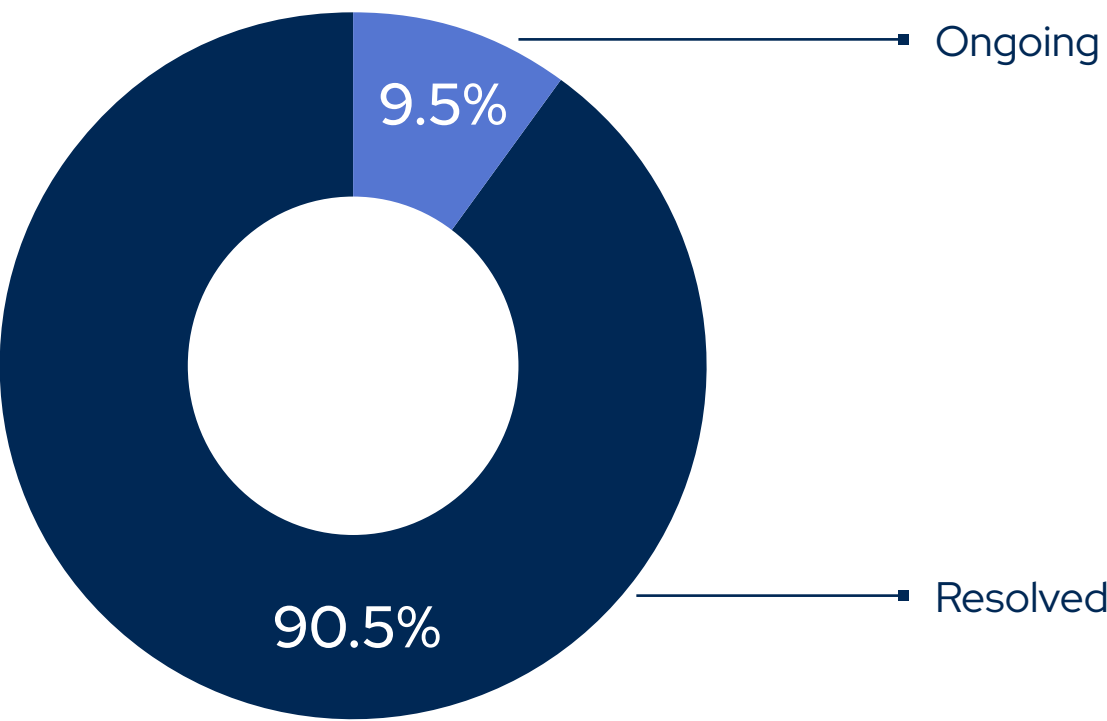
Source: Prescient Investment Management (as at 31 August 2025)



91% of the overall engagements were resolved.

Of the resolved engagements, 23.8% of the outcomes were positive and 76.2% were neutral.

Engagement Status Breakdown



Source: Prescient Investment Management (as at 31 August 2025)

Our engagement register, which is available to everyone in our company and on our website, keeps us accountable on the status of the matters 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.

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



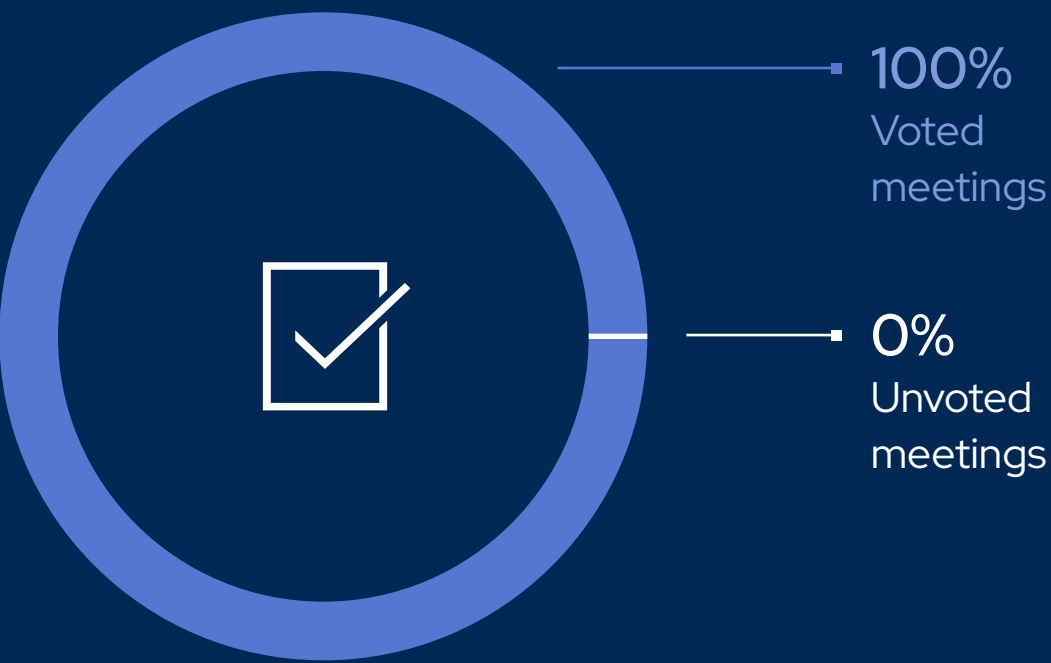
Proxy voting

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

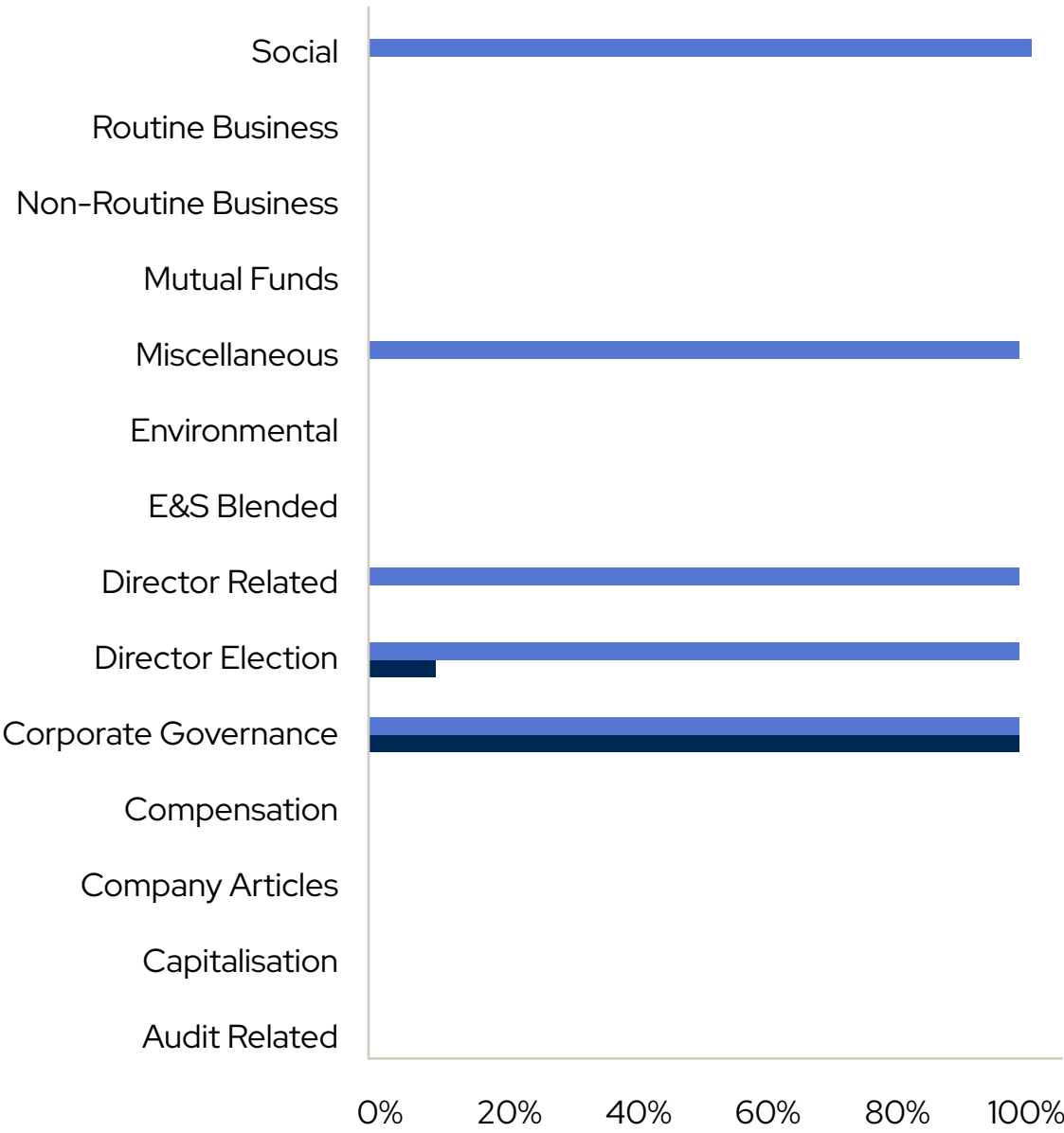


230 meetings were available to vote during the period, and we voted at all of them.

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 election, directors miscellaneous and social, with 0% of proposals supported.

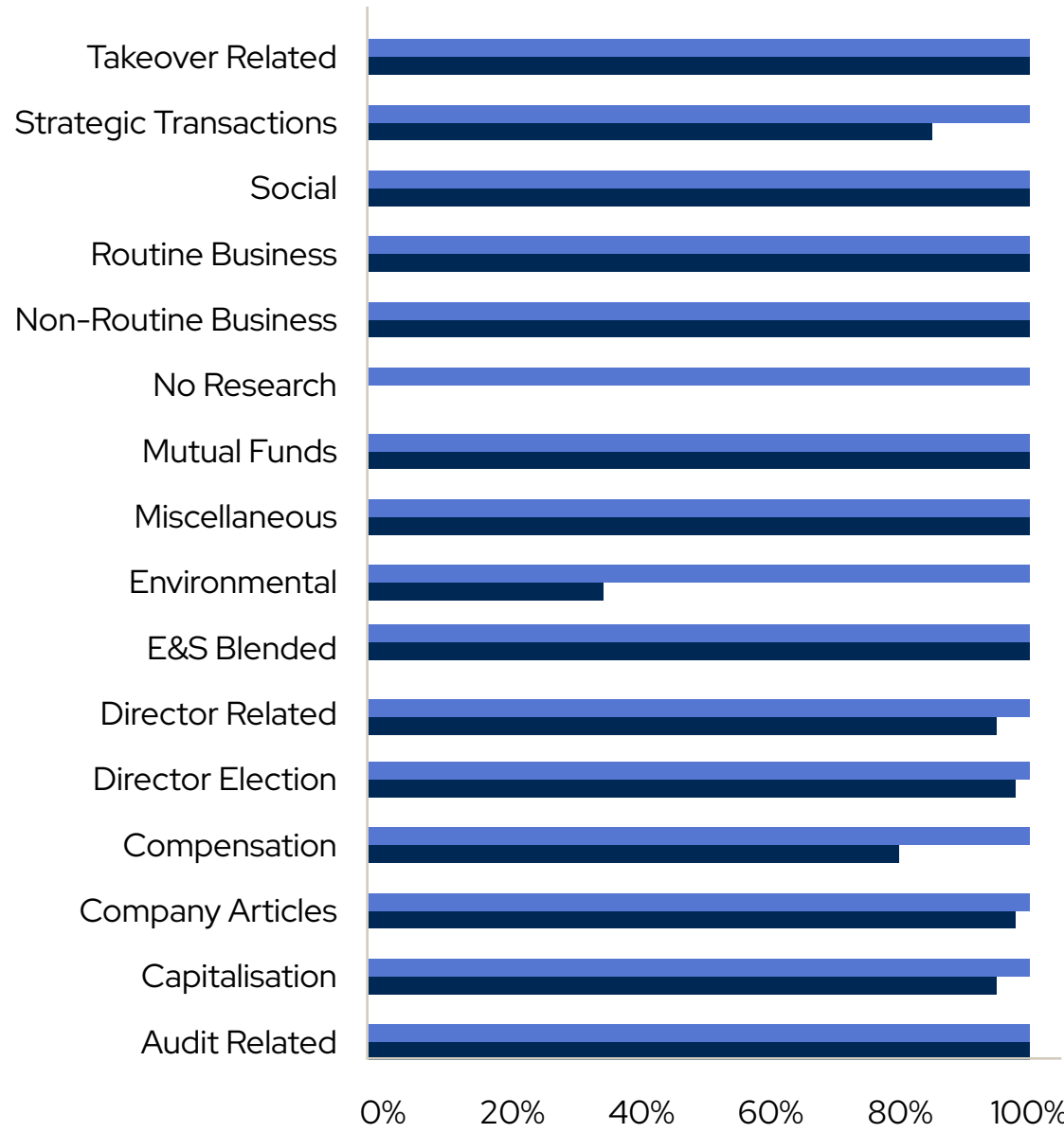
Votes cast during the reporting period were least aligned with management on environmental matters, where only 30% of votes followed management recommendations.

Votes cast on shareholder proposal categories



■ % with ISS benchmark policy
■ % with shareholder

Votes cast on management proposal categories



■ % with ISS benchmark policy
■ % with management

Sources: ISS, Prescient Investment Management (1 year to 31 August 2025)

05

Transformation in Prescient Investment Management

Prescient Investment Management recognises that progress has been made in transforming South Africa’s asset management industry, but not at the pace required to deliver real change. True leadership means taking deliberate action, even when it is challenging, and holding ourselves accountable for meaningful outcomes.

By committing to gender and racial diversity at every level of the organisation, including in our leadership and investment teams, we aim not only to strengthen our own culture but also to set an example for South Africa’s financial sector.

We believe gender equity cannot be delegated to the Human Resources department or reduced to a compliance exercise. It is a responsibility that rests with executive leadership, whose decisions on hiring, promotion and recognition shape the culture and direction of every organisation. The World Economic Forum’s Global Gender Gap Report 2025 highlights the urgency of this challenge: South Africa ranked sixth in the global gender parity index in 2006 but ranked 18th in 2024. At the current pace of progress, it will only achieve global gender parity in 123 years, well beyond the SDG target of 2030.

At Prescient Investment Management, we view diversity as a source of competitive advantage and a driver of sustainable growth. Research by McKinsey (2023) shows that companies with more than 30% of women in leadership positions are significantly more likely to outperform those with lower representation. Leadership diversity is strongly associated with broader growth ambitions, greater social impact and higher employee satisfaction. Diverse teams are proven to make better and more independent-minded decisions and develop more innovative solutions to complex challenges. Realising these benefits requires intentional action, not only to represent different perspectives but also to actively integrate them into decision-making and organisational strategy.

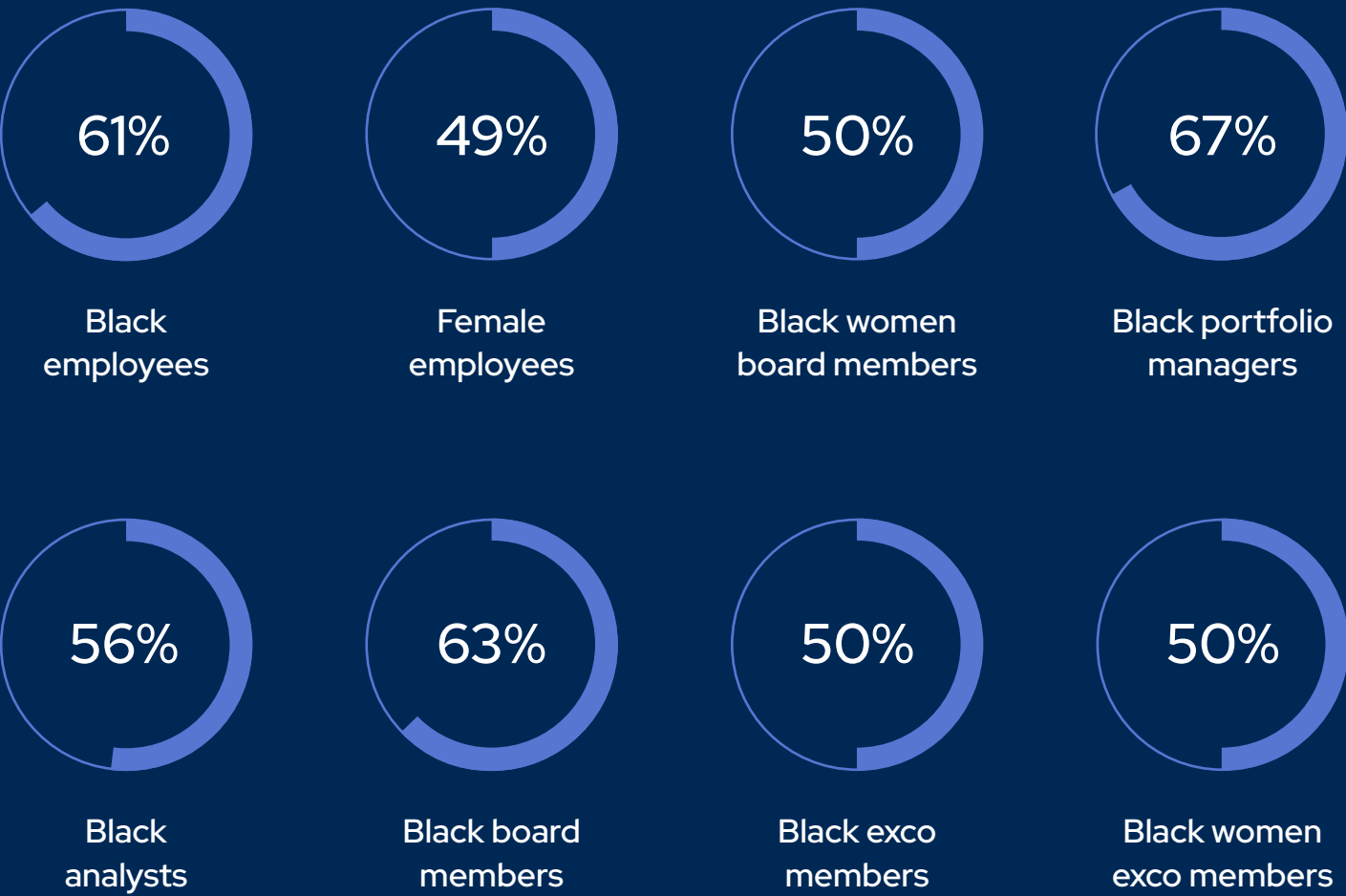


A Diverse Workforce

Black-owned level 1 B-BBEE contributor

As measured by the Financial Sector Code

Championing transformation



Gender diversity



In our own leadership journey, progress has followed intent. Today, women make up 67% of the executive committee, 50% of the board and executive leadership combined, and 42% of the investment team. Black women comprise half of both the board and executive committee. These outcomes were not the result of a single policy, but of deliberate action taken over time.

Equity was treated as a leadership priority, not a branding exercise. We tracked progress, confronted the blind spots and made decisions even when they were uncomfortable. These figures are not just milestones. They are markers of our commitment and prove that “what gets measured moves the needle”.

Source: Prescient Investment Management (as at 25 September 2025)

INTERNAL TRANSFORMATION PROGRAMME

In 2024, we launched the Prescient Investment Management Women’s Mentorship Programme as a cornerstone of our broader transformation efforts. The programme was designed to generate deep insights into the needs, preferences and expectations of women in our organisation to help us to create a mentorship experience that is both relevant and effective. By focusing on group and peer mentorship, this initiative not only supports individual growth but also aligns directly with Prescient’s transformative objectives. It is a deliberate step towards building a culture that values empowerment, collaboration and continuous development.

The mentorship programme has already begun to show meaningful results. Women are taking greater ownership of their career journeys and actively pursuing opportunities for advancement.

The programme is fostering leadership skills, encouraging the sharing of knowledge and experiences, and strengthening a community of women who are equipped to influence change in the company. In doing so, it is laying the foundation for lasting impact, in both personal growth and organisational transformation. We have seen that women are ready, the market is ready, and the world has already shifted. What is needed now is to move beyond aspiration and take decisive action to lead the transformation journey.

SHAREHOLDING STRUCTURE, INCLUDING STAFF OWNERSHIP

Prescient’s founders are still 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.

We recognise the importance of human capital in building a sustainable business. 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%.

The staff share scheme bolsters our employee value proposition, which already includes meaningful annual profit share participation by all performing staff.

Sithega Holdings (Pty) Ltd is a black-owned and black-run 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. Sithega is led by Thabo Dloti, a well-respected executive who has 25 years’ experience in asset management and insurance.

SOCIAL INVESTMENT

The Prescient Foundation, established in 2005, is a registered non-profit organisation that complies with the requirements of a Broad-Based Ownership Scheme. The Prescient Group directs its commitment to sustainable development through the Foundation. For more information, visit our [website](#).

Prescient Investment Management is committed to building a strong pipeline of future leaders through meaningful social investment. Our initiatives range from job shadowing, vacation work and graduate programmes to coding challenges and targeted sponsorships. We also partner with community organisations to support financial literacy programmes and other educational efforts that empower young people with the skills and confidence to succeed. These investments reflect our belief that transformation begins with creating opportunities, nurturing talent and contributing to the broader communities in which we operate.





ESG Frontiers: Data, AI, and Impact

Amid global uncertainty, AI-powered ESG data provides direction. It has been demonstrated that ESG integration supports better risk management and long-term performance, but the real breakthrough lies in how we generate, process and interpret data. The future of ESG will be defined not by glossy disclosures but by data pipelines, machine learning models and real-time signals that capture the sustainability pulse of companies and economies in a way that reflects real, relevant impact. The old paradigm of relying on ESG ratings by providers such as MSCI or Sustainalytics, built on opaque methodologies, has given way to DIY sustainability signals powered by raw data ingestion, cloud-scale analytics and natural language processing (NLP).

In recent years, there has been a shift towards improved transparency and adaptability. But there is also a paradox: data abundance does not always produce deeper insights. Companies continue to disclose what is easiest to measure, while the most material factors remain under-reported.

Measuring both how the world affects the firm and how the firm affects the world, and embedding this into advanced data science pipelines, can transform ESG into a predictive engine.

Larger companies in developed markets dominate ESG scores because they can produce detailed reports. Firms in emerging economies may face greater climate and social risks, yet often lack the resources to measure and disclose them.

That gap demands localisation. In South Africa, for example, unemployment, inequality and governance risks are far more material than disclosure quality. Future ESG models must recalibrate their weighting to elevate metrics such as job creation, living wage compliance, SME participation and anti-corruption enforcement. These can be fused with alternative datasets drawn from satellites, public registries and civic tech platforms to build a truer picture of sustainability performance.

The principle of double materiality can serve as the algorithmic backbone of next-generation ESG. Measuring both how the world affects the firm and how the firm affects the world, and embedding this into advanced data science pipelines, can transform ESG from a backward-looking reporting exercise into a predictive engine for resilience and impact.

THE FUTURE OF ESG DATA AND AI TOOLS

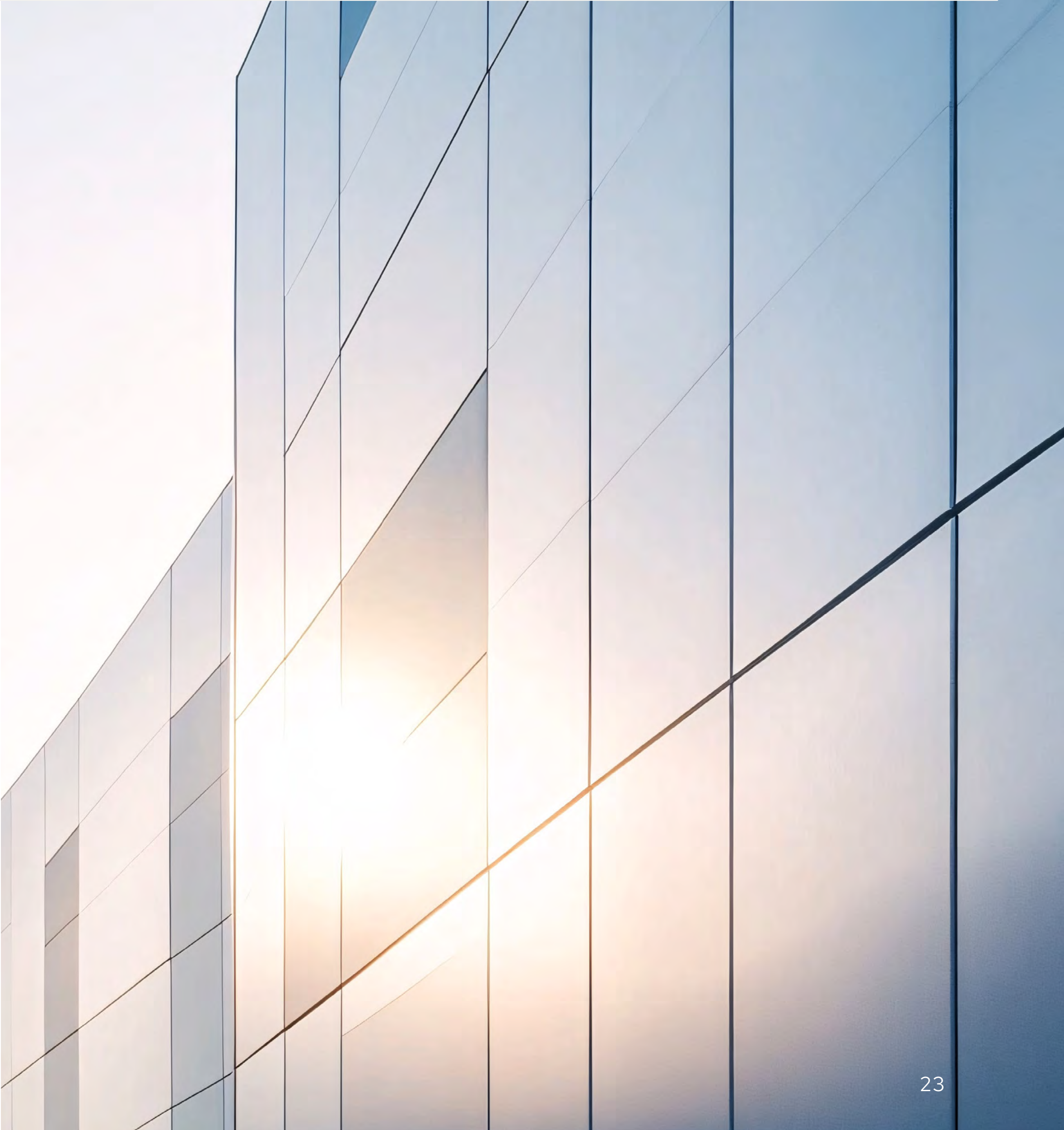
One of AI’s greatest strengths is predictive analytics. By ingesting vast amounts of information, from news feeds and satellite images to social media and supply chain records, AI can flag ESG risks before they hit headlines. This could deliver early warnings of emissions spikes, labour disputes or governance lapses. Yet the quality of predictions depends on the quality of inputs. Inconsistent, outdated or missing ESG data limits AI’s effectiveness. Generative AI also offers new possibilities. It can streamline sustainability disclosures, structure unstructured data or cross-validate claims to detect greenwashing. At the same time, there is a risk that it will amplify what is easiest to disclose rather than what is most material. The challenge is to ensure that these tools reward genuine performance, not just polished presentation.

Another frontier is real-time ESG ratings. Instead of annual reports and static scores, ratings could update dynamically as new data streams in from sensors, regulatory filings or media sources. The advantage is speed, as risks could be spotted sooner. The risks are opacity and bias: who decides the weightings, who audits the algorithms, and how do we prevent firms in data-scarce regions from being penalised? AI systems might replicate existing inequalities, with larger firms benefiting from richer disclosures while emerging markets risk being scored unfairly. The opportunity lies in building ESG tools that integrate local materiality, such as unemployment, water scarcity or governance instability in South Africa, so that ratings avoid bias and instead become powerful drivers of resilience and positive change.

We have already seen how AI can be applied successfully in a finance context. For example, we developed an NLP tool that analyses every US Federal Reserve speech in real time. It classifies their tones as dovish, hawkish or neutral, and identifies themes such as inflation, growth or financial stability. By linking language to market reactions, we observed consistent patterns: hawkish signals tend to precede rising rates, while dovish tones foreshadow easing. The value of this approach is clearest during moments of stress. Before the 2008 crisis, our models detected growing negative sentiment toward financials well before markets reacted. By early 2009, as sentiment shifted toward cautious optimism, our models flagged the recovery. During COVID-19, when banks were not at the epicentre, the Fed’s neutral to positive tone helped us to stay invested where it mattered most.

In a volatile and uncertain world, the future of ESG lies in becoming a real-time compass, powered by authentic data, sharpened by localisation and designed to guide sustainable progress.

By ingesting vast amounts of information, from news feeds and satellite images to social media and supply chain records, AI can flag ESG risks before they hit headlines.



Navigating the new frontier: why ESG is core to South Africa's investment future

In an era defined by climate urgency and social imperatives, ESG investing has evolved from a niche interest into a core component of modern finance. For South Africa, a nation grappling with a unique blend of developmental challenges and environmental risks, ESG is not just a global trend, it’s a critical framework for building a resilient and equitable economy.

THE DEFINING THEMES OF ESG IN SOUTH AFRICA

ESG investing in South Africa is shaped by a powerful mix of environmental urgency, social development needs, and governance reform. Key environmental priorities include not just generating sustainable energy but also strengthening the transmission infrastructure to deliver it. Water scarcity is another major focus, and is rapidly becoming a critical national risk that demands immediate and innovative solutions.

Beyond environmental concerns, there is a pressing need to improve logistics, transport, healthcare, education, and digital connectivity, particularly for under-served communities. These areas represent significant opportunities for investors to generate both financial returns and measurable social impact.

A strengthening regulatory landscape is accelerating this shift. The JSE’s enhanced ESG disclosure requirements and the introduction of a Green Finance Taxonomy have pushed companies towards greater transparency. Simultaneously, legislation like the Climate Change Bill and the Just Energy Transition Investment Plan (JET-IP) are creating pathways for private-sector investment in

renewable energy, ensuring the move away from coal is both fair and economically sound.

However, an emerging challenge is the rise of ESG scepticism. The global narrative, particularly the “Trump effect”, has depicted ESG as a cost burden or ideological agenda. Prescient Investment Management actively challenges this by demonstrating how ESG is a core component of risk management and long-term value creation. It’s not about sacrificing returns, it’s about enhancing resilience and identifying opportunity.

HOW RETAIL INVESTORS CAN PARTICIPATE IN A SUSTAINABLE FUTURE

For South African retail investors, ESG investing is increasingly a regulatory expectation. Regulation 28 of the Pension Funds Act, for instance, now requires that retirement funds consider ESG factors and other non-financial risks in their investment processes. This means that, for any Regulation 28-compliant fund, embedding qualitative risk analysis is no longer optional.

Even outside retirement funds, incorporating ESG considerations is simply good investment practice. A growing body of research shows that companies that take ESG seriously tend to outperform over the long term, particularly in terms of risk-adjusted returns and resilience to market shocks.

Local investors can gain exposure to global ESG leaders through several accessible channels:

- > **Global ESG-focused unit trusts:** Many South African asset managers offer feeder funds that invest in global companies meeting specific ESG criteria.

- > **Exchange-Traded Funds (ETFs):** ETFs listed on the JSE track global ESG indices, offering a cost-effective way to gain diversified exposure to themes like clean energy or water conservation.
- > **Direct offshore investments:** Since regulations have relaxed, local investment platforms have been able to provide access to a wide range of global ESG funds and ETFs listed on international exchanges.

A growing body of research shows that companies that take ESG seriously tend to outperform over the long term, particularly in terms of risk-adjusted returns and resilience to market shocks.

TRENDS SHAPING THE NEXT 18 MONTHS

Looking ahead, several key trends are set to define the ESG landscape:

1. **Climate and resource preservation:** The focus will expand beyond carbon metrics to include nature positive outcomes and the resilience of ecosystems.
2. **Data and AI:** While inconsistent data remains a challenge, the use of advanced analytics and AI is accelerating, enabling more granular and forward-looking risk assessments.
3. **The Just Energy Transition:** In South Africa, ensuring the shift to renewables creates jobs and promotes equitable energy access will remain a central theme.

4. **Navigating global pushback:** As ESG faces political scrutiny in some markets, clear, evidence-based communication will be essential to position it as a tool for value creation, not ideology.
5. **Regulatory convergence:** A global shift from voluntary to mandatory ESG reporting is under way, driving greater consistency and comparability for investors.

BALANCING RISK, RETURN, AND IMPACT

While the opportunities are compelling, risks remain. The quality and timeliness of ESG data can be inconsistent, and the regulatory landscape, though improving, remains fragmented. Investors must also remain vigilant of greenwashing and superficial, compliance-driven approaches that lack genuine impact.

What kind of returns can investors expect? The profile varies by asset class. ESG-aligned debt instruments, for example, are attractive for their low volatility and stable cash flows, while infrastructure debt funds often target returns in the range of CPI + 4.5% to 6%.

Ultimately, ESG should be integrated in all asset classes as a core component of portfolio construction, not treated as a satellite allocation. By embedding sustainability principles into their strategies, investors can build resilient portfolios that not only generate compelling risk-adjusted returns but also align capital with long-term structural themes like climate resilience, inclusive growth, and responsible innovation. At its core, modern ESG investing is about aligning purpose with performance.

The Anti-ESG backlash - understanding the criticism

As ESG has moved from the margins to the mainstream, it has inevitably attracted significant criticism and backlash. Understanding these criticisms is essential for investors and companies seeking to navigate the current landscape effectively.

The anti-ESG movement has gained momentum due to several factors, highlighted in the 2024 Report by the University of the Built Environment, in the piece entitled “The criticism of ESG: why is it becoming controversial?”:

- > **Greenwashing Concerns:** One of the most significant criticisms is that ESG has become a vehicle for corporate greenwashing rather than genuine change. Critics argue that companies adopt ESG initiatives primarily for public relations benefits while treating sustainability as secondary to their real priorities. This skepticism has grown as studies show that 74% of institutional investors do not trust businesses to achieve their ESG commitments.
- > **Complexity and Standardisation Issues:** The lack of standardised ESG measurement systems has created confusion and skepticism. With agencies like Bloomberg and Dow Jones offering different rating systems that can produce significantly varying results for the same company, critics question the validity and reliability of ESG assessments.
- > **Performance Skepticism:** Some studies have questioned whether ESG initiatives deliver meaningful financial returns, with critics pointing to research suggesting that high sustainability funds have not consistently outperformed traditional investments.

Additionally, as noted by Clifford Chance (2025), political and ideological opposition has emerged. Summarily, the politicisation of ESG has intensified, particularly in the United States, where some view ESG as imposing values that conflict with traditional business priorities. This has led to legislative pushback in several U.S. states and federal policy shifts.

THE EVIDENCE: WHY ESG REMAINS CRITICAL

Despite the backlash, substantial research continues to demonstrate the importance of ESG considerations, regardless of terminology:

A comprehensive meta-analysis by NYU Stern found that 58% of studies showed a positive relationship between ESG performance and financial returns, while only 8% demonstrated a negative association. This relationship exists for several empirically supported reasons that align with our investment philosophy at Prescient Investment Management:

- > **Risk Mitigation:** Companies with robust ESG frameworks are better equipped to identify and respond to emerging risks, whether regulatory, reputational, environmental, or social. This reduces the likelihood of costly fines, lawsuits, or operational disruptions.
- > **Operational Efficiency:** ESG initiatives often drive operational improvements. Companies focusing on resource efficiency, waste reduction, and renewable energy sourcing frequently achieve lower operational costs and improved margins.
- > **Capital Access and Cost Advantages:** As sustainable investing becomes mainstream, ESG leaders enjoy greater access to capital at more favourable terms.

Despite recent market volatility, global sustainable fund assets reached \$3.5 trillion in the second quarter of 2025, with 85% of these assets based in Europe according to Morningstar data. While flows have moderated from peak levels, sustainable funds attracted \$54.7 billion in inflows during 2024, demonstrating continued institutional commitment to ESG integration. This sustained capital allocation reflects the growing recognition that ESG factors are material to long-term investment performance.

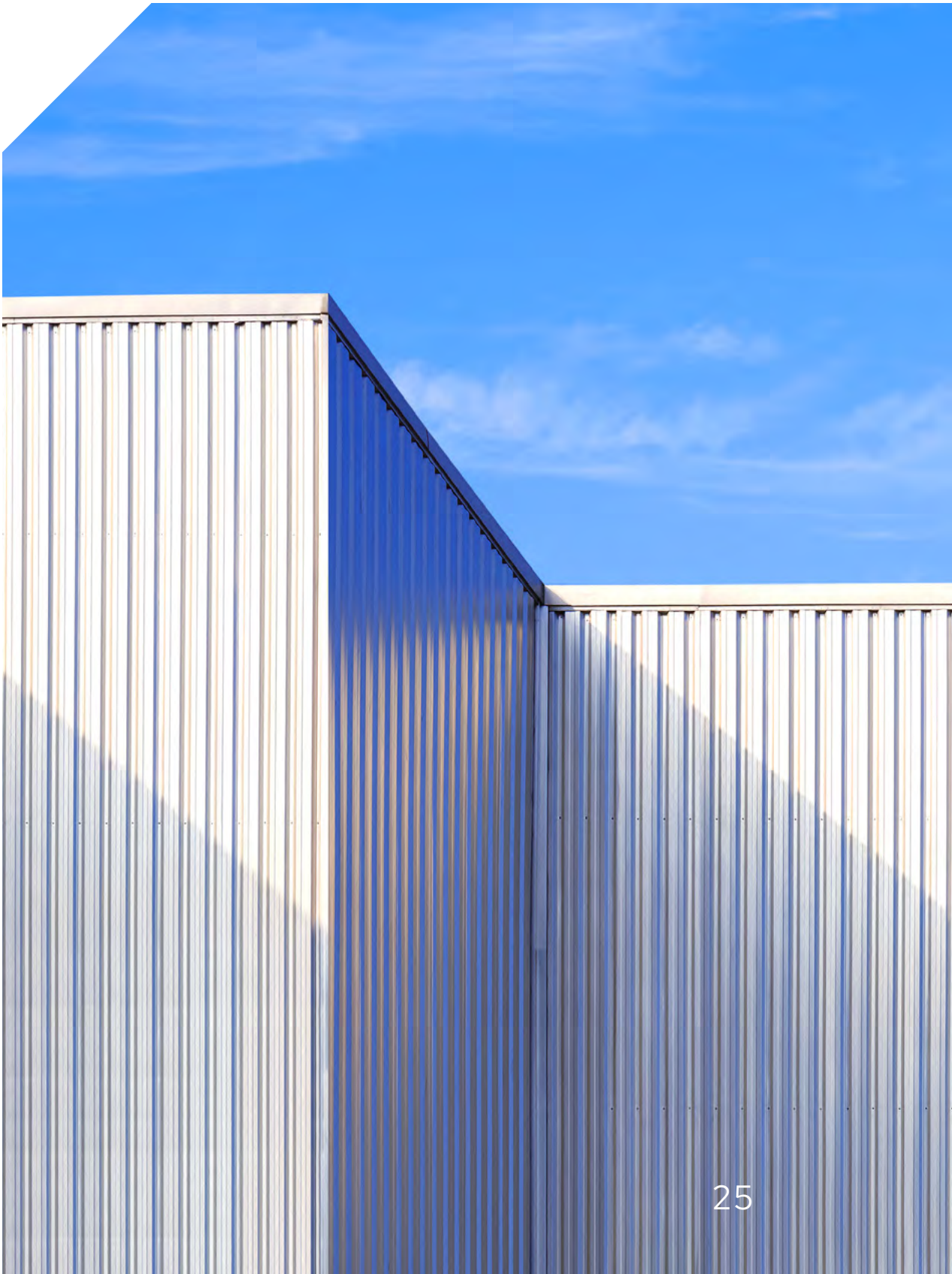
REAL-WORLD PERFORMANCE DURING CRISES

The COVID-19 pandemic provided a natural experiment demonstrating ESG’s value. Companies with strong ESG performance proved more resilient during the crisis, having already built frameworks to manage disruption and maintain stakeholder trust. This resilience translated into better financial performance during a period of unprecedented uncertainty.

Research published in Nature Scientific Reports (2024) found that companies with good ESG performance demonstrated greater resilience during COVID-19, with the mechanism test indicating that ESG factors enhanced firms' ability to manage systemic crisis impacts.

A comprehensive study by Broadstock et al. (2021), cited over 1,700 times, demonstrated that ESG performance lowers financial risk during crises, with high-ESG portfolios generally outperforming low-ESG portfolios. Similarly, research by Yoo et al. (2021) found that during the pandemic, increases in ESG scores, particularly environmental components, were associated with higher returns and lower volatility.

These findings align with our experience at Prescient Investment Management, where our systematic approach to ESG integration has consistently demonstrated its value during periods of market stress. Companies with strong ESG frameworks had already built systems to manage disruption and maintain stakeholder trust, translating into superior financial performance during unprecedented uncertainty.





Credit events and corporate defaults:
lessons in transparency and resilience

In the world of credit investing, we are trained to expect the unexpected. Defaults, restructures, and credit events are inherent risks in managing fixed income portfolios – particularly in the private debt and unlisted space, where transparency and liquidity are not always guaranteed. As a team, we have had the opportunity to navigate a number of these complex situations. Each one has brought valuable lessons, reinforced core principles, and tested the strength of our processes, people, and partnerships.

One of the most important insights I have gained – and one I believe cannot be emphasised enough – is this: transparency with investors is not optional. It is essential. Credit events are not only technical occurrences in a portfolio – they are also perception events. The way they are communicated, handled, and interpreted often shapes investor trust more than the event itself.

THE POWER OF PROACTIVE COMMUNICATION

No investor appreciates being caught off guard. But when we are honest and timely with communication – when we walk our clients through what has happened and how we are responding – they are far more understanding. They have committed to our long-term strategy and mandate, and they recognise that risk is part of the journey. What they rightly expect is that we remain vigilant, responsive, and transparent when risks materialise.

Even the most robust credit process cannot eliminate all risk – but honest, consistent communication can help us to maintain investor confidence when navigating periods of uncertainty.

In our experience, investors value knowing that we are already engaging, already modelling outcomes, and already defending their capital. Silence, on the other hand, breeds concern. Even the most robust credit process cannot eliminate all risk – but honest, consistent communication can help us to maintain investor confidence when navigating periods of uncertainty.

DEFAULTS: A SYMPTOM, NOT THE DISEASE

A credit default – when a borrower fails to meet its debt obligations – is more than a missed payment. It is often a symptom of deeper stress: an unsustainable capital structure, underperforming revenues, poor governance, or simply external pressures beyond management’s control. As fiduciary asset managers, our responsibility is not just to react but to anticipate, to ask difficult questions early, and to continually weigh risks against potential returns.

When defaults do occur, we are reminded that credit investing requires a balance of analysis and judgement. No model can perfectly forecast future outcomes, but strong due diligence, protective covenants, and rigorous monitoring give us the best possible footing.

RESTRUCTURE OR LIQUIDATE?
KNOWING WHEN TO PIVOT

One of the most difficult decisions we face is whether to restructure or liquidate a borrower. A successful restructure can preserve value and continuity, but it must be grounded in realism and aligned stakeholder support. Most importantly, the borrower must have a credible path back to cash generation.

Conversely, there are times when liquidation is the more prudent path – particularly where the business model has eroded or recovery would demand ongoing capital and uncertainty. Making this decision requires dispassionate assessment and sometimes a willingness to walk away.

This is also where a strong, objective team becomes invaluable. When a transactor is immersed in the complexities of a workout, the broader team (or Investment Committee) can provide distance, challenge assumptions, and help ensure our decisions are not driven by emotion or sunk costs.

In the relationship-driven world of credit, longstanding partnerships are the norm. But while trust is important, it must never replace verification. We cannot afford to take numbers or narratives at face value. Our duty is to scrutinise the data, stress-test assumptions, and ensure our decision making is rooted in facts – not familiarity. Scepticism is not a sign of cynicism – it is a safeguard, and it’s critical to long-term success.

CREDIT 101: ALWAYS FOLLOW THE CASH

At the heart of every credit decision lies a single truth: cash is king. A business might survive reputational damage or strategic missteps, but without cash flow, it will not survive for long. Our first assessment in any distressed scenario is simple: can this business generate (or eventually generate) sustainable cash flows?

If not, then any restructure becomes a delay rather than a solution. We need to be honest, both with ourselves and with our investors, about what’s feasible. Complex structures or optimistic forecasts cannot replace the simplicity and necessity of positive cash generation.

Complex structures or optimistic forecasts cannot replace the simplicity and necessity of positive cash generation.

A BRIGHT OUTLOOK FOR PRIVATE CREDIT

Credit events test more than our financial models – they test our resilience, discipline, and integrity. At Prescient Investment Management, we approach each event with clarity, candour, and the belief that even difficult circumstances offer an opportunity to refine our thinking, strengthen our process, and reaffirm our fiduciary duty.

Despite the occasional credit event or default, the private debt market continues to prove its strength and value. For income-focused investors, private credit remains a compelling option. It offers access to a diversified range of borrowers, attractive yield premiums over traditional fixed income, and lower volatility, particularly in a world where listed markets can be reactive and sentiment-driven. The ability to negotiate deal terms directly, including covenants and collateral, allows investors to actively manage downside risk while participating in long-term value creation.

Private debt also tends to be less correlated with public market movements, which supports its role as a stabilising force in multi-asset portfolios. In fact, the disciplined underwriting, rigorous due diligence, and strong risk frameworks that underpin this asset class are part of what make it so resilient. Rather than discouraging participation, credit events can reaffirm the value of experience, structure, and active engagement in delivering reliable income and capital preservation through market cycles.

Ultimately, our response to adversity matters more than the adversity itself. When we respond with transparency, accountability, and sound judgement, we don’t just protect portfolios – we earn enduring trust.



Tariff shock: sustainability strategies in the crosshairs

For most of the past decade, environmental, social and governance (ESG) analysis was treated as a slow burn, almost inevitable evolution of capital markets. Today, ESG finds itself increasingly caught in the crossfire of global politics and trade tensions.

The past year has been a time of reckoning for sustainability-minded investors and businesses. New data from The Conference Board shows that 80% of corporations are recalibrating their ESG strategies, not because the fundamentals have changed, but because the political and regulatory headwinds have grown stronger. In particular, tariffs, which were once purely economic instruments, are now reshaping how and where sustainability efforts can take root.

South Africa has long taken a measured—some would say pragmatic—approach to integrating sustainability factors, yet recent events prove we are not insulated from international pressures. The recent US tariff levied on South African exports has reminded us that global trade decisions have very real consequences locally, especially when they clash with long-term sustainability goals.

ESG is not a fad. Nor is it a marketing exercise, or a nice-to-have. It is fundamentally a non-financial risk management tool that must be systematically incorporated into investment processes. While the terminology may evolve (and some companies are even dropping the term "ESG" in response to the political backlash), the discipline behind it is here to stay.

TRADE POLICY DISRUPTS SUSTAINABILITY

According to The Conference Board’s¹ survey of 125 large US and multinational companies, two-thirds believe new trade measures (tariffs) “will hinder progress on achieving sustainability goals”. Nearly half expect it to “delay sustainable investments in sustainable operations.” In addition, 52% of respondents report “reworking their sustainability messaging, including moving away from the term ESG”, while maintaining the substance behind it.

ESG continues to be highly politicised. It is framed in some regions as a cost burden or ideological agenda. For us, this distracts from its original and enduring purpose: identifying long-term risks and opportunities that do not appear on traditional balance sheets. But that raises a deeper, more important question: is ESG actually to blame here? Or is it something else—like policy decisions—getting in the way of progress?

Sustainability can quickly fall down the list of priorities, not because ESG is no longer working, but because the broader operating environment is working against it.

Let’s take a closer look. Trade policy, especially in the form of tariffs, is making it more expensive to pursue sustainable outcomes. For example, when clean energy components (e.g. solar panels or electric vehicle batteries) are subjected to tariffs, their costs rise. That, in turn, slows down corporate decarbonisation initiatives, not because companies no longer care about climate goals, but because the commercial reality has shifted. In emerging markets like

South Africa, which are already balancing decarbonisation with urgent developmental priorities, these disruptions cut especially deep.

Many companies have spent years building supply chains that are not only cost-efficient, but also ethical, transparent, and carbon-conscious. Tariffs can throw those carefully built systems into disarray. Suddenly, organisations are forced to restructure global operations under time pressure and cost strain. In that scramble, sustainability can quickly fall down the list of priorities, not because ESG is no longer working, but because the broader operating environment is working against it.

ESG is not a trend or a label. It is, at its core, a risk management lens—one that helps identify material, long-term risks and opportunities that are absent from traditional financial models. Whether it’s climate exposure, labour conditions, or supply chain fragility, these factors can carry real financial consequences if ignored.

Yes, the ESG label has become politically-charged in certain markets. And yes, businesses are feeling the heat. But effective ESG integration does not depend on what it is called, it depends on what it does. What ESG continues to do, when applied correctly and rigorously, is drive more resilient decision-making. That means continuing to push the ESG agenda forward, even when it’s difficult—especially when it’s difficult.

THE FUTURE OF ESG

Even in today’s constrained global environment, ESG has a future. Many South African businesses are pivoting towards regional integration under the African Continental Free Trade Area (AfCFTA), as noted by Minister Parks Tau in

his National Assembly address, as a strategic response to global trade uncertainties. This shift strengthens resilience to tariff shocks and may reinforce ESG goals by shortening supply chains, reducing emissions, and supporting local economies.

Investors are increasingly moving beyond ESG checklists, guided by frameworks like double materiality, SASB standards, SFDR, and South Africa’s Regulation 28. These developments reflect a more nuanced approach, one that values ESG not only for its societal or environmental impact, but also for its relevance to financial performance and long-term risk management.

In private markets, especially infrastructure and clean energy, ESG-aligned investment opportunities are growing.

But these are not easy wins. They require long-term commitment, patience, and an appreciation of both risk and impact. Liquidity trade-offs must be managed carefully. Capital must be allocated with foresight. Above all, communication must be honest: about the complexities of doing ESG properly in a world that often demands speed over substance.

The intersection of trade policy and ESG is becoming increasingly complex. But that is no reason to retreat. When it is pursued correctly, sustainability is not a burden, but a strategy for resilience. Even when the road gets rough, staying the course matters. Ultimately, the greater risk lies not in doing too much, but in doing too little, too late.

¹<https://www.conference-board.org/press/sustainability-under-scrutiny-2025>

The impact of ESG on South African corporate bond yields: a study

At Prescient Investment Management, risk management is a core priority, and through ESG integration, we seek to enhance this process in ways that support long-term performance objectives. Evaluating the effectiveness of our ESG scorecard is central to our philosophy of applying a systematic, data-driven, and evidence-based approach, which is continuously tested and refined to deliver resilient outcomes over time. Exploring ESG interactions in the South African listed bond market embodies this philosophy, particularly when aided by machine learning techniques that enable deeper, data-rich insights.

We investigated the relationship between current log yield spreads and local ESG score components for 2024. The primary objective was to assess whether ESG scores correlate with creditworthiness, and whether stronger ESG performance translates into lower bond yields, which is a relationship that is often observed in more developed markets.

ESG scores are derived from environmental, social, and governance indicators, adjusted for sector relevance and company size, and updated annually. Bond data is sourced from the JSE Mark-to-Market file, with spreads calculated for both floating and converted fixed-rate bonds. Credit ratings are internally generated using a composite approach that blends the Altman Z-Score, Kealhofer, McQuown, and Vasicek (KMV) Model, and an internal Credit Model.

A correlation matrix was constructed to evaluate the relationships between yield spreads, credit ratings, and ESG scores, along with their components.

Figure 5: Correlation matrix

Yield Spreads	1	-0.02	-0.01	0.13	0.16	0.22
Credit Rating	-0.02	1	0.21	-0.24	-0.13	-0.12
Environmental	-0.01	0.21	1	-0.22	-0.76	-0.03
Social	0.13	-0.24	-0.22	1	0.29	0.85
Governance	0.16	-0.13	-0.76	0.29	1	0.42
ESG	0.22	-0.12	-0.03	0.85	0.42	1
	Yield Spreads	Credit Rating	Environmental	Social	Governance	ESG

Sources: JSE, MTN, Bloomberg (2025)

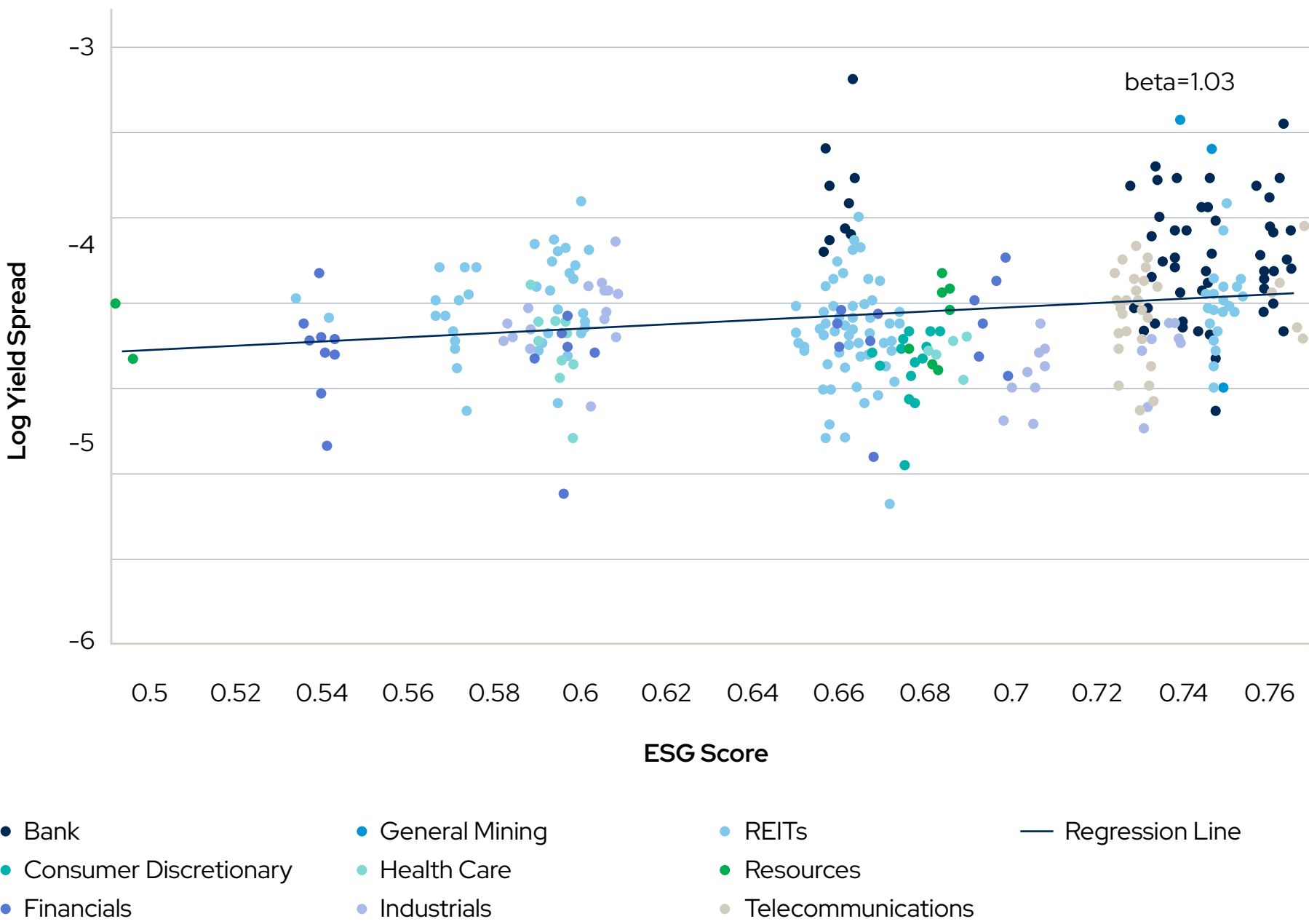
The strongest relationships are observed among the individual ESG components, where the Social and Governance pillars exhibit the highest correlations with the overall ESG score. This implies that companies excelling in social responsibility and governance practices tend to achieve higher overall ESG ratings. In contrast, the Environmental component displays minimal correlation, suggesting that local issuers may currently place greater emphasis on social and governance dimensions.

This outcome can be attributed partly to stringent governance standards already required for listed issuers on the JSE, as well as the growing prioritisation of labour rights and employee well-being. These are areas where South Africa maintains a comparatively strong regulatory focus.



To further explore these relationships, we conducted regressions of the natural logarithm of yield spreads against annual ESG scores. Figures 6 and 7 depict the results, with data points colour-coded based on sector and credit rating categories.

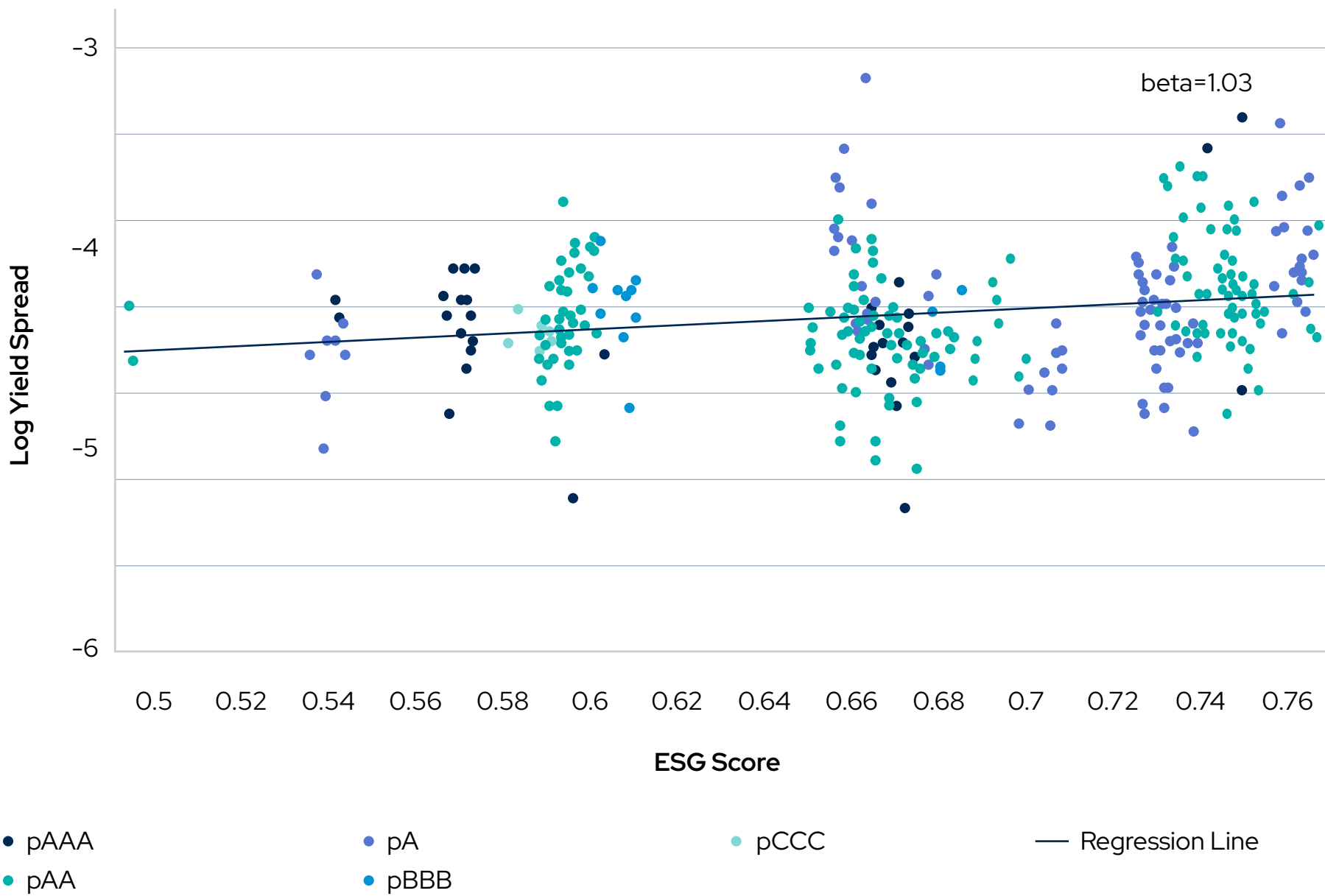
Figure 6: Regression Plot grouped by Sector



Sources: JSE, MTN, Bloomberg (2025)

IN FIGURE 6, clear clustering was observed in Banking, Healthcare, and Telecommunications, suggesting that ESG characteristics in these sectors are more internally consistent. Other sectors displayed greater dispersion, highlighting the influence of company-specific factors over broader sectoral effects.

Figure 7: Regression Plot grouped by Credit Rating



Sources: JSE, MTN, Bloomberg (2025)

IN FIGURE 7, higher-rated issuers (pA to pAAA) exhibited wide dispersion in both ESG scores and yield spreads, with no consistent relationship. This reinforces the finding that ESG characteristics are not yet a meaningful determinant of pricing in the South African context, where structural and market factors play a larger role.

The regression beta for ESG scores were positive, contrary to global norms where stronger ESG credentials are typically associated with lower yields. The findings indicate that companies with higher ESG scores do not yet enjoy lower borrowing costs in the domestic bond market. This is probably a reflection of macro-driven yield compression, structural supply constraints, and limited market maturity rather than a lack of ESG relevance. Importantly, the Social component’s stronger correlation highlights South Africa’s unique positioning as a market with robust labour and social frameworks, suggesting that social responsibility is a more salient factor locally.

While predictive power remains weak at this stage, we expect ESG factors will gain significance as data availability, market depth, and investor sophistication increase. Over time, ESG considerations are likely to exert a greater influence on credit spreads, as seen in developed economies.

Looking ahead, Prescient continues to see value in advancing data-driven ESG analytics through machine learning and AI techniques, which make it possible to discern complex non-linear relationships between ESG factors and financial variables, supporting faster and more informed decision-making in an evolving sustainable investment landscape.



Regulatory landscape

The world’s ESG challenges are becoming increasingly complex and demand a regulatory framework that is equally sophisticated and globally aligned. In response, a significant evolution is under way, driven by the push for standardised, transparent, and comparable sustainability reporting. 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, with King IV (2016) placing stakeholder inclusivity at the heart of governance. This foundation has been reinforced by the Johannesburg Stock Exchange through its Sustainability and Climate Disclosure Guidance, currently being updated to align with International Sustainability Standards Board’s (ISSB) standards.

ISSB’s first two Sustainability Disclosure Standards: IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures) aim to consolidate the fragmented landscape of sustainability reporting into a single, robust global baseline. By creating a common language for ESG disclosure, they enable investors and stakeholders to make more informed decisions based on consistent and comparable data.

The global momentum behind these standards is undeniable. Major economies are rapidly moving to integrate them. The UK, for instance, is developing its own Sustainability Disclosure Standards directly based on the ISSB’s framework. Similarly, Canada and Japan have released draft standards that are closely aligned with the ISSB’s, signalling strong support from G7 nations and key Asian markets. In another significant move, financial hubs like Singapore and Hong Kong are mandating ISSB-aligned climate disclosures for their listed companies, while Turkey has officially adopted the standards nationwide.

South Africa has taken its first decisive steps to join this global movement. In June 2023, the JSE and the South African Institute of Chartered Accountants (SAICA) hosted a local launch of the ISSB standards. Dr. Suresh Kana, a trustee of the IFRS Foundation and deputy chairman of the JSE, emphasised that the goal is to create “a transparent, robust, global baseline of sustainability-related disclosures for the capital markets.” This, he noted, would empower companies “to tell their stories about risks, opportunities, and metrics in line with governance”.

The integration of these global standards into South African ESG practices will have profound implications. For corporates, it will demand more rigorous data collection and reporting, moving beyond narrative to quantifiable metrics. For asset managers, it necessitates a proactive approach to ensure portfolios are not only compliant but also strategically positioned to capitalise on the opportunities that enhanced ESG transparency brings.

This alignment with global best practices is a significant opportunity. It will enhance the comparability of South African companies with their international peers, making them more attractive to global investors who increasingly prioritise ESG factors. As capital flows toward sustainable and well-governed enterprises, companies that lead in ESG transparency will gain a distinct competitive advantage.

From an asset management perspective, anticipating and responding to these regulatory shifts is crucial. It requires embedding these new standards into investment analysis, engaging with companies to encourage adoption, and developing strategies that leverage the enhanced data to identify both risks and opportunities. Moreover, Regulation 28 of the Pension Funds Act has evolved to explicitly require pension funds to consider ESG factors as part of their fiduciary duty, mandating that trustees consider both financial and non-financial risks in investment decisions. This evolution has been instrumental in driving ESG integration into mainstream South African investment practices, recognising that sustainability factors materially impact long-term investment performance.

SOME OF THE CHANGES TO REGULATIONS AND STANDARDS ARE HIGHLIGHTED BELOW:

These regulatory changes signal South Africa’s commitment to enhancing ESG reporting, ensuring companies adhere to global standards while addressing local environmental challenges. They may help South African companies to align with global practices, manage risks, attract capital, and boost competitiveness, all of which will have positive ripple effects on the broader economy. Thus, by embracing this new era of standardised ESG reporting and integration, South Africa can solidify its position as a leader in sustainable finance and unlock a new wave of responsible investment.

REGULATORY/ STANDARD	PURPOSE
Climate Change Act (2024)	South Africa has enacted its first comprehensive Climate Change Act, which came into effect on 28 February 2025. This law requires national, provincial, and municipal governments to develop climate adaptation plans. It introduces carbon budgets for large emitters, requiring boundaries on emissions and incentivising reductions by making allowances for exceeding the limits progressively stricter.
Carbon Tax Reform	In 2024, National Treasury introduced a revised carbon tax policy effective from 2026. It reduces tax-free allowances from 60% to 30%, and increases permitted offsets from 10% to 25% for combustion emissions. This aims to drive emissions reductions, encourage renewable energy adoption (e.g. by Eskom), and balance flexibility for high emission sectors.
Strengthening Director Duties on Climate Risk	In September 2024, legal advisers for the Centre for Environmental Rights and IoDSA published an opinion clarifying directors' duties under the Companies Act and King IV Code on climate-related risks. Directors now face potential liability for failing to disclose, assess, or manage these risks appropriately.
JSE ESG Reporting: Alignment with Global Standards	The JSE is updating its Sustainability and Climate Disclosure Guidance to align with ISSB’s IFRS S1 and S2 standards. Notably, companies are exempted from reporting Scope 3 emissions during their first year of adoption. These updates are part of broader legislative changes under the Companies Amendment Bills.
CIPC Mandates Digital ESG Reporting	The Companies and Intellectual Property Commission (CIPC) has expanded its XBRL digital taxonomy to include sustainability disclosures. From 2025–26, ESG reporting becomes mandatory for public and state-owned companies, tagging disclosures in machine readable formats. The CIPC is progressing towards mandated sustainability reporting in line with the Companies Act.
FSCA’s Sustainable Finance Programme	The Financial Sector Conduct Authority (FSCA) is actively implementing a Sustainable Finance Programme, structured around five pillars: taxonomy, disclosure and assurance, market development, active ownership, and financial education. South Africa’s Green Finance Taxonomy (GFT) is being piloted by 11 financial institutions, with formal adoption expected in 2025. Mandatory corporate sustainability disclosure requirements are also being developed, aligned with ISSB standards.
Prudential Authority Climate Guidance	The Prudential Authority (in the SARB) has issued guidance for insurers and banks to embed climate-related risks into governance and risk frameworks. Institutions must disclose governance, strategy, risk management, and climate metrics, treating risks holistically, not just reputationally.

REGULATORY/ STANDARD	PURPOSE
King V: Corporate Governance (in draft)	The Institute of Directors in South Africa (IoDSA) released the draft King V Code on Corporate Governance on 24 February 2025, officially opening it for public comment until 4 April 2025. King V seeks to streamline South Africa’s corporate governance code, improving clarity, enforceability, and relevance, especially on ESG, digital, and transparency fronts. Some of these elements include (but are not limited to): > “Apply or Explain” becomes “Presume or Disclose”: Organisations are expected to presume compliance with principles, disclosing only any exceptions, along with explanations and narrative context. > Stricter independence criteria: New "cooling-off" periods (two years for former executives), a hard nine-year limit for director independence, and consideration of related-person relationships have been introduced to reduce conflicts. > Enhanced board oversight: Mandatory inclusion of at least one independent non-executive member on both Risk and Social & Ethics Committees > Technology governance: Governance of AI and data has been elevated, requiring companies to address oversight, ethics, and transparency in AI use. > Remuneration governance: Remuneration-related disclosures have been streamlined, with continued emphasis on non-binding advisory shareholder votes. If more than 25% of shareholders oppose, boards must engage with dissenting stakeholders.



REGULATORY/ STANDARD	PURPOSE
ISSB Standards in South Africa	South Africa is actively moving toward aligning with the International Sustainability Standards Board (ISSB) framework, which promotes investor-focused, globally comparable sustainability disclosures. The ISSB standards (IFRS S1 and S2) provide a unified base for ESG reporting and integrate earlier guidance such as the Task Force on Climate-related Financial Disclosures (TCFD). While ISSB-aligned reporting is not yet mandatory or in law yet, a growing number of major and multinational companies, especially those with international investors, are voluntarily adopting the framework. The JSE has updated its Sustainability and Climate Disclosure Guidance to reflect the ISSB structure, offering alignment with IFRS S1 and S2 standards. The CIPC now supports digital tagging of sustainability data via an ISSB-compatible XBRL taxonomy, setting the stage for eventual mandatory digital reporting. The effect will be: > Improved transparency and consistency: ISSB standards consolidate diverse reporting requirements into one coherent framework, enhancing clarity and comparability across jurisdictions. This simplifies compliance and lowers complexity, which is especially helpful for multinationals operating in South Africa’s multi-framework environment. > To attract global investment: Alignment with ISSB enhances access to global capital by providing investors with reliable, standardised ESG data. This can bolster South Africa’s appeal to international investors and support greater foreign direct investment. > To increase companies’ competitive edge: Companies that embed ISSB-based reporting gain credibility and are seen as forward-thinking. This is a significant advantage in global trade, particularly in high-impact sectors like mining, energy, and agriculture. > Enhanced risk management and resilience: ISSB emphasises the disclosure of material sustainability risks, i.e. climate, governance, and others, allowing firms to better understand and manage long-term threats. This transparency supports informed investor decision-making and helps to reduce exposure to regulatory or reputational risks. > Drives sustainable economic growth: By encouraging innovation in clean technologies and sustainable practices, ISSB adoption can foster new markets, create jobs, and push South Africa towards green economic expansion. Companies that lead in sustainability will be better positioned to adapt to evolving regulations and shifting consumer preferences.

Notably, the shift from a values-based, exclusionary approach to a more integrated and holistic ESG framework has been operationalised through a series of influential frameworks and regulations. These have created a global baseline for sustainability and climate reporting, transforming the way companies operate and communicate with their stakeholders.

FRAMEWORK/ REGULATION	KEY FOCUS	CONTRIBUTION
GRI Standards	Comprehensive sustainability reporting	Provides a detailed set of standards for reporting on economic, environmental, and social impacts, enabling organisations to be transparent and accountable.
TCFD Recommendations	Climate-related financial disclosures	Encourages organisations to disclose information on their governance, strategy, risk management, and metrics and targets related to climate change.
ISSB Standards (IFRS S1 & S2)	Global baseline for sustainability reporting	Aims to create a universal standard for sustainability and climate-related disclosures, building on the work of the TCFD and other standard-setting bodies.
EU CSRD	Double materiality	Requires companies to report on both how sustainability issues affect their enterprise value and how their operations impact society and the environment.

Europe’s Corporate Sustainability Reporting Directive (CSRD) has been a particularly significant development, codifying the concept of double materiality. This requires companies to report not only on how sustainability issues affect their financial performance but also on their own impact on people and the planet. This dual focus represents a fundamental shift in corporate accountability, moving beyond a purely financial view of materiality.



ZARONIA: a credit investor's perspective on South Africa's benchmark revolution

South Africa's R2.5 trillion debt capital market is in the midst of one of its most profound transformations in decades. The recent issuance of the first ZARONIA-linked bonds by Absa and Standard Bank has fired the starting gun on the transition away from the Johannesburg Interbank Average Rate (JIBAR), a move that will reshape everything from corporate debt to consumer loans.

As a longstanding investor in South Africa's Debt Capital Markets, we are not just witnessing this evolution; we are an active participant. The shift to the South African Rand Overnight Index Average (ZARONIA) is more than a technical adjustment—it represents a fundamental realignment with a post-LIBOR global financial system, prioritising transparency and stability. With JIBAR scheduled for cessation by the end of 2026, these first transactions are a critical test of the market's readiness for a new era.

FIRST MOVERS AND THE FIRST TEST

The inaugural ZARONIA-linked bonds, while modest in scale, carry a significance that far outweighs their monetary value. Standard Bank's three-year bond, issued on 21 May 2025 at a 102-basis point margin, established the first crucial pricing reference for this new benchmark. By stepping into this uncharted territory, Absa and Standard Bank have taken on the responsibility of building the infrastructure and precedents that will underpin the market's future.

These transactions serve two critical functions:

- 1. **Establishing a pricing foundation:** Unlike JIBAR, which is based on indicative quotes, ZARONIA is calculated from actual overnight lending transactions. This transaction-based model provides a more robust and transparent data source, reducing the risk of manipulation that plagued older benchmarks like LIBOR.
- 2. **Testing market infrastructure:** The successful listing and settlement of these bonds, following the JSE and Strate's confirmation of readiness on 19 May 2025¹, demonstrate that the core technical infrastructure is in place. The true test, however, will come with higher issuance volumes and market stress.

A "WHOLESALE RESET"?

The transition is, as Baker McKenzie in its July 2025 publication², characterised it, "a wholesale legal, regulatory and operational reset for the industry". The complexities are significant and should not be underestimated.

From a legal standpoint, unlike syndicated loans, many existing bond agreements lack the necessary fall-back clauses to handle the cessation of a benchmark, creating potential legal uncertainties and potential valuation disputes. Operationally, the entire financial ecosystem, from asset managers to administrators, must upgrade systems and retrain staff.

The Financial Sector Conduct Authority (FSCA)³ removed a key barrier by issuing an exemption for money market funds. This allows these funds to invest in ZARONIA-linked instruments where the rate is calculated in arrears, a vital step to ensure deep market participation.

MARKET RECEPTION - GAUGING INVESTOR APPETITE

The initial reception from investors appears positive, but we believe it is too early to declare victory. The limited supply of these first issuances may have created a "novelty premium," and sustained investor demand will only become clear as the market matures and supply grows.

From our perspective as a systematic investment manager, the shift to ZARONIA offers opportunities. The enhanced transparency and closer alignment with the SARB's repo rate improve predictability, which benefits our systematic strategies. However, the structural differences, namely the absence of a built-in term and credit risk premium in the overnight ZARONIA rate, require a careful recalibration of our pricing models and risk management frameworks.

LOOKING AHEAD - MEASURED EXPECTATIONS

We anticipate a gradual but accelerating adoption of ZARONIA in the South African credit market, driven by the immovable 2026 deadline. Corporate issuers will be compelled to adopt the new benchmark out of necessity, but many may come to prefer its transparency.

This transition aligns South Africa with global best practices, following the replacement of LIBOR in international markets. By making this transition, we enhance the integrity of our markets and potentially reduce the basis risk for international investors, making South African credit a more attractive asset.

For domestic investors, the path forward requires careful navigation and an investment in time and resources to ensure that systems and risk frameworks are prepared. Readiness is an ongoing process and the transition period will undoubtedly present both unforeseen risks and unique opportunities.

The future South African credit market promises to be more transparent and robust. Realising that promise, however, depends not on the theoretical merits of ZARONIA, but on the collective success of our implementation.

¹<https://www.strate.co.za/2025/04/22/implementation-of-zaronia-south-africas-new-reference-rate/>
²https://insightplus.bakermckenzie.com/bm/banking-finance_1/south-africa-the-dawn-of-zaronia-a-new-era-for-south-africas-financial-legal-framework
³<https://financialregulationjournal.co.za/2025/06/03/fsca-regulatory-updates/>



Opportunities in South Africa’s infrastructure roll-out

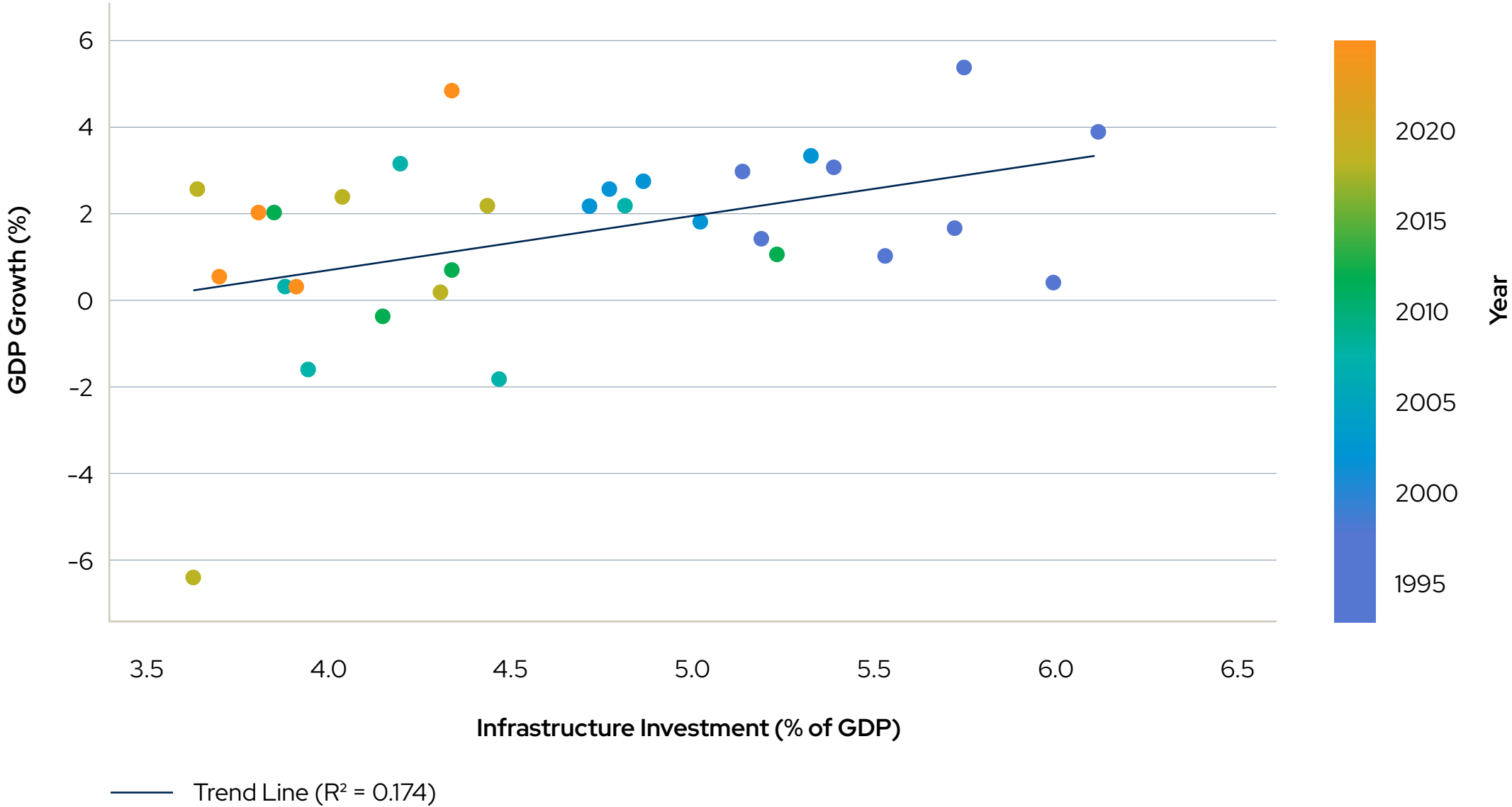
An understanding of the empirical relationship between infrastructure investment and economic development is not merely academic for an infrastructure debt fund manager in South Africa. It is fundamental to generating sustainable risk-adjusted returns while contributing to meaningful developmental outcomes.

Our recent analysis of three decades of post-apartheid infrastructure development provides compelling evidence that infrastructure investment significantly drives economic growth. However, there are important caveats that have profound implications for asset allocation and risk management.

The research, which employed various econometric analyses alongside case studies of certain infrastructure programmes, reveals a positive association between infrastructure investment and economic growth.

Our analysis suggests that a one percentage point increase in infrastructure investment as a share of GDP is correlated with a 1.242 percentage point increase in GDP growth rates (p-value = 0.0194). However, this relationship is likely to operate with time lags and may reflect bidirectional causality between infrastructure development and economic performance, requiring careful interpretation for investment decision-making.

Figure 8: Infrastructure Investment vs GDP Growth in South Africa (1994-2024)



Sources: Infrastructure South Africa (2024) analysis based on data from Statistics South Africa and the South African Reserve Bank, Prescient Investment Management calculations (April 2025)

These findings do, however, provide support for infrastructure-led development strategies while highlighting the conditional nature of these benefits and the complexity of the infrastructure-growth relationship. The statistical significance of the correlation offers valuable insights, though establishing definitive causal direction requires further investigation of lag structures and potential endogeneity.

For infrastructure debt fund managers, these findings offer both validation of the asset class’s developmental potential and important caveats for investment analysis. The research demonstrates that whilst infrastructure investment appears to support economic transformation, realising this potential requires careful attention to institutional quality, programme design, complementary policy frameworks, and recognition that the infrastructure-growth relationship may operate through complex, multi-directional channels over varying time horizons.

THE SOUTH AFRICAN INFRASTRUCTURE LANDSCAPE: A DATA-DRIVEN PERSPECTIVE

The South African infrastructure market presents a compelling investment case, underpinned by substantial need and demonstrated economic impact. According to the latest data from National Treasury and Statistics South Africa, public sector infrastructure investment in South Africa is projected to reach R297.5 billion in the 2024/25 fiscal year. This follows an investment of R280.7 billion in 2023/24, which itself was a significant increase from the R238.8 billion recorded in 2022/23.

However, this recent uptick masks a concerning longer-term trend. Infrastructure investment has declined from peaks of over 7% of GDP in the mid-2000s to under 4% currently—a statistically significant decline of 0.067 percentage points per year since 1994.

This deterioration has coincided with weakening economic performance. Average GDP growth has contracted from over 4% in the early post-apartheid period to less than 1% in recent years.

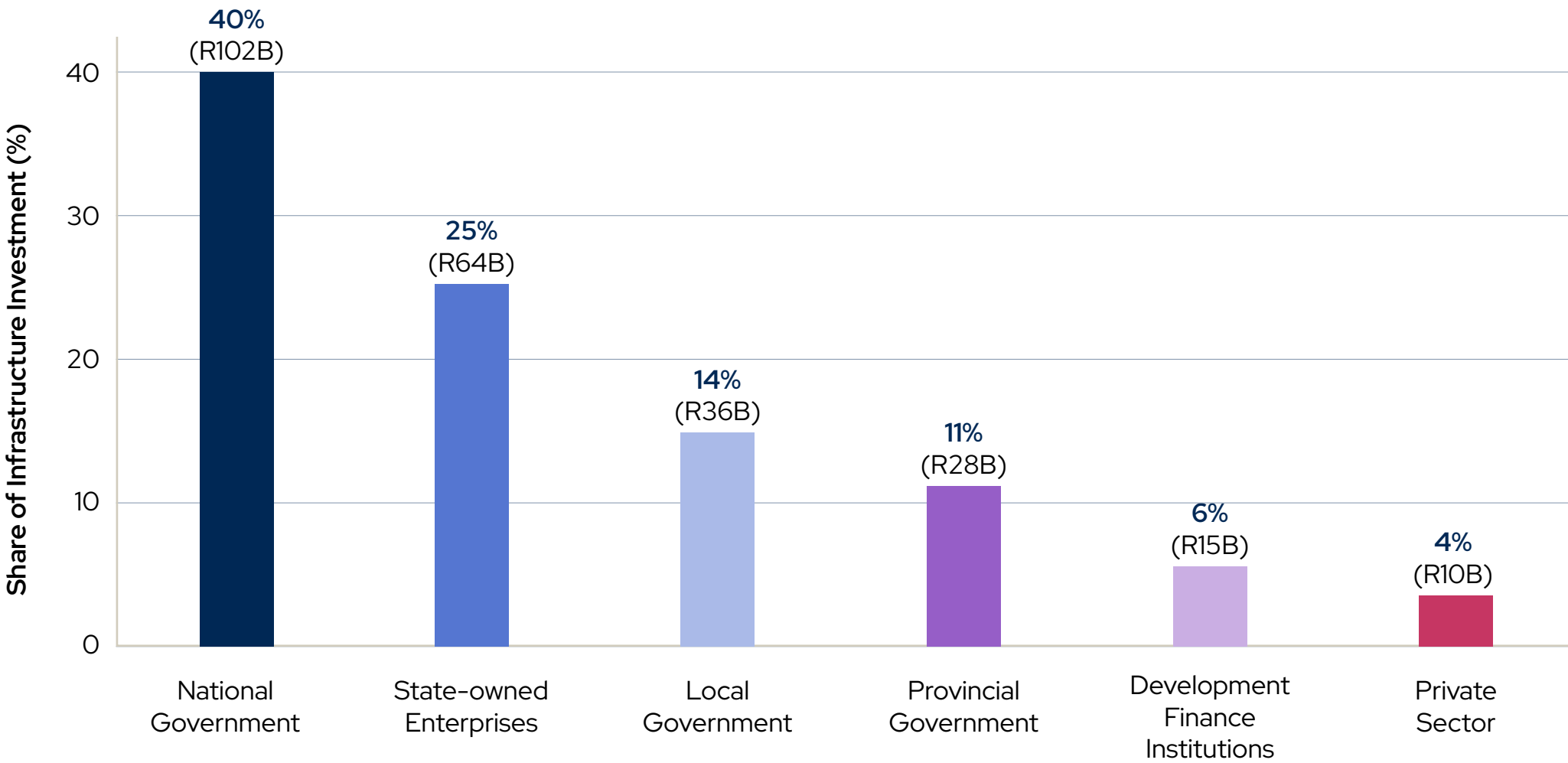
Figure 9: South African Infrastructure Investment trend: three decades of change



Sources: Statistics South Africa, Infrastructure South Africa (2024)

The institutional landscape sector for infrastructure investment is shown in Figure 10 below:

Figure 10: Infrastructure Investment by Institution Type (2024)



Sources: Statistics South Africa, Infrastructure South Africa (2024)

As shown above, the institutional landscape is dominated by state-owned enterprises (40% of spending), followed by local government (25%) and provincial government (14%). The dominance of state-owned enterprises as infrastructure providers presents both opportunities for partnership and risks related to governance and financial sustainability.

Three practical examples

Three infrastructure interventions provide valuable insights for the formulation of investment strategies. The Accelerated and Shared Growth Initiative for South Africa (ASGISA), the Gautrain rapid rail project, and the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) offer contrasting examples of infrastructure development approaches and outcomes.

For asset managers like Prescient Investment Management, this underscores the need for careful due diligence on institutional capacity and long-term fiscal commitments when evaluating infrastructure investment programmes and the opportunities they generate.

1. ASGISA

The Accelerated and Shared Growth Initiative for South Africa (ASGISA) infrastructure programme aimed to increase public sector infrastructure investment from below 4% of GDP in the early 2000s to around 8% of GDP over time. This initiative illustrates both the potential and limitations of comprehensive infrastructure-led development strategies.

While ASGISA coincided with a period of robust economic growth (annual GDP growth rates averaged about 5% between 2004 and 2007), implementation challenges and the impact of the 2008 global financial crisis ultimately curtailed its progress. It was replaced by later policy frameworks.

Our assessment of the ASGISA programme highlights the critical importance of implementation capacity and fiscal sustainability for large-scale infrastructure programmes.



2. THE GAUTRAIN PROJECT

The multi-billion rand Gautrain rapid rail project exemplifies both the immense potential and inherent limitations of large-scale infrastructure investment in South Africa. The system delivers a high-quality, reliable service and achieved sustained ridership growth, with daily passenger numbers reaching around 50,000 in the pre-pandemic period. Its modern infrastructure, punctuality, and safety standards have set a new benchmark for public transport in the region, offering a compelling alternative to road congestion and fostering greater connectivity between Johannesburg, Pretoria, and OR Tambo International Airport.

Developmental Impact Indicator	Value/Estimate
Total trips since launch (2010)	98 million
Contribution to Gauteng GDP during construction	R5 billion
Contribution to Gauteng GDP during operations	R12.44 billion
Direct construction jobs created	175,000
Direct operations jobs sustained	68,000
Jobs supported through supply chain and wages	> 87,300
Total jobs impact (construction + operations)	> 245,000
Average peak hour time saved per trip	43 minutes

However, despite these successes, the broader developmental impact of the Gautrain has been constrained by its primary focus on connecting established economic hubs and serving predominantly middle- to higher-income users. This narrow targeting limits its ability to drive inclusive growth and address the historic spatial inequalities that continue to challenge South Africa’s urban landscape.

For infrastructure debt investors, the Gautrain experience underscores the critical importance of evaluating not only technical and financial performance but also the distributional impacts and broader developmental objectives. While infrastructure investments that cater to existing advantaged groups may deliver strong financial returns and operational efficiencies, they risk encountering political and social sustainability challenges over time if they fail to promote equitable access and meaningful socioeconomic transformation.

Investors must therefore adopt a holistic approach that balances profitability with social impact, ensuring that infrastructure projects contribute to long-term resilience, community upliftment, and inclusive economic development.

The Gautrain project highlights the vital role of integrated planning and multi-stakeholder engagement in maximising the developmental benefits of infrastructure. Successful projects are those that align transport investments with complementary policies in housing, land use, and economic development to create seamless, accessible

urban environments for all citizens. Future infrastructure programmes that embed these principles are more likely to secure broad-based support, mitigate risks, and unlock transformative outcomes that extend well beyond immediate financial metrics.



3. REIPPPP: A MODEL FOR DEVELOPMENTAL INFRASTRUCTURE FINANCE

The REIPPPP represents perhaps the most successful infrastructure development initiative in post-apartheid South Africa. It offers important lessons for private infrastructure finance.

Bid Window	Year	MW Procured	Number of Projects	Technology Breakdown
BW1	2011	1,425.34	30	Solar PV: 626.81 MW (20 projects) Wind: 648.53 MW (8 projects) CSP: 150 MW (2 projects)
BW2	2012	1,040.96	19	Wind: 559.44 MW (7 projects) Solar PV: 417.12 MW (9 projects) CSP: 50 MW (1 project) Small Hydro: 14.40 MW (2 projects)
BW3	2013	1,456.56	19	Wind: 787 MW (9 projects) Solar PV: 435 MW (6 projects) CSP: 200 MW (2 projects) Landfill Gas: 18 MW (1 project) Biomass: 16 MW (1 project)
BW3.5	2014	200	2	CSP: 200 MW (2 projects)
BW4	2018	2,204.51	26	Wind: 1,362.1MW (12 projects) Solar PV: 812.9MW (12 projects) Biomass: 25MW (1 project) Hydro: 4.7MW (1 project)
BW5	2021	2,583.00	25	Wind: 1,600 MW (12 projects) Solar PV: 1,000 MW (13 projects)
BW6	2022	1,000.00	6	Solar PV: 1,000 MW (5 projects)
BW7	2024	1,760.00	8	Solar PV: 1,760 MW (8 projects)

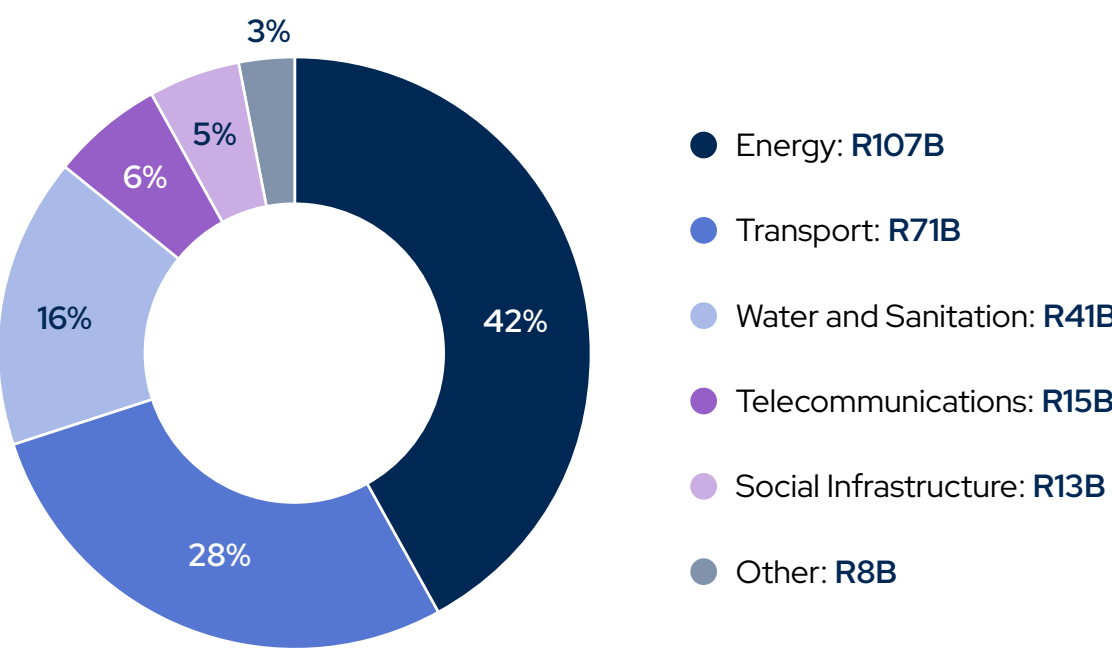
The programme has procured over 8,200 MW of renewable energy capacity in seven bidding rounds, achieving dramatic cost reductions at the same time.

Critically, the programme's success extends beyond simple capacity addition to encompass broader developmental objectives, including:

- > **Local content requirements:**
The programme has successfully driven an average of over 45% local content across various projects, reaching as high as up to 60% in some instances. This has significantly contributed to the development of the domestic manufacturing sector, job creation, and skills transfer.
- > **Community development requirements:**
Through various socio-economic development and enterprise development initiatives, the programme has generated an estimated R30 billion (and potentially significantly more, as projects mature) for rural communities over project lifespans, focusing on education, health, and economic empowerment.

From our perspective, the REIPPPP demonstrates that competitive procurement processes with clear developmental criteria can achieve multiple objectives simultaneously. The programme’s success in delivering projects on time and (mostly) within budget, coupled with its ability to contribute positively to transformation targets, contrasts sharply with the challenges experienced by traditional state-led infrastructure programmes in the same period.

Figure 11: Sectoral analysis



Sources: Statistics South Africa, Infrastructure South Africa (2024)

- > **Energy infrastructure commands the largest share, at c42% of total spending, reflecting the critical importance of addressing South Africa's electricity crisis.**
- > **Transport infrastructure accounts for 28%, and water and sanitation represent 15% of total investment.**

From an investment perspective, this data highlights the concentration of spending in energy and transport, which reflects genuine economic priorities, but also suggests potential crowding in these sectors.

When considering the infrastructure space, our analysis suggests that there are variations in the developmental impact of infrastructure by sector, which have direct implications for portfolio construction and risk management.



Energy infrastructure

Energy infrastructure has been critical for South Africa’s economic development. The electrification programme has been remarkably successful in expanding household access from about 58% in 1994 to at least 90.2% by 2024. According to Statistics South Africa’s General Household Survey 2024 and statements from the Department of Mineral Resources and Energy (DMRE), the programme has connected over 8.3 million households in South Africa since 1994. This milestone reflects sustained government efforts to expand electricity access, particularly in rural and previously under-served communities.

However, the failure to expand generation capacity in line with growing demand—compounded by aging coal plants, delayed new projects, and operational challenges—has resulted in severe electricity shortages that impose substantial economic costs. Similar challenges have affected the development and modernisation of the transmission network, causing bottlenecks and unreliable supply, although ongoing grid upgrades aim to address these issues.

For infrastructure debt investors, the energy sector continues to present both significant opportunities and considerable risks. The demonstrated success of the REIPPPP shows that renewable energy projects, when supported by appropriate risk allocation and stable regulatory frameworks, can deliver attractive risk-adjusted returns while advancing developmental objectives. Conversely, the historic and ongoing operational and financial challenges at Eskom underscore the risks associated with traditional utility-scale investments. Ongoing reforms and efforts to unbundle Eskom aim to mitigate these risks and improve sector sustainability.

Transport infrastructure

Transport infrastructure investments in South Africa have generally yielded positive economic returns, particularly by enhancing freight transport efficiency and improving connectivity to previously isolated regions. Upgrades to key corridors, such as the N3 highway and rail freight lines, have helped to smooth the movement of goods, supporting trade and industrial growth.

However, the continued prioritisation of road infrastructure over public and non-motorised transport has reinforced car-dependent development patterns. This approach often excludes low-income households, who rely heavily on public transport, from accessing economic opportunities efficiently and affordably. The legacy of apartheid spatial planning, combined with road-centric investments, has perpetuated socio-economic exclusion and urban sprawl.

From an investment perspective, transport infrastructure presents diverse opportunities. Traditional projects in roads and rail remain critical, particularly in freight logistics and regional integration. Meanwhile, innovative urban mobility solutions, such as bus rapid transit (BRT) systems, non-motorised transport infrastructure, and digital mobility platforms, are gaining traction as ways to improve inclusivity and sustainability.

Improvements in port infrastructure, notably at the Ports of Durban, Ngqura, and Cape Town, have contributed to strengthening South Africa’s position as a regional trade hub. These developments highlight significant opportunities in logistics infrastructure, including port expansions, intermodal freight terminals, and supply chain modernisation, which are vital to boost trade competitiveness and economic resilience.

Water and municipal infrastructure

HIGH NEED, IMPLEMENTATION CHALLENGES

Water infrastructure investment in South Africa has expanded access to basic water services, with household access increasing from about 60% in 1994 to over 90% by 2024. According to the Stats SA General Household Survey 2024, access to piped water inside or on-site has reached approximately 91% nationally, with higher coverage in provinces such as the Western Cape (99.3%) and Gauteng (97.6%). While further attention and focus remains critical, these improvements reflect government efforts to extend water services, especially in rural and under-served areas.

However, despite these gains, the long-term developmental impact of water infrastructure investments has been constrained by significant sustainability challenges. Aging infrastructure, inadequate maintenance, and governance shortcomings have resulted in deteriorating service quality, intermittent supply, and high water losses. The South African Institution of Civil Engineering (SAICE) reports that over 40% of water produced is lost due to leaks, theft, and meter inaccuracies, while municipalities face backlogs in repairs and upgrades estimated at over R300 billion. These issues are compounded by increasing demand, which is driven by urbanisation, population growth, and climate change-induced droughts, placing further strain on the water system.

Municipal water infrastructure represents a significant opportunity for investment, given the extensive needs and potential developmental impact. However, water-related investment opportunities are limited by the uneven capacity and governance quality of municipalities. Our experience as investors in municipal infrastructure underscores the critical importance of thorough institutional assessments to navigate the significant variation in municipal capabilities and governance effectiveness.

Investment implications: a framework for decision-making

Our analysis has led us to consider the following principles for infrastructure debt investment in the South African market:

01. FOCUS ON STRONG INSTITUTIONS (QUALITY SCREEN)

The conditional nature of infrastructure's developmental impact emphasises institutional quality as a critical investment criterion. Projects implemented by institutions with strong governance, technical capacity, and financial sustainability are more likely to achieve both developmental objectives and the appropriate risk-adjusted returns for investors.

This indicates there is a need for sophisticated institutional assessment frameworks that go beyond traditional financial metrics to evaluate implementation capacity, governance structures, and long-term sustainability. The contrasting experiences of different infrastructure programmes highlight how institutional factors can determine whether infrastructure investments contribute to developmental transformation or provide services to existing advantaged groups.

02. SUPPORT A MODEL THAT HAS CLEAR TERMS OF ENGAGEMENT

The success of the REIPPPP model demonstrates that competitive procurement processes with explicit developmental criteria can achieve better outcomes than traditional negotiated approaches. The key is ensuring that developmental criteria are clearly defined, measurable, and aligned with commercial incentives. The REIPPPP’s success in achieving local content, job creation, and community development targets, coupled with maintaining cost competitiveness, provides a template for future programmes.

03. RISK MANAGEMENT: UNDERSTAND RISKS, AND CONSIDER DIVERSIFICATION

At Prescient Investment Management, one of the key disciplines is that of diversification, and our analysis of sectors and programmes confirms the importance of diversification across infrastructure sectors, given their different risk-return profiles and developmental impacts.

We have found that certain sectors may offer the most significant potential impact, yet may also present the highest regulatory and political risks. Other sectors offer more stable, but potentially lower-return opportunities. A balanced portfolio approach that combines higher-risk, higher-return energy projects with more stable investments may optimise both financial returns and developmental impact and manage overall portfolio risk effectively.

04. LONG-TERM THINKING (SUSTAINABILITY SCREEN)

We advocate long-term thinking to realise infrastructure’s developmental potential. Infrastructure debt investments should incorporate explicit provisions for maintenance and asset management to ensure sustained service delivery and developmental impact. From a fund management perspective, this highlights the importance of considering whole-life costs and sustainability in investment evaluation rather than focusing solely on initial capital deployment. Projects with robust maintenance frameworks and sustainable financing structures are more likely to deliver sustained returns and appropriate developmental benefits.

The case for infrastructure: conclusion

The positive relationship between infrastructure investment and economic growth not only validates infrastructure debt as a legitimate development finance tool but establishes it as an essential component of any emerging markets portfolio. Our market experience and analysis demonstrate that infrastructure investment serves as a powerful catalyst for economic transformation, delivering measurable returns that extend far beyond traditional financial metrics while generating attractive risk-adjusted returns for investors.

The South African infrastructure ecosystem presents an exceptionally compelling investment landscape. It is characterised by substantial demonstrated need, proven economic impact, and an increasingly sophisticated regulatory and procurement environment. With infrastructure investment historically driving GDP growth at a rate of 1.242 percentage points for every percentage point of investment, the asset class offers both quantifiable economic impact and significant upside potential as the country addresses its infrastructure deficit.

The maturation of South Africa's infrastructure market, which is evident in the remarkable success of programmes such as REIPPPP, demonstrates the country's capacity to deliver world-class infrastructure projects that achieve both commercial viability and transformational developmental outcomes. By 2024, the renewable energy programme had achieved over 7,465 MW of contracted capacity through utility-scale projects, with an additional 5,790 MW from distributed rooftop solar, bringing total renewable capacity to over 12,200 MW. Recent research shows the programme

has delivered cost reductions exceeding 70% whilst attracting over R250 billion in investment and generating substantial local content and community benefits.

As South Africa embarks on its infrastructure agenda, driven by both urgent need and fiscal innovation, opportunities for private infrastructure finance are expanding. The 2024 infrastructure investment of R255 billion (representing a 9.4% increase from 2023) demonstrates sustained momentum. The convergence of substantial infrastructure requirements, increasingly sophisticated procurement frameworks, and growing recognition of private sector efficiency creates an environment ripe for sustained investment growth. Our evidence suggests that well-designed infrastructure debt investments are positioned to deliver exceptional value to both investors and the broader economy.

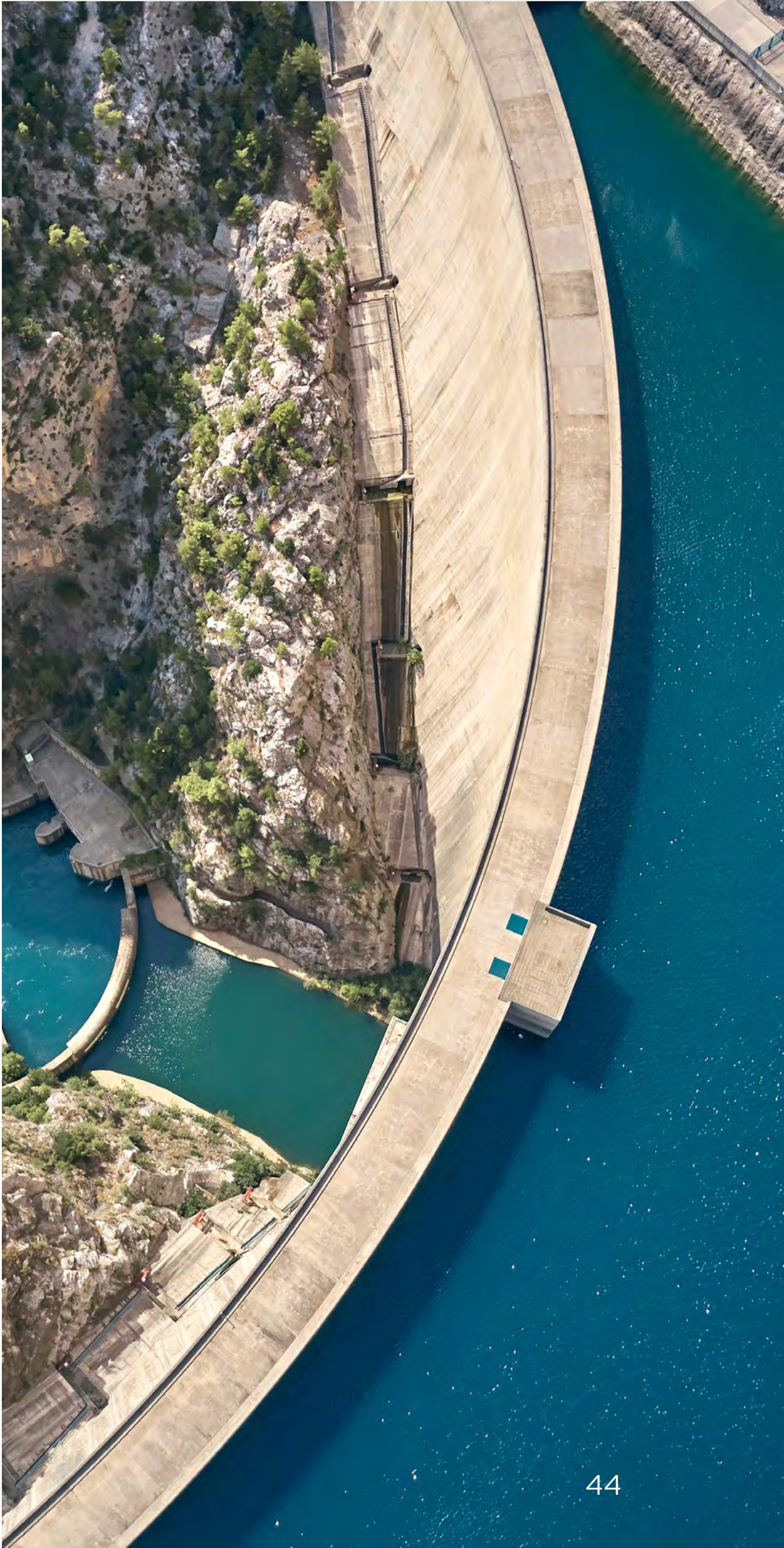
The opportunity set spans multiple high-growth sectors, with energy infrastructure commanding 42% of total investment (R107 billion in 2024), transport infrastructure accounting for 28% (R71 billion), and water and sanitation representing 16% (R41 billion). Each sector presents distinct advantages: renewable energy offers proven procurement models and strong developmental multipliers; transport infrastructure provides essential economic connectivity with stable cash flows; and municipal infrastructure delivers both social impact and defensive characteristics that are attractive to institutional investors.

For infrastructure debt fund managers, the challenge is not identifying opportunities—these abound across the South African market in our experience. Rather, the focus should be on developing sophisticated analytical frameworks to

capture the full value potential of this dynamic ecosystem. The research and insights presented here provide a robust foundation for investment strategies that can simultaneously deliver appropriate risk-adjusted returns while contributing meaningfully to South Africa's economic transformation.

The evolution of the infrastructure ecosystem towards greater private sector participation, competitive procurement, and explicit developmental criteria creates an environment where commercial success and developmental impact are increasingly aligned. This convergence represents a fundamental shift, positioning infrastructure debt not merely as an alternative asset class but as a core component of any forward-looking investment strategy focused on emerging markets.

South Africa's infrastructure sector stands at an inflection point. Substantial need is being fulfilled by sophisticated delivery mechanisms and growing private sector participation. Despite economic growth of only 0.6% in 2024, the evidence overwhelmingly supports an optimistic outlook for infrastructure investment, with potential for sustained outperformance, driven by both the country's infrastructure requirements and the ecosystem's demonstrated capacity for innovation and delivery excellence.



09 Prescient’s alternative investment solutions support clean energy and infrastructure

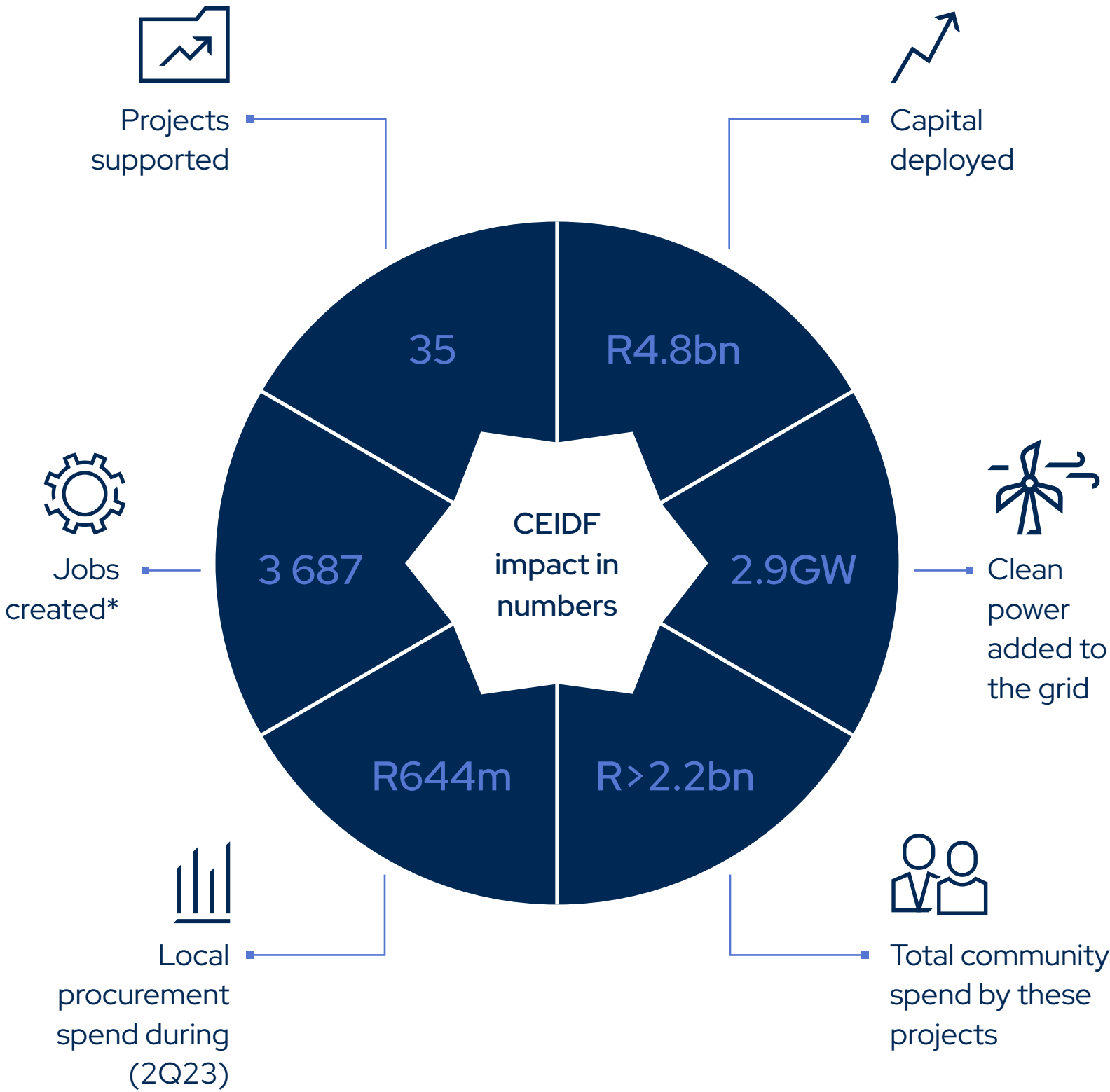
Prescient Clean Energy and Infrastructure Debt Funds (CEIDF)

Prescient Investment Management’s Clean Energy and Infrastructure Debt Funds, which invest in initiatives that facilitate infrastructural, environmental, and socio-economic impact and development in Southern Africa, have deployed R7.4 billion across 49 renewable energy projects and broad infrastructure opportunities since they were launched. Both funds are considered to be Socially Responsible Investment Vehicles.

The Clean Energy Fund, which was launched in 2015, has a clean energy focus. It is currently invested in 35 projects, most of which are operational and located across various South African provinces. Through its participation in these projects, the fund has contributed to the addition of 2.9 GW of clean energy, which equates to the daily energy needs of about 1.6 million average South African homes. It has also helped to create 3 687 jobs across these renewable energy plants.

These plants and projects have spent more than R2.8 billion on economic and supply and enterprise development initiatives in the various communities where they are located, with 72% of this spend concentrated in the Northern Cape.

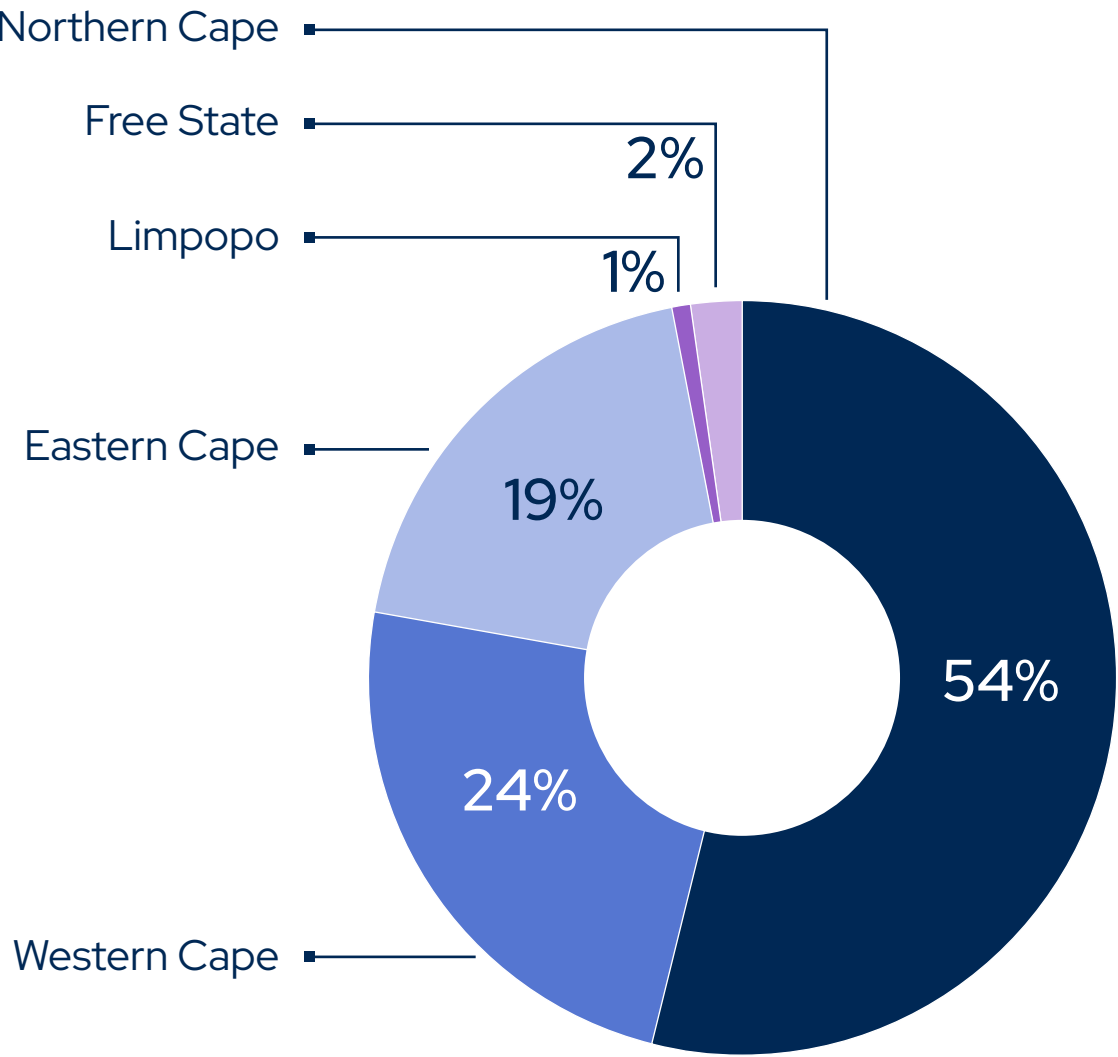
The measure of Prescient Clean Energy and Infrastructure Debt Funds impact



**Non-cumulative. This is the reported number of jobs currently in place across projects (point in time)
Source: Prescient Investment Management (as at 31 May 2025)*

The measure of Prescient Clean Energy and Infrastructure Debt Funds’ impact

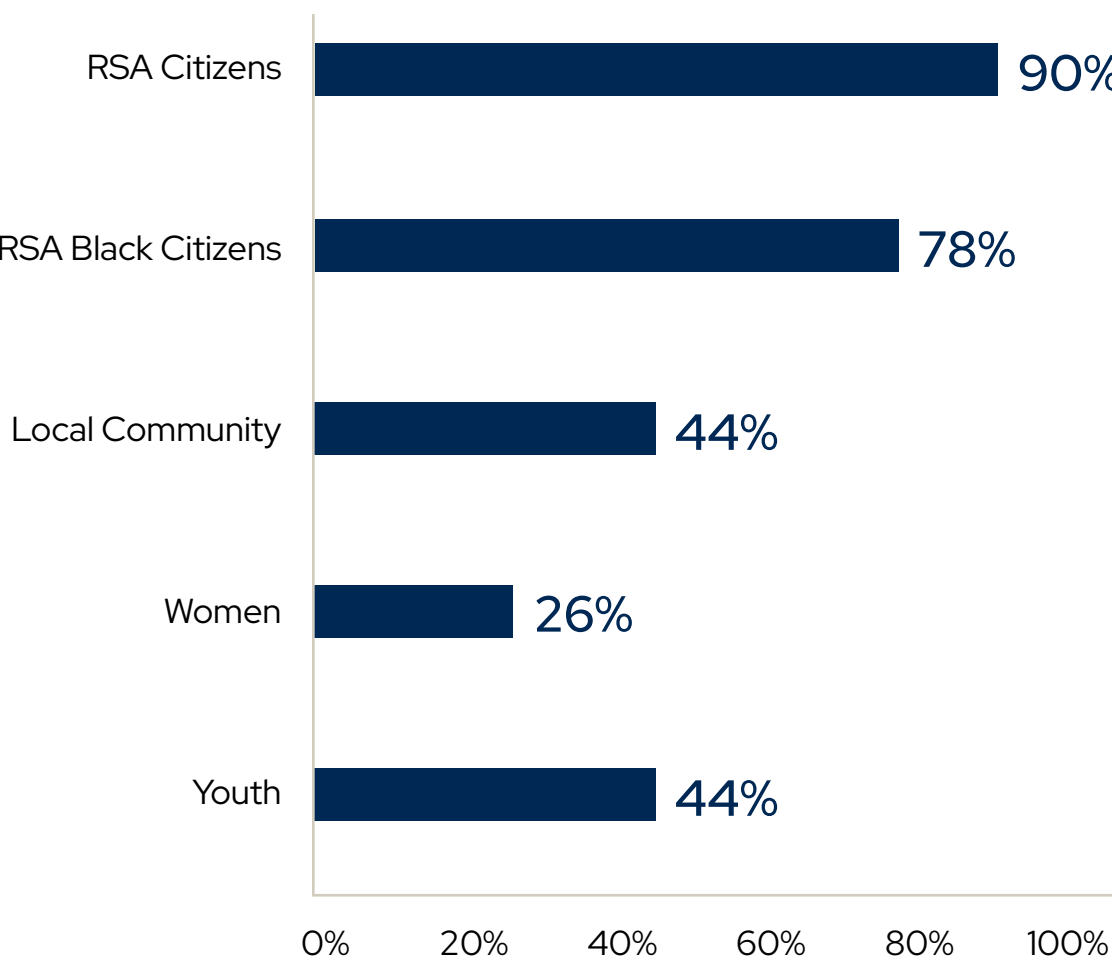
Community spend per province
(Commercial Operations Date (COD))



Source: Prescient Investment Management (as at 31 May 2025)

It is encouraging that about 90% of the jobs are held by South African citizens, given the country’s growing unemployment challenge. Equally encouraging is that about 54% of these jobs are located in the Northern Cape, one of SA’s most impoverished provinces.

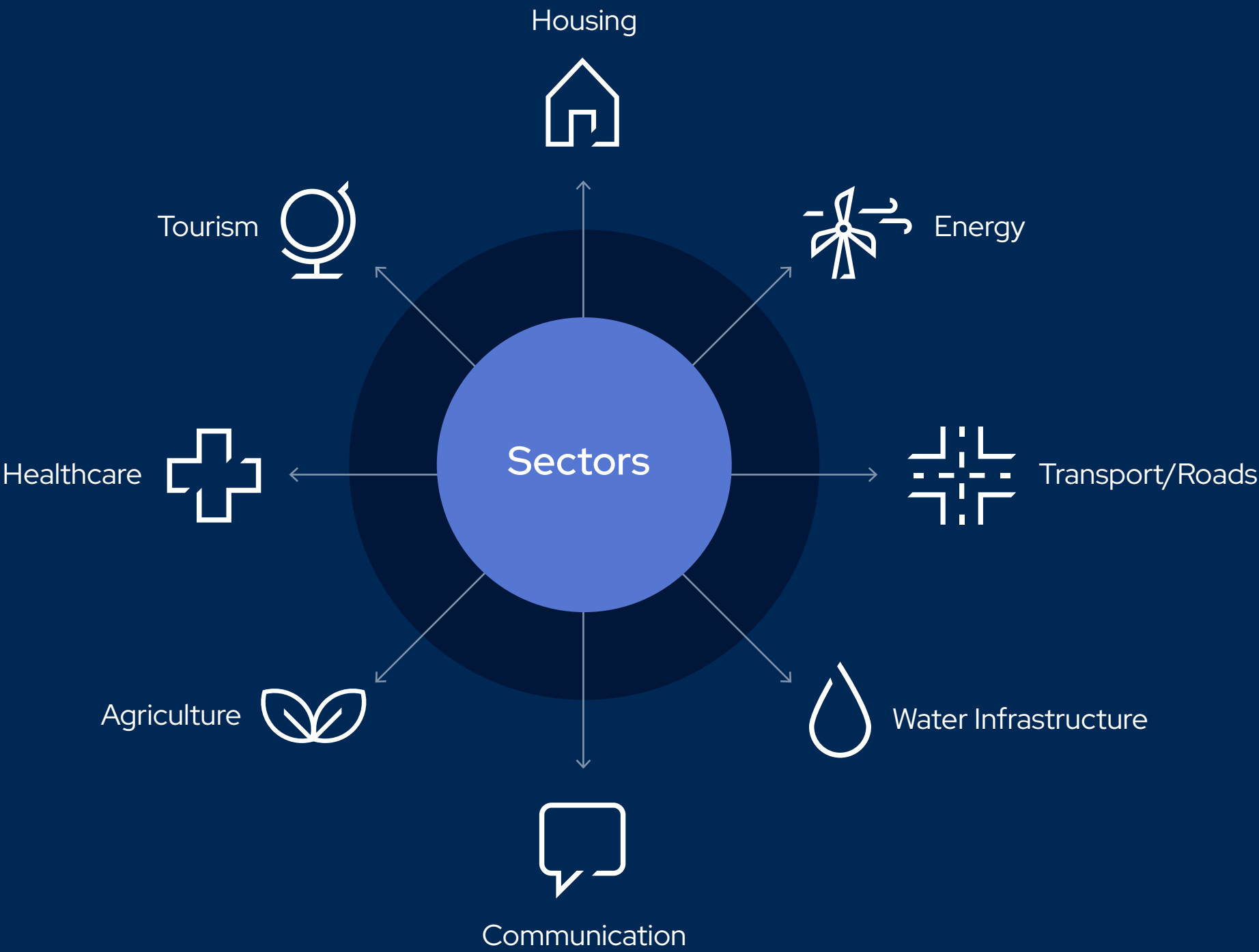
Jobs created (current 3 687)



The Prescient Infrastructure Debt Strategy

The Prescient Infrastructure Debt Fund, which was launched in 2021, currently manages R2.5 billion in assets. The strategy follows a broad infrastructure mandate, giving investors access to generally inaccessible clean energy and infrastructure assets which offer returns uncorrelated to South African equity and capital markets. The strategy aims to catalyse further growth in the South African infrastructure sectors by supporting vetted projects.

These include, but are not limited to, a wide range of sectors:





The Prescient Infrastructure Debt Fund

Infrastructure, being the backbone of every economy, provides essential services, enables trade, supports communities, and improves quality of life. However, infrastructure investment in many sectors is underfunded, creating both a challenge and an opportunity.

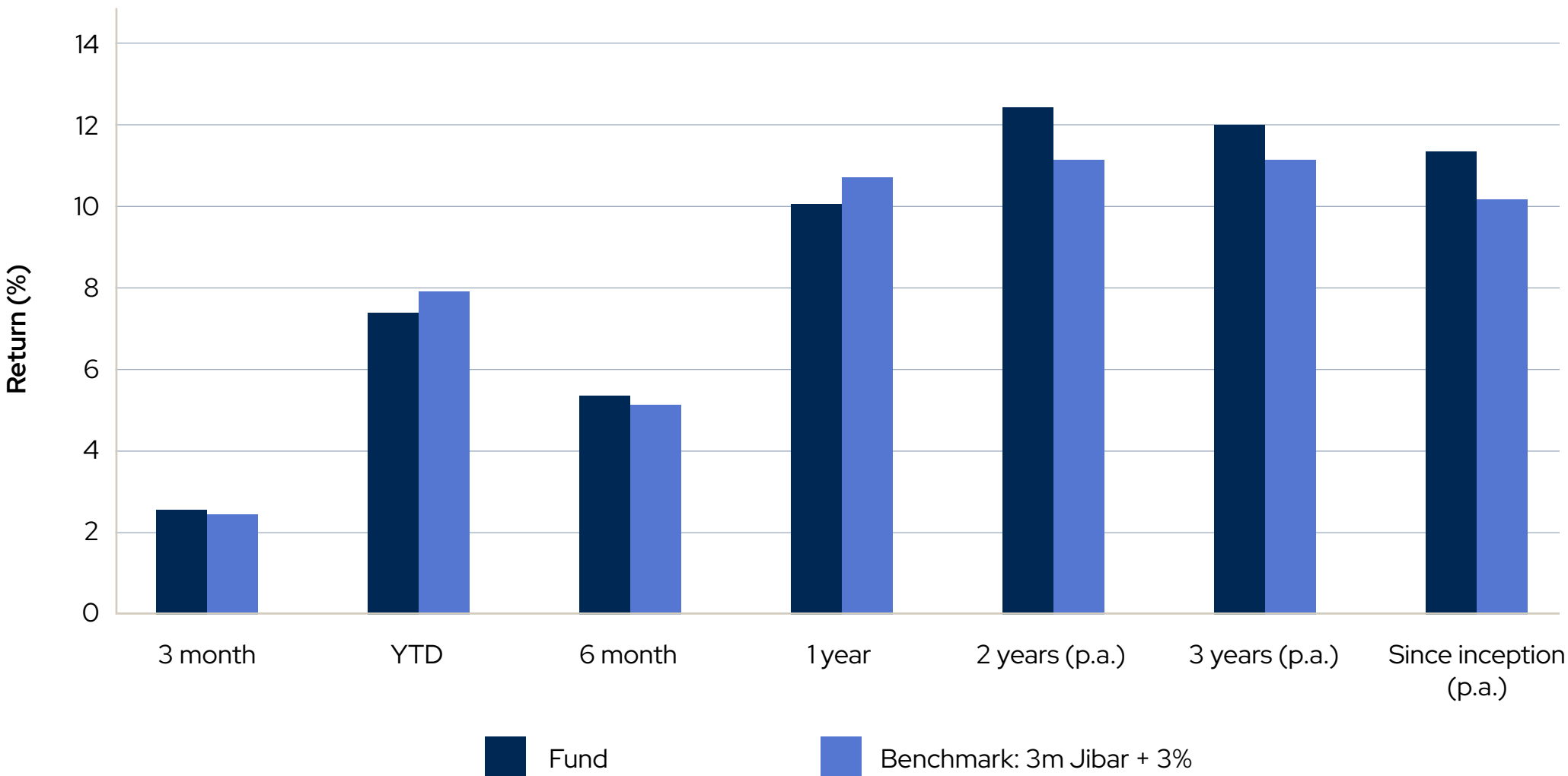
The Prescient Infrastructure Debt Fund is designed to bridge this gap. By financing high-quality infrastructure projects, the fund delivers attractive, stable returns for investors while driving measurable social and economic impact.

What sets this fund apart is that investors do not 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, health care, 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.

The Prescient Infrastructure Debt Fund proves that financial discipline and developmental impact can go hand-in-hand. It empowers investors to play a meaningful role in building tomorrow’s infrastructure while earning competitive risk-adjusted returns today. As Figure 12 shows, the Fund has been able to achieve sound returns at the same time as it contributes positively to the country’s infrastructure gap.

Figure 12: Returns delivered by the Prescient Infrastructure Debt Fund



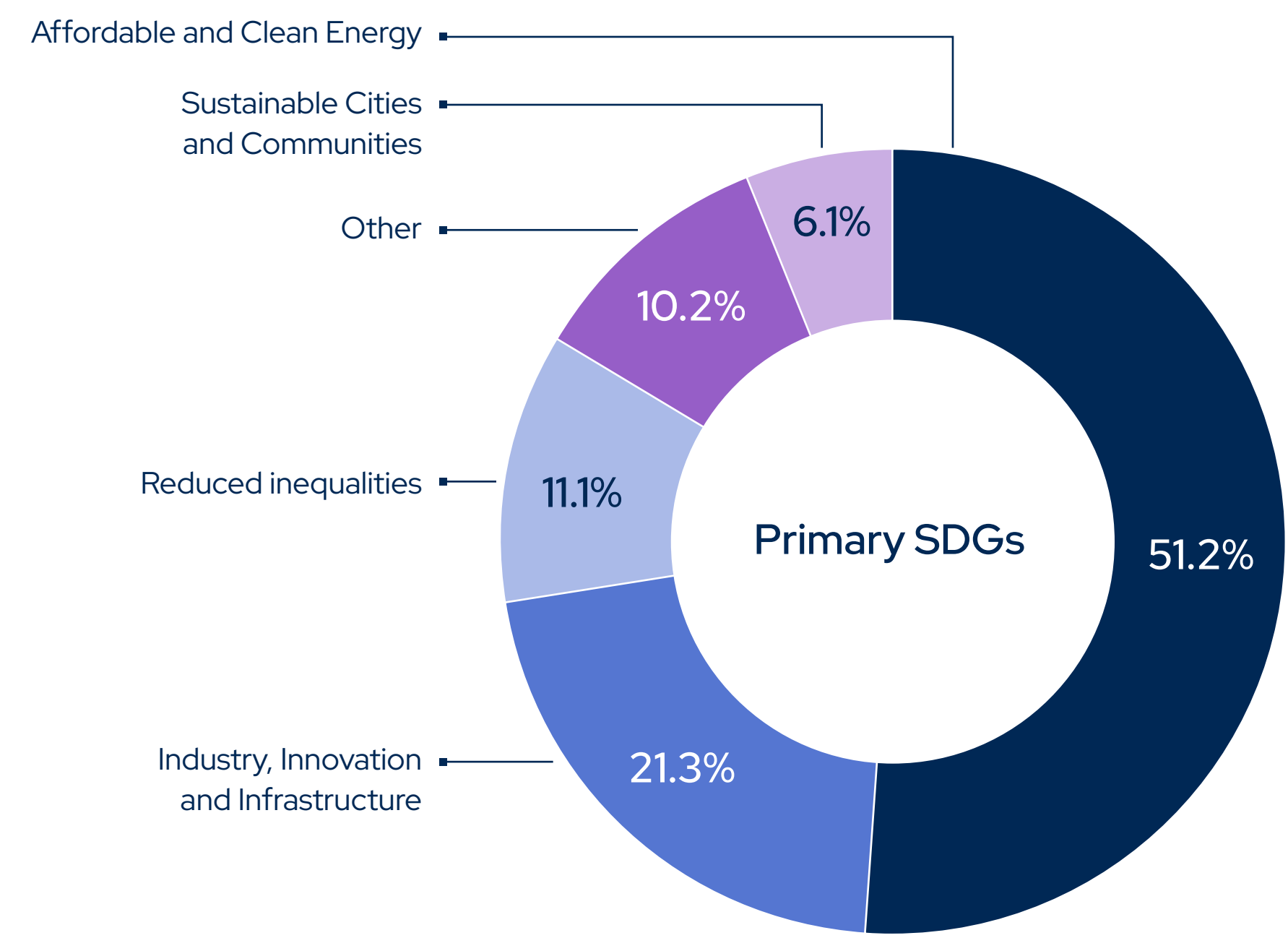
Source: Prescient Investment Management (as at 30 September 2025)

As part of the Fund’s strategic considerations in driving this impact and return dynamic, it focuses on key reporting metrics, such as Broad-Based Black Economic Empowerment (B-BBEE), total invested capital, priority 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.

A core pillar of the Fund’s mandate is its alignment with the UN’s SDGs. Every investment must contribute to at least one SDG, ensuring that capital deployed is directly linked to advancing global sustainability priorities and addressing critical societal challenges.

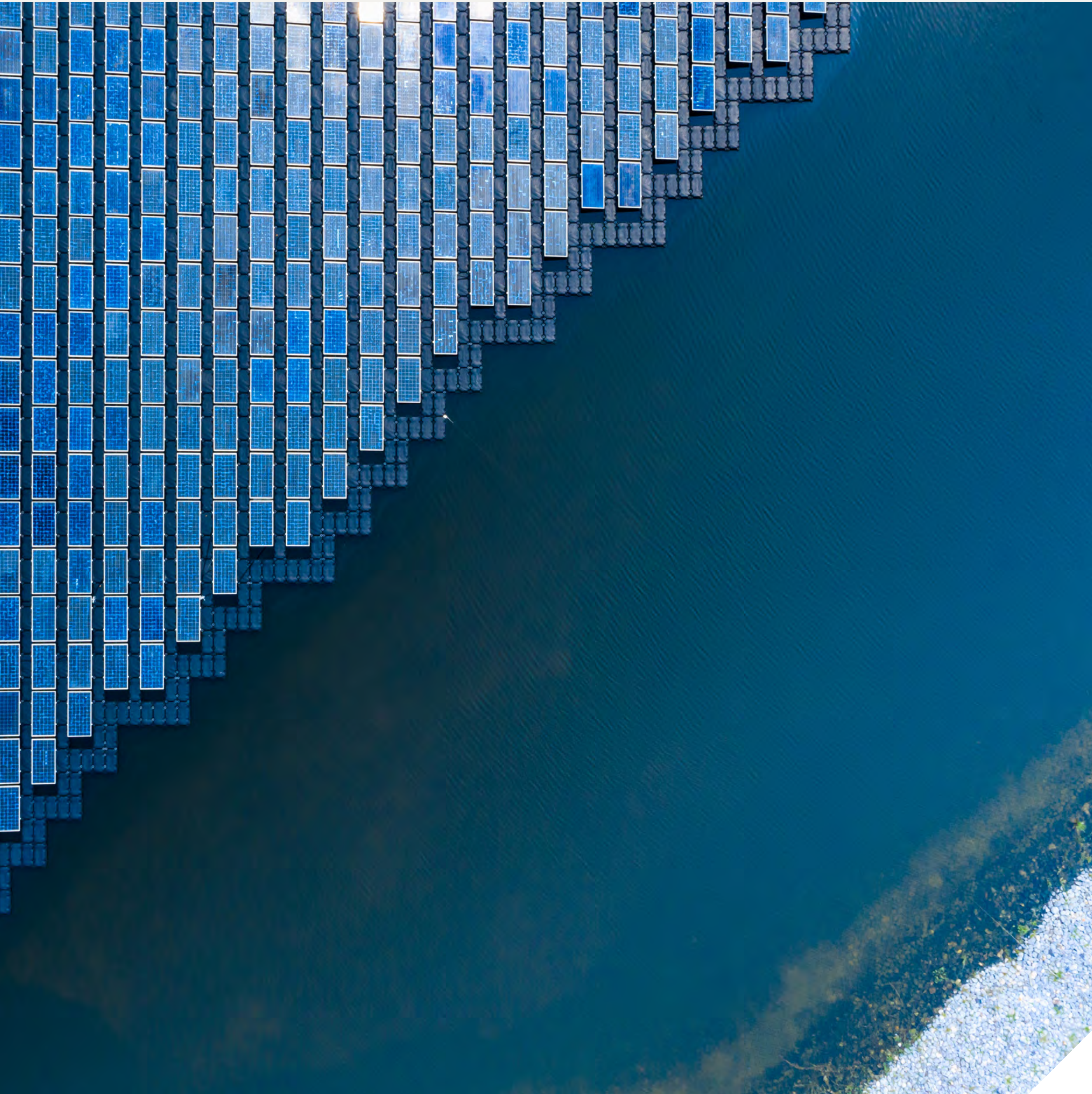
By embedding the SDGs into its investment approach, the Fund ensures that its activities deliver both measurable impact and meaningful outcomes. It seeks opportunities that are both financially sound and advance sustainable development objectives, with a strong emphasis on delivering tangible benefits 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.

In our 18 credit investments, the following contributions were reported.
There is a spread of impact across the various SDGs.



Source: Prescient Investment Management (as at 30 September 2025)
* “Other” relates to cash and interfund holdings





IMPACT AND SUSTAINABILITY

A key measure of the Fund’s impact is its contribution to employment and inclusive growth. To date, our investments have created over 500 direct and 7,000 indirect jobs, the majority of which are permanent and held by black employees, in line with our commitment to transformation and empowerment. In this way, the Fund plays a meaningful role in South Africa’s developmental agenda, alleviating poverty and broadening economic participation.

Environmental sustainability is equally central to our investment philosophy. Given South Africa’s challenges in water, waste, and energy security, we encourage investee companies to adopt efficiency measures such as solar installations, rainwater harvesting, and recycling systems. These initiatives reduce environmental impact while enhancing operational resilience and lowering energy costs, demonstrating the tangible financial value of sustainable practices.

Transformation is a core pillar of our approach. Across our portfolio, companies are encouraged to not only maintain but also improve B-BBEE ratings. Initiatives such as employee share ownership promote inclusivity and long-term sustainability.

We evaluate investee companies on both financial and developmental outcomes, and assess progress annually to identify best practices and support continuous improvement. Strong ESG performance directly contributes to reduced credit risk, improved capital efficiency, and enhanced long-term returns, reinforcing the link between sustainability and financial performance.

Through active engagement and transparent expectations, the Prescient Infrastructure Debt Fund continues to deliver competitive returns while driving employment creation, environmental stewardship, and inclusive economic growth. In doing so, the Fund aligns with the SDGs and serves as a catalyst for long-term social and economic progress in South Africa.



Case Study 01

GIBB-CREDE

GIBB-CREDE is a specialist infrastructure investment and development platform which combines the technical excellence of the GIBB Group, one of Africa’s leading engineering and infrastructure advisory firms, with the financial and transaction structuring expertise of CREDE Capital Partners. The focus is on originating, developing, structuring, and investing in high-impact energy and infrastructure projects that deliver long-term value to investors, governments, and communities.

The partners are not just capital providers, they are active participants in the project lifecycle, from idea generation and development to delivery and operation. This makes GIBB-CREDE a co-developer, project architect, and long-term investment partner.

Core capabilities

- > Project origination and feasibility
- > Transaction structuring and financial modelling
- > Technical due diligence and engineering oversight
- > Stakeholder and ESG management
- > Risk allocation and mitigation planning
- > Project and corporate investment

GIBB-CREDE, through the EDF Oasis Consortium, was recently awarded Preferred Bidder Status on battery energy storage projects totalling 259 MW in the BESS Bid Window 1. These projects broke ground and started construction in September 2025.

GIBB-CREDE, through the EDF-R Umsobomvu Consortium, recently reached financial close on renewable wind projects totalling 420 MW under Bid Window 5. These projects, which are in their final stages of construction, are scheduled to reach commercial operations between the fourth quarter of 2025 and the first quarter of 2026.

Prescient Investment Management partnered with GIBB-CREDE because it delivers high-value, de-risked infrastructure investment opportunities across Africa by integrating development expertise, technical advisory, and structured finance into a single platform.



Key differentiators:

- > **Active investment model**
It moves beyond passive investing to actively shape projects – taking development risk and driving bankability, regulatory compliance, and stakeholder alignment.
- > **Full-lifecycle involvement**
It participates from early-stage project origination through to financial close, construction oversight, and operational support.
- > **Technical and transactional excellence**
The combined platform draws on GIBB’s engineering and project management expertise and CREDE’s capital markets and project finance track record.
- > **Strategic partnerships**
It works with governments, DFIs, private sponsors, and technical partners to co-develop infrastructure assets that are scalable, replicable, and resilient.
- > **Bankability focus**
Projects are structured to attract institutional investment, with robust risk allocation, ESG compliance, and sustainable revenue models.

Over the short to medium term, the business aims to achieve the following:

- > Develop over 1 GW of generating capacity within the next 24 months, including its existing portfolio.
- > Establish over 200 MW for the Commercial & Industrial (C&I) market.
- > Grow the internal team to reduce reliance on third-party advisers.

- > Develop in-house asset management capabilities.
- > Execute projects in SADC countries outside South Africa, where unique investment-grade counterparties and enabling environments exist.

Positive impact generated in South Africa

- > Accelerating infrastructure delivery aligned with national and regional development plans.
- > Mobilising private sector capital into under-served and strategic sectors.
- > Enhancing local content, job creation, and skills development.
- > Promoting sustainable and climate-resilient infrastructure solutions.

The partners are also involved in projects with very large and experienced multinational companies that have operated in Europe, Asia, Middle East and the rest of Africa. The ability to work with such teams, while providing relevant input, is important. Teams need to be fully involved in the entire bid process to financial close, including in the last mile development, engaging with banks and various stakeholders, structuring financing and remaining involved in construction committees. Where possible, they allocate resources to the Construction and Administration Services team and the broader sub-committees like the Audit Risk Committee and participate at board level. This is hugely beneficial as it provides an opportunity for team members to learn and add value to the process.



Hear from GIBB CREDE directly.
[Click here to watch the case study video.](#)



Case Study 02

Capitan

Capitan is a niche property development financier that identified a clear opportunity in the market to support mid-sized property developments. Its particular focus is affordable housing, student accommodation, and internal infrastructure services for SME borrowers.

They are addressing a persistent funding gap in this sector for accessible and affordable financing solutions. The business is passionate about these projects, which are not only commercially sound but also generate meaningful social impact, especially in creating jobs in South Africa. They prove that strong financial performance and positive social outcomes are not mutually exclusive, but instead reinforce each other.

In Capitan’s own words, the relationship with Prescient Investment Management has helped it to grow:

“Our relationship with Prescient Investment Management has been highly collaborative, built on shared values and goals. We both prioritise responsible investing and capital preservation, followed by delivering strong, sustainable returns to our clients. Just as importantly, we’re aligned in our commitment to economic upliftment through infrastructure development across the value chain.”

“Prescient Investment Management’s support has been instrumental in Capitan’s growth, enabling us to finance impactful, socially meaningful projects.”

“On a personal note, it’s also been a genuine pleasure working with a team that’s not only incredibly talented and professional but also so well matched to our vision and values. They’re deeply committed to driving real change, and that alignment makes this partnership truly special.”

Capitan’s competitive edge lies in the speed, accessibility, and flexibility of its financing solutions. Unlike traditional lenders, where deal initiation, due diligence, and credit approvals can take months, it has built a process that takes only a matter of weeks, without compromising quality, governance and thoroughness.

This agility means developers can secure the funding they need when timing is critical, especially in property development where delays can be costly.



Over the short to medium term, the business aims to achieve the following:

Private credit is one of the fastest-growing asset classes globally, and while South Africa is following that trend, it’s evolving at its own pace with some very specific regional dynamics. Traditional banks are unable to meet the demand, especially in areas like affordable housing where there is a backlog of around three million homes. That’s where private credit providers like Capitan step in.

Capitan is currently raising over R2.5 billion, with plans to grow to R5 - 7 billion in the medium term. Its goal is to become a trusted, long-term partner to its clients by building strong relationships with them and supporting them through repeated borrowing cycles. For investors, its focus is on capital preservation first and strong risk-adjusted returns.

Positive impact generated in South Africa

Capitan does not focus only on delivering compelling returns, but is deeply committed to creating meaningful social and economic impact in South Africa.

By funding developments in affordable and student housing as well as essential infrastructure, it is helping to bridge critical funding gaps and driving job creation on several levels, from construction and professional services to ongoing operational roles. Every project it finances directly contributes to job opportunities and skills development in local communities. Beyond that, many of the projects it finances align closely with the UN SDGs. Capitan’s goals are building infrastructure that matters, improving living conditions, and stimulating economic activity where it is most needed.

Investing in and upskilling staff contributes to Capitan’s competitive edge and ability to instil impact. The leadership at Capitan has been able to cultivate a culture of empowerment and growth for young talent. One of its core beliefs is that sustainable success comes from consistently investing in staff and encouraging them to step beyond their everyday comfort zones.

Management places a strong emphasis on cross-functional learning, exposing staff to every aspect of the deal-making process. This ensures that the team builds a holistic understanding of how the business works, helping both individual development and organisational performance.



Hear from Capitan directly.
[Click here to watch the case study video.](#)



Case Study 03

Teraco

Teraco, which was founded in 2008, has grown to become Africa’s largest data centre operator, with eight facilities and more than 180 MW of critical IT power load. The company manages a mix of connected facilities and hyperscale sites across South Africa, which are strategically located to meet the data centre requirements of the Sub-Saharan region.

Teraco’s flagship sites host an extensive digital ecosystem comprising over 250 African telecoms operators, 150 managed service providers, and 50 global content providers. The company operates NAPAfrica, its own internet exchange, which ranks among the top 10 globally, and serves as the home for all major public cloud onramps in the region.

“Prescient Investment Management has played a critical role in enabling Teraco’s growth. As part of a syndicate of financial institutions, Prescient Investment Management has provided essential loan financing to support Teraco’s large-scale capital investments.”

Teraco’s competitive advantage is underpinned by its vendor-neutral business model and the strength of its people. By remaining vendor neutral, the company avoids competing with clients, enabling an open-access marketplace that fosters interconnection and collaboration across the digital ecosystem.

The company delivers a secure and resilient environment for clients’ infrastructure to operate 24/7, 365 days of the year. Its data centres are world-class, and designed, built, and operated by a highly skilled in-house team.

Continuous innovation is a hallmark of Teraco’s approach. Data centre infrastructure is scaling rapidly, with hall sizes increasing 3.5 times, IT power per hall growing tenfold, and IT power per cabinet rising 25 times. With AI workloads driving even greater power densities, Teraco is already deploying liquid cooling technologies to support GPU-intensive operations. This ability to anticipate industry shifts and deliver cutting-edge solutions sets Teraco apart in the market.

Over the short to medium term, the business aims to achieve the following:

Teraco’s growth trajectory aligns closely with the evolving digital strategies of its clients. As enterprises embrace cloud, hybrid deployments, and AI, the demand for scalable and resilient infrastructure continues to rise.

The company has recently doubled its installed capacity, delivering more than 90 MW of IT load, with additional builds already in progress. These investments ensure that Teraco’s clients have the infrastructure required to scale without constraints, positioning the company to grow in step with the digital transformation of the region.



Positive impact generated in South Africa

Teraco is contributing towards positioning South Africa as a regional hub for digital innovation and connectivity. With its access to global subsea cable networks, the company ensures that content delivery and data processing requiring low latency are anchored in South Africa to serve the broader Sub-Saharan region.

Beyond infrastructure, Teraco has a multiplier effect by enabling various industries to innovate, scale, and compete globally. By creating this digital hub, the company contributes to South Africa’s economic growth and strengthens its role in the global digital economy.

Talent development is a core element of Teraco’s success. The company embeds a culture of continuous learning, as it offers in-house training, external study opportunities, and exposure to world-class hyperscale projects. Its graduate programme spans several business functions, ensuring a pipeline of skilled professionals for the future.

To address industry-wide skills shortages, Teraco launched the Teraco Academy in partnership with vendors. The academy provides practical, work-ready training in electrical and mechanical specialisations, enabling graduates to earn

NQF level 4 or 5 qualifications. This initiative builds capacity not only for Teraco but for the broader South African data centre industry.

The company makes significant social investments through a bursary programme that currently supports 36 tertiary students from surrounding communities. Its longstanding partnership with Tomorrow Trust addresses the holistic educational needs of orphaned and vulnerable children, and is currently supporting 131 learners from Grade R through to tertiary education. These programmes reflect Teraco’s commitment to empowering individuals and uplifting communities.



Hear from Teraco directly.
[Click here to watch the case study video.](#)



11 Conclusion: Responsible investing as the new operating system



Conway Williams | Head of Credit
Prescient Investment Management

In the world of investing, we are trained to expect the unexpected. As we look to the future, it is clear that our discipline is being tested not just by market volatility but by the intense scrutiny and political polarisation surrounding responsible investing itself. Yet it is precisely in these moments of uncertainty that the value of a systematic, evidence-based approach to risk management becomes most apparent.

Regardless of the terminology, whether we call it ESG, sustainable investing, or non-financial risk analysis, the fundamental concept remains unchanged. The frameworks and regulations that have emerged, from the GRI to the ISSB standards, are more than just compliance tools. They constitute a new operating system for business in the 21st century, one that recognises the deep interconnection of financial performance, environmental sustainability, and social responsibility. For investors, this is not a departure from our core principles; it is an enhancement of them. It is the evolution of fiduciary duty.

This operating system provides the analytical tools needed to make more informed and resilient investment decisions. It allows us to look beyond the traditional balance sheet and identify material, long-term risks and opportunities that can, and do, have real financial consequences. As we have learned from working through market and business events, our first responsibility is to anticipate and manage risk. A business might survive reputational damage, but it will not survive without cash flow. Integrating ESG factors is fundamental to this analysis, helping us to assess the true resilience of a borrower's business model and their capacity to generate sustainable cash flows over the long term.

Our experience in the private markets validates this conviction. The success of our Clean Energy and Infrastructure Debt Funds, which together have deployed in excess of R8 billion into vital projects across South Africa, demonstrates that a disciplined,

responsible investment approach can deliver compelling, risk-adjusted returns while financing the backbone of a modern economy. These investments, from renewable energy projects powering 1.6 million homes to infrastructure improving livelihoods and creating jobs, prove that strong financial performance and positive societal outcomes are not mutually exclusive. They are in fact mutually reinforcing.

As you would have read in this report, our commitment is not driven by fashion or regulatory pressure, but by empirical evidence and a deep-seated belief in prudent risk management. The path ahead presents challenges, but it also presents immense opportunities.

By embracing responsible investing as the new operating system for investing, we are not just managing risk. We are building more resilient portfolios, fostering a more sustainable economy, and providing our clients with certainty in an uncertain world.

At Prescient Investment Management, we are committed to leading this charge, confident that our systematic approach will continue to deliver enduring value for our clients and for society.

12 About Prescient Investment Management

The world is an uncertain place. With new technologies arriving every day and an overload of information, it’s difficult to know what the future holds or where to invest. Our clients need a clear path forward.

At Prescient Investment Management, we know the best path to certainty is to consider everything. For over 27 years, we’ve pioneered systematic investing—a meticulous process powered by data, technology, and smart people that cuts through noise and emotion to deliver informed, disciplined decisions.

Our evidence-based approach considers everything that could impact your financial future, including Environmental, Social and Governance factors that shape long-term value. Since 1998, this proven process has delivered consistent, risk-managed outperformance across retirement funds, corporate entities, and individual portfolios, giving our clients confidence and peace of mind in their financial futures.

We specialise in managing listed asset portfolios, as well as infrastructure and clean energy debt funds. As a Level 1 BEE Contributor and signatory to the Principles of Responsible Investing (PRI) and CRISA code, we’re committed to building trust with our clients today while creating financial security for future generations.

It’s investing guided by facts, not feelings. We are 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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Disclaimer

Prescient Investment Management (Pty) Ltd, an authorised Financial Services Provider (FSP 612), is the appointed Trustee of the Prescient Infrastructure Debt Fund and the Prescient Clean Energy Infrastructure Debt Fund. These Trusts are private ventures and is not open to the members of the public as defined in the Collective Investment Schemes Control Act No 45 of 2002 (“CISCA”). Due to confidential nature of the associated Funds private placement documents, these documents are not publicly available.

Please note that there are risks involved in buying or selling a financial product, and past performance of a financial product is not necessarily a guide to future performance. The value of financial products can increase as well as decrease over time, depending on the value of the underlying securities and market conditions. There is no guarantee in respect of capital or returns in a portfolio. No action should be taken on the basis of this information without first seeking independent professional advice. The information contained herein is provided for general information purposes only. The information does not constitute or form part of any offer to issue or sell or any solicitation of any offer to subscribe for or purchase any particular investments. Opinions and views expressed in this document may be changed without notice at any time after publication and are, unless otherwise stated, those of the author and all rights are reserved. The information contained herein may contain proprietary information. The content of any document released or posted by Prescient is for information purposes only and is protected by copyright laws. We therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable directly or indirectly to the use of or reliance upon the information. For more information, visit www.prescient.co.za.

*Please note that there are representatives acting under supervision