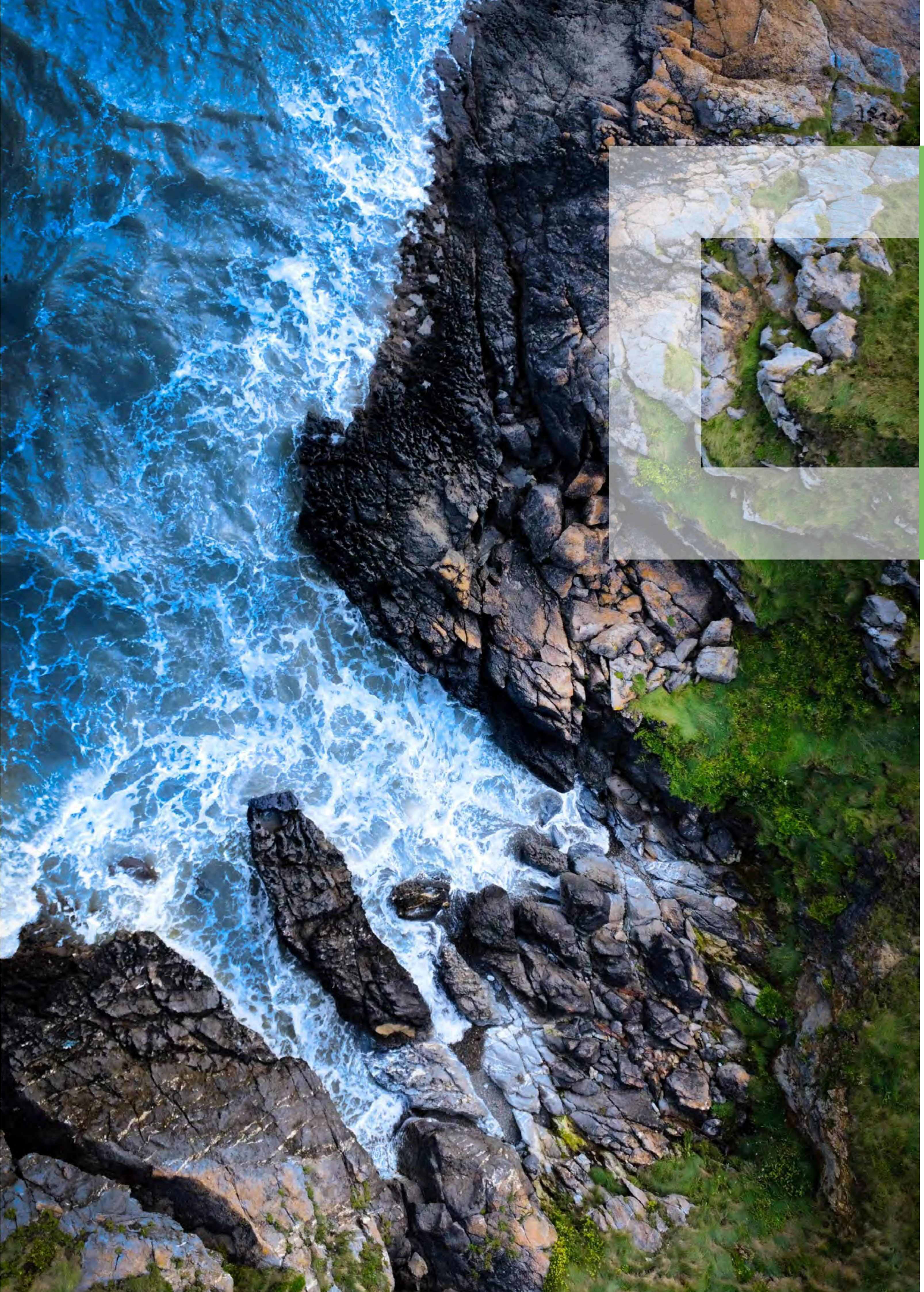
M&G Investments Southern Africa: Sustainability Report 2022 / 2023



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CEO Letter

We are proud to present this 2022/2023 Sustainability Report as M&G Investments Southern Africa (M&G SA), as we continue to report on our approach, priorities, activities and accomplishments regarding the responsible stewardship of our clients' capital. There are a number of areas in which we have made progress, as well as our future plans, that we are excited to share with our clients and other important stakeholders.

Our first independent Taskforce on Climate-related and Financial Disclosures (TCFD) Report was released this year, and is also included in this document. As part of the global investment group M&G plc, we are able to take advantage of our colleagues' global expertise and advanced information systems to help us both further improve our own data collection and deepen our understanding of the global environment in which our investee companies operate. We are confident that these advances, in turn, will lead to more informed decision-making and, consequently, better outcomes.

We have never underestimated the importance of being custodians of our clients' hard-earned savings and the meaningful role we can play in helping guide the policies and actions of our investee companies, in order to better the lives of our clients and their families, our staff, our suppliers, our communities, the financial services industry and the wider Southern African region. Over the past period we are pleased to have made progress in improving our sustainability-related initiatives: Our policies have been strengthened by bringing in principles from our broader group, and our investment and risk processes have been further enhanced through new integration systems and oversight procedures.

Demonstrating our encompassing approach to sustainability, we have now included in this report our Corporate Social Investment (CSI) initiatives, and a report on transformation in our business.
Transformation – in our own business, the local financial services industry and communities – has long been a strategic imperative for us and we are pleased to present more details on how we have been able to make positive change in 2022/23.

By sharing this additional information, we hope not only to emphasise our ongoing committment to make progress on sustainability in our mutiple roles as a Southern African business, but also the positive impact we can make toward achieving sustainable outcomes as a large global investment manager.

Sincerely
Chris Sickle

Chris Sickle
Chief Executive Officer

Developments during 2022/23

Responsible Investing policy

In late 2022 we implemented a number of changes to our Responsible Investing policy, the plans for which were detailed in our 2021 Stewardship Report. These centred largely around formal incorporation of ESG Investment Principles, in line with those applied by M&G Investments, as well as the Sustainability Principles set at the M&G plc level. In July 2023 our Responsible Investing policy was further updated in order to make explicit reference to our policy on human rights, slavery, child labour and human trafficking. While this is largely a function of International Convention and legislation, it was deemed important to make this more explicit in our policy.Additional changes included confirmation that our Conflicts of Interest policy extended to the Responsible Investing policy contents and processes.
Annual review of our Responsible Investing policy is a standard process.

ESG Risk Escalation processes

ESG risk reporting to the M&G SA Investment Risk Oversight Committee has been a formal part of our process since 2019, and 2022 saw us create an escalation process on select "triggers" – bringing more formality to the process as the team continues to grow. Late 2023 saw further refinement of this escalation process.
This is well illustrated in the engagement example of Oceana in this report. Oceana

TCFD and Climate Reporting

Our inaugural TCFD Report was released in August 2023 and is incorporated in this report. In 2023 there was more cooperation between M&G Southern Africa and M&G plc on engagement with, and setting objectives for, investee companies with thermal coal exposure and other salient issues raised in M&G Investments' Climate Committee. This culminated in many stocks being brought before the Climate Committee for assessment, and agreeing objectives and timelines for monitoring this exposure, or divestment if necessary.

ESG Integration Tool

Work on our ESG Integration Tool (ESGit), the formal ESG investment integration system used by our investment analysts and portfolio managers, has continued under the project management of one of our Equity Analysts, supported by our ESG Specialist. While in-house reporting functionality is still being finalised, we are pleased with the progress.
Further details can be found here

Doing Business Responsibly: Corporate Social Investment initiatives

Previously, our Stewardship reports have focused on how we have integrated responsible investing into our investment process. In this Report, this has been expanded into a more complete Sustainability report that additionally includes our Corporate Social Investment (CSI) Report. This provides our clients and their advisers with a more holistic view of how we view ourselves and act as part of the fabric of the investment community and the communities in which we operate.

The Report details both our own internal business initiatives and the work done within surrounding communities over the period.

Sustainability frameworks and principles

Sustainability Frameworks

Our approach to sustainable investing takes account of both global and local frameworks as guided by international agreements such as the UN Sustainable Development Goals, the former UN Principles for Responsible Investment and the Paris Climate Agreement. Locally we also adhere to the Code for Responsible Investing in South Africa, all of which help inform how we integrate ESG factors into our fundamental investment analysis, our investment decisions, and ongoing portfolio management and monitoring.

We define sustainable investing as: Sustainable investing involves making investment decisions incorporating **Environmental, Social, and Governance (ESG)** factors while trying to have a positive effect, or reduce negative effects, on the environment and society through active ownership and/or portfolio construction.

In addition to the frameworks following, M&G Investments Southern Africa also supports M&G plc in the global initiatives and frameworks to which it adheres.

LEARN MORE

Global frameworks

United Nations Sustainable Development Goals (SDGs)

In 2015, the United Nations set 17 Sustainable Development Goals (SDGs) designed to end poverty, protect the planet and ensure all people enjoy peace and prosperity by 2030. Governments around the world are implementing policies aligned to the SDGs, including action to secure clean water and energy, improve gender equality, education and health, provide more work opportunities, and use land and ocean resources more sustainably. We fully support the SDGs, recognising that the regulations and policies implemented under the initiative's auspices will ultimately result in more sustainable, value-creating businesses and more prosperous lives and communities globally.

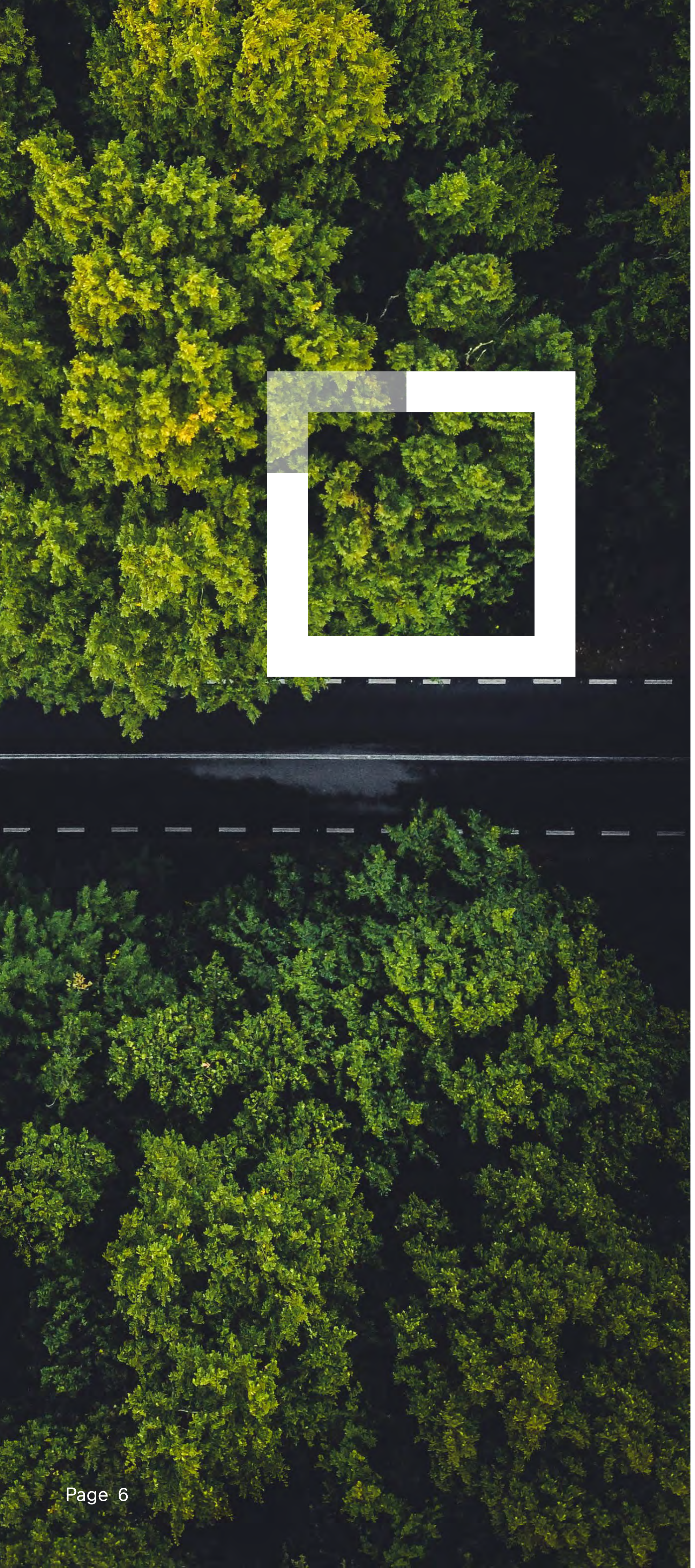
Based on our priorities in Southern Africa, we have chosen to focus on the three SDGs related to water, climate change and equality (transformation).
Some of the relevant investment case studies are detailed in this report.

Paris Climate Agreement

We're firmly committed to supporting the objectives of the 2015 Paris Climate Agreement efforts to limit temperature increases above pre-industrial levels.

Effectively, this means that the world should be adding to the atmosphere no more emissions than it is removing (called "net zero"). The route that the world follows to net zero emissions will have major implications for the risks we need to plan for as a business, as well as for our investee companies, communities and the local and global economies.

This includes, for example, the risk that investors could be left with stranded assets with declining value, such as those in higher carbon-emitting industries.



Just Transition: Considerations of the Southern African context

Because of the large amount of capital investment required to transition to cleaner energy sources and increasing energy efficiency, the burden of this transition will be felt heavily by emerging market countries such as ours, which have higher investor risks, higher costs, a shortage of capital and less sophisticated economies. This is coupled with South Africa relying almost entirely on coal for its energy requirements, and being highly dependent on mining activity for jobs, tax revenues and growth, as such, the risks are very high. This is one of the primary reasons why we have embraced a "Just Transition" approach. To rush headlong into a sharp, disruptive transition that avoids or divests from carbon-emitting companies would be devasting for the South African economy and people. Equally, it would give us no influence on the companies most in need of help. Instead, we prefer to influence a company's path to net zero by driving positive change through active engagement, helping guide them in their transition plans in areas such as capital investment, for example. More detail on our approach on Climate can be found in our

TCFD report

Local frameworks

Association for Savings and Investment South Africa (ASISA)

We are a member of ASISA, through which we collaborate on a number of initiatives with our fellow investment managers in South Africa. This includes responsible investing. Our ESG Specialist is our representative on the ASISA Responsible Investing Committee.

Code for Responsible Investing in South Africa (CRISA)

We subscribe to the principles of the Code for Responsible Investing in South Africa (CRISA).
We actively participated in drafting CRISA, which was launched in 2011. Our investment process and practices incorporate the five CRISA principles. These include environmental, social and governance (ESG) factors, proxy voting disclosure, and communicating with clients on our policies. We also look to collaborate within the industry where possible.

King Code of Governance Principles (King IV)

In South Africa we adhere to the code of corporate governance principles as stated in King IV, which sets out best practice recommendations to achieve good corporate governance. It also recommends integrated sustainability performance and reports to assist investors in assessing true economic value.
In addition, one of its supplements for retirement funds requires pension funds to be responsible corporate citizens by taking account of sustainability issues, including ESG factors. In their investment decision making

Our Sustainability Principles

M&G plc recognises that responsible investing must reflect a broader over arching sustainability context for the entire group and its business. It is important and helpful that these broader principles should be reflected in M&G SA's approach. M&G plc has seven sustainability principles which provide a foundation for decision-making and broader strategic target-setting for the entire M&G Group.

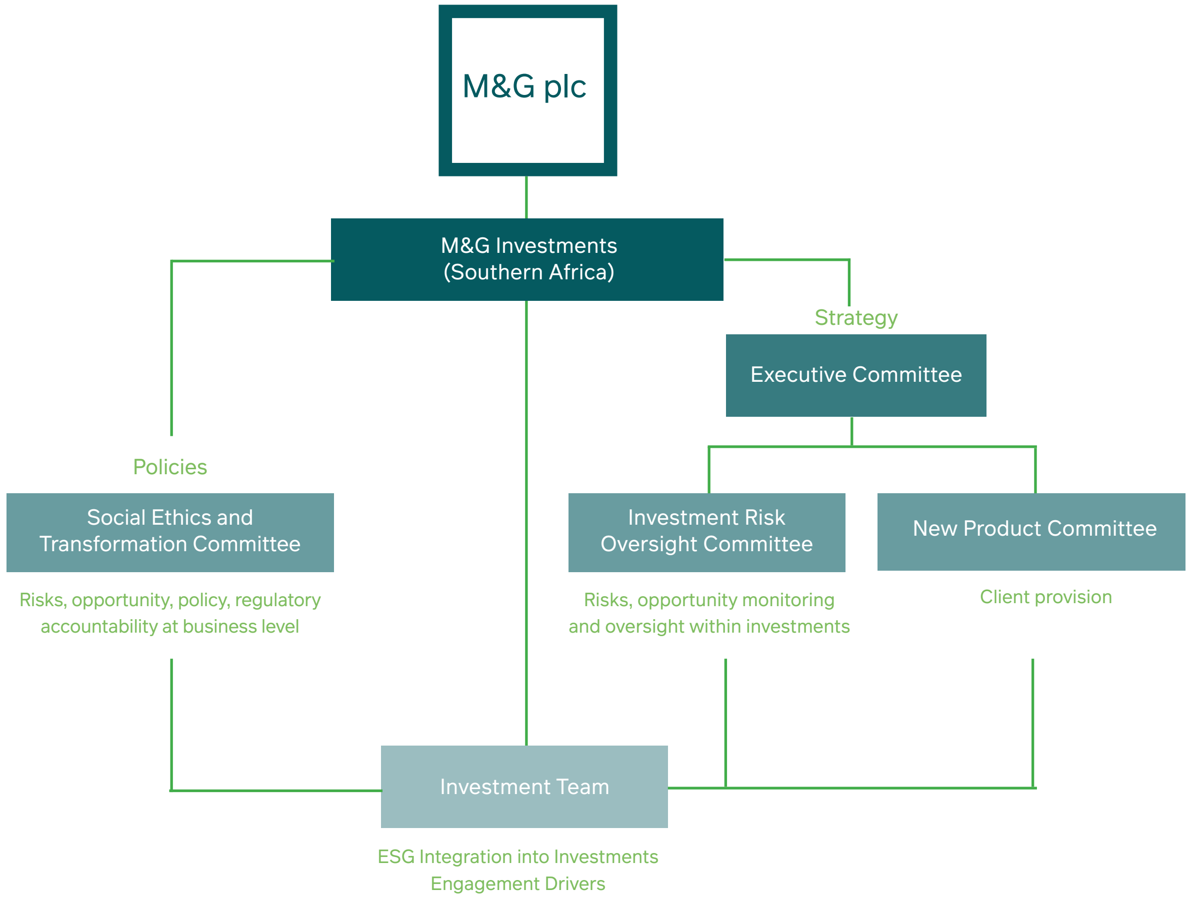
M&G Investments Southern Africa is aligned with these principles.

The seven sustainability principles are as follows:

- We will consider sustainability and ESG factors when determining our corporate strategy and new business initiatives.
- We will embed sustainability considerations throughout our business.
- We consider the interests of all our stakeholders and ensure our views on sustainability are consistent with our long-term approach.
- We will manage our businesses to the same principles of acting responsibly that we hold our investee companies to account on.
- We identify and incorporate ESG risk factors into our general risk management process.
- We review our sustainability thinking regularly in order to align with scientific and technological improvements, and changes in the global economy, ethics and consumer preferences. We aspire to be a thought leader, to innovate, and to advance understanding of sustainability issues.
- We aim to use our influence as a global investor and asset owner to drive positive change in sustainability policy and corporate standards. We believe in active asset ownership and management which invests in businesses providing solutions to 21st century challenges and companies transitioning towards a sustainable future.

Sustainability Structures and Risk Oversight

Many of our executive functions are established in our Policies guidelines and other reports. In summary, the key structures ensuring ESG integration of stewardship and sustainability function are shown in the below organogram.



1. The Social, Ethics and Transformation Committee:

This committee takes responsibility for the Board's broader sustainability objectives and direction, themes, and regulatory functions (for example, Climate Risk – which is detailed further in our TCFD Report).

Risk Oversight

This formal sub-committee of the main Board of Directors carries the regulatory oversight function related to aspects such as social aspects, transformation aspects and climate risk, and receives quarterly reports from the ESG Specialist on social, transformation and climate issues.

2. The Investment team:

The team is responsible for integration of ESG and sustainability considerations into the investment process, which is detailed further in this Report.

Risk Oversight

ESG risks are integrated into the investment process through:

1) the accountability of analysts (formally through the Responsible Investment Policy);

2) practical assessment of ESG risks into the investment process in the analyst's modelling work (where possible) and using in-house integration systems (those existing and under development and trial);

3) share knowledge and insights to inform stock assessments, portfolio construction and team voting decisions

4) monitoring and control functions on these risks.

3. The Investment Risk Oversight Committee (IROC):

This committee oversees a variety of investment risk metrics, including those relating to ESG. This committee is chaired independently from the investment team, and while it includes representatives of the investment professionals and the ESG team, it also includes risk analysts and business representatives to ensure separate oversight of investment risks, including ESG-related risks.

Risk Oversight

IROC is a sub-committee of the Executive Committee and receives reports quarterly concerning the ESG-related risks facing individual stocks and thematic risks to portfolios (as well as a variety of other investment risk metrics).

During 2022, an Oversight Watchlist was created for IROC, including escalation processes and documents. This allows an analyst to volunteer their stocks or issuers for oversight, or for this to occur automatically upon certain trigger events, many of which are ESG related. This also initiates notification to asset class heads and/or the Chief Investment Officer for oversight, and for potential engagement plans to be initiated.

4. The New Product Committee:

This committee reviews and assesses our product offerings to ensure they meet the sustainability and ESG needs of our clients.

Risk Oversight

The New Product Committee manages ESG risks to the business by ensuring our product suite remains relevant and responsive to the unique needs of our clients and other stakeholders. It also helps track new global developments and advances to improve the quality and extent of ESG-related solutions, in concert with M&G's global expertise.

This committee reports into the Executive Committee, as shown in the organogram.

Focus on Climate

Southern Africa remains extremely vulnerable to the effects of climate change. With growing emphasis on climate across the world and Southern Africa's exposure to high carbon emitters in our economies and investment universe, it is appropriate to have a separate section on climate within a sustainability report.

In this section you will find:

- **M&G Investments Southern Africa TCFD Report.**
- **Focus on thermal coal.**

  A special section discussing the role coal plays in our economy and how we are monitoring and steering the need to transition away from coal to more sustainable and renewable fuel and energy sources.
- **M&G Investments' role and activities in the public discourse and specific climate engagements.**

M&G Investments

M&G Investments Southern Africa: Task Force on Climate-related Financial Disclosures Report

Year End 2022

Introduction from the CEO

We are pleased to present our inaugural report for our M&G Southern Africa (M&G SA) business as aligned with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD).

As part of a global savings and asset management business with more than five million retail clients operating in 28 markets, our operations in Southern Africa provide us with a platform to provide local solutions within a global investment organisation.

As a newly consolidated component of the M&G business, M&G SA was incorporated into the global M&G plc annual TCFD Report and is considered in the M&G plc Sustainability Report published in July 2023. This report represents the fulfilment of a commitment to publish a separate TCFD report for M&G SA for the period January 2022 to December 2022.

This report is grounded on the local context of our Southern African operations and investment activities, and the broader consolidation of M&G SA that is occurring within M&G plc Group. This aims to integrate and scale the opportunities of our existing local services with support from M&G plc Group investment, operational systems and processes. Notably, this operational and investment integration will deliver consistency across disclosures and importantly, paves the way for a single global approach to TCFD reporting for the group. This report references M&G plc Group commitments and local activities to ensure a cohesive picture is conveyed to the reader of our M&G SA climate journey.

The South African government, along with international partners from the public and private sector, are coordinating an energy decarbonisation investment framework for South Africa. At time of writing, South Africa is undergoing significant loadshedding (rolling brown-outs) of the electricity supply which is proving extremely challenging and detrimental to South African growth. We recognise there is so much at stake to support a transition to a less carbon-intensive future and that we are facing real world climate impacts today that require us to play our part.

Sincerely,

Chris Sickle

Chris Sickle
Chief Executive Officer

Our M&G plc Group approach to climate change

Introduction

Our M&G plc group approach to climate change is taken from the M&G plc TCFD report (found in the Sustainability Report) and the M&G 2022/23 2022 M&G Annual Report and Accounts (ARA) . References are made here to explicit climate commitments and the broader context of the M&G plc group to inform the reader.

Climate change is a global problem beset by huge complexity, uncertain timing and economy-wide impacts. The scientific community has given us a clear idea of the many interconnected effects of a warming planet, with extreme events already affecting lives and livelihoods across the world. Adding to the urgency, there are signs that we are moving closer to planetary tipping points – thresholds beyond which change could become irreversible. While it is widely recognised that there has been progress on many fronts, not least when it comes to renewable energy, decarbonisation is not happening at the scale and pace needed to keep the global temperature rise within 1.5°C. Moving from commitments and incremental change to transformational action will require greater action across the global economy and much stronger policy and regulatory signals from governments. The transition to carbon net zero is about reshaping the whole economy to operate within planetary boundaries.

At M&G we want to help advance private and public action, playing our part by using the levers we have to drive positive real-world change. This includes communicating clear transition expectations to investees and stakeholders, as well as financing and enabling solutions, to support our clients on their climate journey. Focus is on implementation, collaboration and advocacy, while constantly asking ourselves if we are doing enough.

Group Climate Objectives

- To reach net zero emissions by 2050 at the latest, following Paris-aligned decarbonisation pathways for both our investments and operations
- Contributing to real-world positive impact by scaling investment in climate solutions
- Supporting a just transition and advocating for economy-wide change

Group Climate Priorities

- Progressing our climate stewardship activities, with a focus on our highest emitters
- Identifying climate solutions and just transition opportunities
- Increasing assets in scope of our interim climate commitments
- Strengthening our data and scenario analysis capabilities, with a focus on transition-relevant information
- Engaging with our supply chain to encourage ambitious transition plans and reduce our indirect operational emissions

For M&G SA we are particularly cognisant of the need for decarbonisation pathways to recognise the local context and investment levers we can deploy. A whole economy transition is required within a local, just transition context for Southern African economies and communities.

Our M&G SA Climate Journey

M&G SA has for several years undertaken operational climate and engagement activities to both reduce the use of fossil fuels and to play our part in decarbonising our investment impacts.

This journey can be evidenced in the below timeline, from our initial investments in our own operational installation of solar panels at our Cape Town headquarters through to the emerging investment, engagement and sustainability policy activities.

- **2016** – Solar Panels Cape Town Office
- **2016** – First Responsible Investment Policy
- **2018** – First formal ESG Climate and Carbon Engagements
- **2019** – ESG responsibilities to Social, Ethics and Transformation Committee
- **2019** – Investment Risk Oversight Committee includes climate risk considerations
- **2022** – Committment by M&G SA to report on TCFD
- **2022** – Climate Tool Integration Begins
- **2023** – M&G SA TCFD Report

To ensure coherence and clarity with the M&G plc group management of climate-related risks and opportunities we have provided, as set out in the table below, cross-references to a number of areas of the M&G plc Annual Report and Accounts (ARA) 2022 .

Our approach to the management of climate-related risks and opportunities is largely consistent across the M&G plc group.

TCFD Pillars	Recommended disclosures	For further information, please refer to: M&G plc ARA 2022	This report
Governance	Board's oversight of climate-related risks and opportunities	Sustainability Governance – p36	M&G SA Board and Management – p10
	Management's role in assessing and managing risks and opportunities	Management's role – p37; Climate governance and strategy – p69; Climate risks and opportunities – p70	M&G SA Board and Management – p10
Strategy	Climate-related risks and opportunities the organisation has identified	Climate risks and opportunities – p70 – 73	Climate Risks and Opportunities – p12
	The impact on the organisation's businesses, strategy and financial planning	Climate governance and strategy – p69; Climate risks and opportunities – p70 – 73; Our strategy – p10	Climate Risks and Opportunities – p12
	Resilience of the organisation's strategy, based on different climate-related scenarios	Climate risks – p 70 – 71; Scenario analysis – p84; Financial statements – p180	Climate Risks and Opportunities – p12 Scenario Analysis – p31
Risk Management	Processes for identifying and assessing climate-related risks	Climate risks and opportunities – p70 – 73	Climate Risks and Opportunities – p12
	Processes for managing climate-related risks	Climate risks and opportunities – p70 – 73; ESG risk management – p37	Climate Risks and Opportunities – p12
	Integration of climate risks into overall risk management	Risk management – p61	Climate Risks and Opportunities – p12
Metrics and Targets	Metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate metrics – p82 – 83	Climate Metrics – p28
	GHG emissions	Climate metrics – p82 – 83	Climate Metrics – p28
	Targets used to manage climate-related risks and opportunities and performance against targets	Objectives – p68; Climate metrics – p82 – 83	Climate Metrics – p28

Climate strategy and governance

Strategy

Our M&G plc group climate strategy is to use the climate transition levers available to drive real-world decarbonisation and support the transition to a net zero economy. This in turn will allow management of transition risk as a business, generating profitable growth in the future, in line with our purpose.

From an investment perspective, decarbonisation can be influenced through two principal channels: investment strategies (making changes to our investment portfolios and supporting climate solutions) and stewardship (engaging issuers to implement ambitious transition plans).

The M&G plc Board is ultimately responsible for setting M&G plc group's sustainability strategy, including climate change. The Board and its sub-committees consider climate-related risks, opportunities and other issues.

M&G SA Board and Management

Within M&G SA's South African regulatory framework, the businesses' "environment, health and public safety, including the impact of the company's activities and of its products or services..." fall under the Social Ethics and Transformation (SET) Committee. This is a function of the South African Companies Act and Regulations ((Regulation 43 (5), and Section 72 (4) of Act 71 of 2008)), making the SET Committee a formal and legislated subcommittee of the M&G SA Board of Directors.

The Terms of Reference (ToR) for the SET Committee assigns the accountable officer as the Chief Executive Officer (of M&G SA).

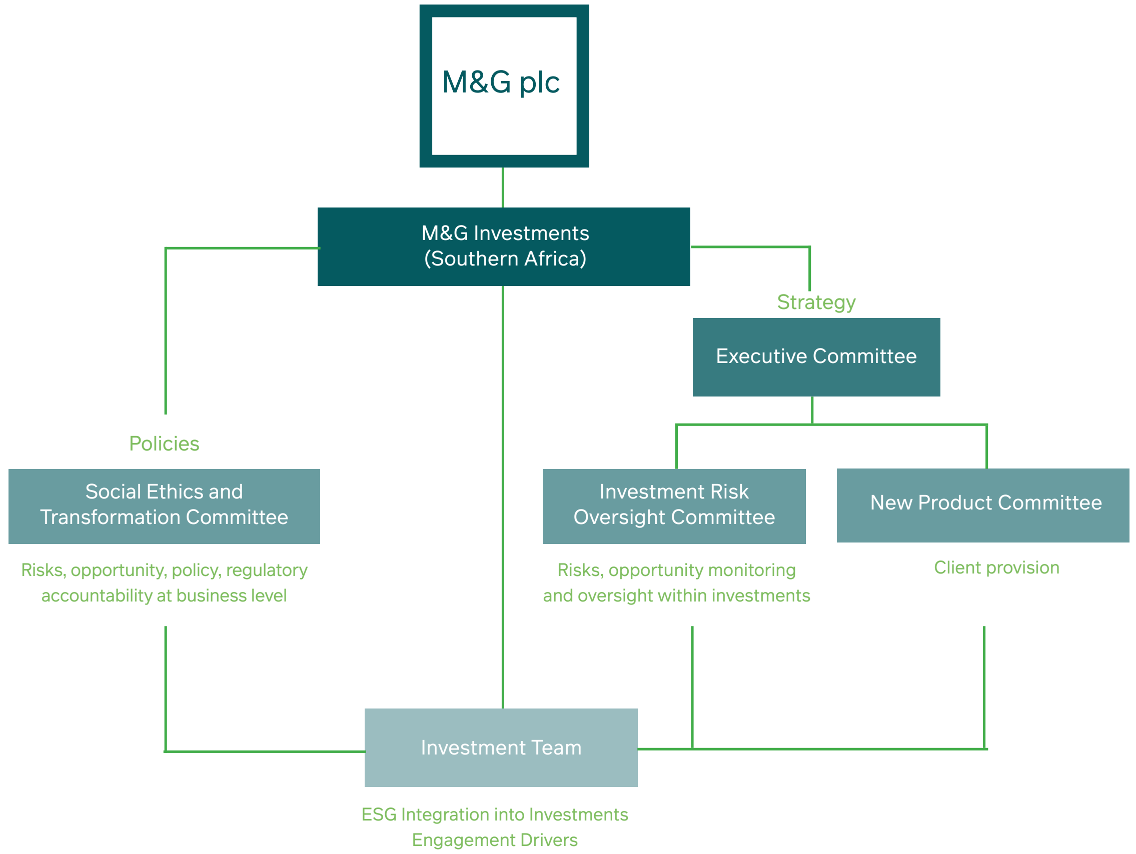
The SET Committee is required to be chaired by an independent director, and comprises the CEO as a member, as well as a shareholder representative and attendees comprising senior management. The SET Committee has oversight of M&G SA's climate risk, climate reporting, climate change strategy, and the company's climate commitments.

In this way, the M&G SA Board has ultimate responsibility and oversight of climate-related risks, opportunities and strategies, primarily through the SET Committee as legislated.

While primary reporting at M&G SA remains through the local reporting line to the M&G SA CEO, the M&G plc group provides oversight and governance through various channels. M&G SA is a subsidiary of M&G Group Limited (MGG), which forms a significant part of the Asset Management segment of the M&G plc group. The M&G SA CEO reports to the CEO of the M&G plc Asset Management business . Three M&G plc nominees currently sit on the M&G SA Board, including the Chief Investment Officer (CIO) of Equities, Multi-Asset and Sustainability. Further alignment is achieved through reporting lines for the heads of each M&G SA function to their respective heads within MGG.

Climate risk identification

Climate change is an area that touches many areas of our M&G SA business. As reflected in the governance structures image above , we also have an Investment Risk Oversight Committee, which is a sub-board Executive Committee. Management of actions and opportunities regarding our investments arising from the assessment of ESG risks (including climate) are discussed within the Investment Risk Oversight Committee on a quarterly basis, with the ESG specialist and risk teams formally reporting into this committee. In terms of product development and accommodation of the climate change risks and client needs, these fall under the New Product Committee.



Within M&G SA, and as reflected under the Governance: Oversight and Accountability section above, risk management plays out in three key areas:

Social Ethics and Transformation Committee

This formal sub-committee of the main Board of Directors carries the regulatory oversight function related to climate risk, and receives quarterly reports from the ESG Specialist, inclusive of climate risk aspects.

Investment Risk and Oversight Committee

The Investment Risk and Oversight Committee is a sub-committee of the Executive Committee, and meets and receives quarterly reports on ESG risks and aspects that impact the investment portfolios of M&G SA and its clients, including those of climate risk.

Investment Team

Climate risks are integrated into the investment process through 1) the accountability of analysts (formally through the Responsible Investment Policy); 2) practical accounting of climate risks into the investment process in their modelling work (where possible) and using the inhouse integration system. These include existing and those under development and trial; 3) presentations to their peers in the investment team for voting on stocks and issues; and 4) monitoring and control functions on these risks. This process is discussed in more detail in Section 4 of the M&G SA Sustainability Report.

New Product Committee

The New Product Committee manages climate-related risks to the business by ensuring our product suite remains relevant and responsive to the unique needs of our clients and other stakeholders. It also helps track new global developments and advances to improve the quality and extent of climate-related solutions, in concert with M&G's global expertise. This committee reports into the Executive Committee.

M&G SA's Client Services teams are responsible for communicating with clients on their climate-related risk views, policies and requirements in the approach to climate risks.

Climate risks and opportunities

Climate risk overview

Climate change is a critical aspect of sustainability and is a principal risk for the M&G plc group; it is a key area of oversight for our organisational structures, as already referenced. Consideration and prioritisation of climate risk is built into decision-making and governance processes, and is a requirement of key strategic Board risk assessment papers for the M&G plc group.

> Climate scenario analysis is an important tool in the identification, assessment and management of climate change risk. M&G plc as a group have continued developing the Group's in-house climate risk modelling capability. This is a priority for further improvement and application across our business, including M&G SA as identified in the Annual Report and Accounts and within the M&G plc group Sustainability Report.

Risk identification

M&G plc, as a group, combines a range of approaches to help identify, understand and articulate climate risk, including academic research, industry-shared learning, scanning tools and relevant data sources, scenario analysis and best practice guides.

The scenarios, which use the Network for Greening the Financial System (NGFS) phase 2 scenarios as a base, have been assessed over short- and longer-term time horizons, covering both an orderly and disorderly transition to a low-carbon economy, and a 'Hot House' scenario where the transition is limited and physical risks dominate. The M&G plc group have also undertaken more granular, asset-by-asset climate modelling to support integration across group investment teams, of which Southern Africa will stand to benefit from going forward.

In 2022, M&G plc continued to invest in and develop new capabilities in climate analytics, drawing on expertise across the business (including technology, investment and risk professionals). In 2023, M&G plc plans to further integrate these new capabilities across the group, including M&G SA, into decision-making and risk oversight processes.

M&G plc Group Transition and physical risks

M&G plc approaches climate risks through multiple lenses, considering both the potential effects on the business and the degree to which we, directly and indirectly, are generating impacts.

Failure to align with the climate transition poses significant business risk, principally through the investments we manage on behalf of clients, but also from operational and reputational perspectives.

Given how far the world is from meeting the Paris Agreement temperature goals, there is increasing risk of a disorderly transition outcome, where policy intervention and repricing of assets happen abruptly rather than in an orderly fashion. Our climate risk analysis is therefore heavily focused on transition-relevant metrics and information, helping us assess the degree of alignment with rapid, science-based decarbonisation.

From a physical risk perspective, impacts will continue to worsen due to historical emissions and the world's current decarbonisation trajectory, making investment in adaptation and resilience critical.

The ability to assess vulnerability and exposure to acute physical risk and extreme weather is improving, but long-term chronic physical risk could manifest in complex and less obvious ways: for example, food and water insecurity driving mass movement of people; increased conflict and inflationary pressures; or changing disease patterns, including exposure to novel viruses.

**We are aware that traditional risk management techniques, such as diversification, are likely to be less effective in a worst-case runaway temperature scenario where the wider economy is impacted.
We therefore recognise the importance of collaboration and policy change to drive ambitious decarbonisation as well as adaptation.**

Climate risk as a business

As a business, we are impacted by both the physical and transition risks of climate change. We are exposed to physical and transition risks in our operations and through our supply chain, both of which could have an impact on our costs. The M&G plc Workplace Solutions team based in London actively monitors the Group operational footprint, mitigating against the risks arising, and assists us with interpreting our collated data in the Southern African operations. We are also aware of reputational risk to our business, such as not meeting our targets or overstating our work. Additionally, we need to ensure we are holding ourselves to account, and to be an example to others.

M&G SA Climate risk as an asset manager

As an asset manager we use a range of information, including portfolio alignment data and scenario modelling, to identify exposure to climate risk across our clients' portfolios. Our in-house ESG integration system also acknowledges the qualitative nature of many environmental and social considerations. Our analysis feeds into our climate stewardship efforts, which is the main way we seek to reduce exposure to transition and physical risks.

M&G SA Climate Transition and Physical Risk Monitoring and Management

Both transition and physical risks have the potential to impact the value of the assets we manage on our clients' behalf, which directly influences our revenue and assets held on our balance sheet. We understand that climate-related risks can overlap and interact, creating compounding and cascading impacts, and that the precise timing and sequence is very hard to predict. De-risking involves pulling our levers – investment strategy, stewardship, advocacy and operational change – to ensure that the portfolios we manage, and our operations, are aligned with the transition, and resilient to physical impacts.

Our first-line risk management approach is engagement with our investments that are key emitters of Greenhouse Gases (GHG), particularly those that are prominent in our narrow investment universe in Southern Africa. We are willing to accept some time-bound transition risk exposure, as long as we can build confidence that investees are on sufficiently ambitious decarbonisation trajectories. Physical risk is more prominent for some of the asset classes we manage, such as listed real estate, and involve location-specific assessments of existing and new assets. In terms of our business operations, we are managing transition risks, for example through our renewable energy solutions (such as rooftop solar).

> The above efforts are also about protecting our reputation, as stakeholders increasingly differentiate between climate leaders and laggards.

M&G SA Climate Risk Opportunities

Aligning our investments and operations with the transition also means identifying opportunities that arise from it. Decarbonisation is a long-term growth theme that is ultimately driven by necessity. To meet the world's remaining 1.5°C carbon budget, climate action has to accelerate and decouple from swings in the economy. The global energy transition alone requires a huge scaling up of investment (around $4 trillion annually by 2030 according to the International Energy Agency).

Opportunity for M&G SA lies partly at a product level: offering investment strategies that meet clients' evolving sustainability needs and preferences. This is a particular focus within the board of M&G plc group, and the Southern African operations are actively engaging our clients to explore our global offerings in this space.

M&G SA Climate transition alignment and profitable growth

As part of the M&G plc Group that is a joint global asset manager and asset owner with significant capabilities across both public and private markets, M&G SA is in a strong position to identify climate-related opportunities and directly support the deployment of solutions that help the world mitigate and adapt. We believe this is key to future-proofing M&G SA and driving profitable growth. The transition is not solely product-specific – it has to happen across our investment strategies, although the pace of change will be different between sectors and countries.

The Southern African Climate Context

South Africa has two emitters that contribute over 50% of the country's total GHG emissions. The reliance on the two emitters is a unique situation globally and highlights the need for a forward-looking approach to managing whole of economy approaches to decarbonisation.

> **Eskom, the national electricity supplier and issuer of listed debt, and electricity supplier to neighbouring nations such as Namibia, and Sasol, a key petroleum provider and prominent entity in the economy.**

We have extensive discussions with both entities on their abilities, challenges and resources to achieve net zero, and these engagements are frequently reported on to clients, and the subjects of webinars and articles. The context for these entities is that the state is reliant on their activity and they are considered as nationally significant service providers. The South African government, along with international partners from the public and private sectors, are coordinating an energy decarbonization investment framework for South Africa.

At time of writing, South Africa is undergoing significant loadshedding (rolling brown-outs) of its electricity supply, which is proving extremely challenging and detrimental to South African growth.

Climate change and our operations

We recognise that all of our corporate activities have a climate impact, and therefore need to be considered in our operational decision-making. Our M&G plc group-wide corporate operations sustainability strategy addresses this across three key themes:

Our Places:

reducing our emissions from our offices and travel.

Our People:

engaging our colleagues so they understand how they can support a reduction in emissions.

Our Partnerships:

working with our suppliers and service providers to reduce our indirect emissions.

Implementation strategy

The carbon emissions from our corporate operations are relatively small compared with our investment portfolio, but we actively seek to minimise emissions where we have direct control. For our corporate operations footprint, M&G SA corporate operations data is disclosed by M&G plc group and includes defined Scope 1 & 2, and selected Scope 3 emissions, all of which have been assured by a third-party.

Our M&G Group approach to offsets

The use of carbon credits or offsets is not a substitute for reducing our emissions, and while M&G plc group has purchased offsets in 2022 across the group, including for the Southern African operations, for selected Scope 3 emissions, we remain committed to continuing our efforts to reduce our environmental and carbon emissions footprint from corporate operations.

The use of offsets is currently part of the Group's transition process to achieve net zero corporate emissions, and it intends to do so through supporting high-quality offset projects, which can be valuable to help tackle climate change, protect biodiversity, support local communities and act as carbon sinks.

M&G SA Renewable energy

In 2016 M&G SA installed a solar system on the roof of the building we operate in Cape Town, taking up as much of the roof space as possible– which ultimately enabled a maximum 66 kW system. This has enabled us to supplement our electricity supply for this regional head office with renewable energy and has avoided over 300 tonnes of CO_2 emissions over its current lifetime.

South Africa	Scope 1 (tCO2e)	Oil (generators)	5.23
	Scope 2 (tCO2e) Location based	Electricity, Purchased heat and steam	533.09
	Scope 2 (tCO2e) Market based	Electricity, Purchased heat and steam	0.00
	Scope 3 (tCO2e)	Water*	0.23

Namibia	Scope 1 (tCO2e)	Oil (generators)	0.00
	Scope 2 (tCO2e) Location based	Electricity, Purchased heat and steam	3.97
	Scope 2 (tCO2e) Market based	Electricity, Purchased heat and steam	0.00
	Scope 3 (tCO2e)	Water	0.002

* Exclusive of water usage for our Johannesburg Tyrwhitt Avenue office due to data availability.

Emissions factors:

Scope 1 and 3: UK BEIS 2022 GHG Conversion Factors

Scope 2, Location-based: IEA 2022 Edition of the CO2 Emissions from Fuel Combustion (including CH4 and N20)

Scope 2, Market based: supplier emissions factors are used where we have evidenced the consumption of electricity is from green energy tariffs or energy attribute certificates have been purchased.

M&G SA Waste and water management

The South African office building has extensive water-saving capacity built into it, including water saving ablutions, borehole supplementation for air conditioning units, and water storage capability. Staff received training during the Cape Town water crisis of 2017, and much of the processes implemented remain in place, with water saving advice and notices remaining in office. M&G in South Africa has extensive paper recycling, with almost 100% of printer paper used and consumed media being recycled.

In our Southern Africa operations, we have for over a decade and a half been donating computers and office equipment to underprivileged schools. This is equipment coming out of its office life cycle (and are not bought back by staff). This includes office furniture such as desks, chairs and laptop and desk top computers, and occasionally hand-held devices and tablets. Given the high specification of our computer equipment, this remains more than capable for purpose of school use. This not only makes a material difference to the schools, giving learners exposure to such technology, but can play a very crucial role in enabling teachers and administrators to more efficiently manage the schools.
This practice was interrupted temporarily by Covid, but is now in operation again.

M&G SA Colleagues

We support our colleagues in making sustainable choices in our offices by providing lower-carbon commute opportunities, such as ensuring provision of secure cycle storage, shower rooms, and locker cupboards for colleagues who are within commuting range to our regional head office in Cape Town.

M&G SA and M&G plc Group Enforcement actions

No fines or regulatory actions have occurred during the year for environmental incidents, either from the Southern Africa operations, or across the broader group.

M&G SA Business Operations - Emissions

To the left are our greenhouse gas (GHG) emissions for our M&G SA business corporate operations for the reporting year 01 January 2022 to 31 December 2022 (this excludes emissions from investment activity: scope 3, category 15). We apply the 'operational control' approach as a boundary for reporting our environmental data as defined by the Greenhouse Gas Protocol.

M&G SA uses a third-party reporting platform for the calculation of its energy consumption and GHG emissions. The Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (2015 revised edition) is used as the methodology.

Investments – implementation strategy

Real-world focus

M&G SA apply a 'whole-of-system' lens to the climate transition, and believe it is critical to distinguish portfolio emissions reductions caused by capital allocation from those that result from real-world action by investees. M&G plc group as an asset manager and asset owner are focused on the latter, through effective stewardship and climate advocacy. We also want to support the deployment of climate solutions, which present a major structural growth opportunity.

For the transition to happen at pace, we believe stronger policy and regulatory signals are needed. We also believe it is critical that the transition is just, with costs and benefits shared fairly between generations, communities and regions. This approach forms the basis of M&G plc's position on a just transition to a sustainable world.

M&G plc Group Net zero actions

M&G has committed to Net Zero by 2050 as a group. It's transition implementation strategy focuses on **four actions**:

- Engaging with investees to ensure they have net zero targets, ideally verified by SBTi
- Engaging with clients to encourage a move towards Paris-alignment of mandates and fund objectives
- Increasing capital directed to climate solutions, companies and projects
- Transitioning portfolios, or if unsuccessful, divesting

M&G plc Group Climate integration

M&G plc does not take a linear approach to portfolio decarbonisation, in order to avoid creating negative, unintended consequences: for example, passing the problem on to someone else through divestment, and missing out on transition-related opportunities. We believe encouraging intensive emitters to formulate robust transition plans and invest in climate solutions is a more effective approach. M&G plc and M&G SA produce a range of metrics to identify and assess climate-related risks and opportunities, and track progress against our targets. This information helps our investment teams understand the climate profile and trajectory of a fund, and integrate climate considerations into our capital allocation and stewardship decisions.

M&G SA Net Zero Actions

In South Africa we provide support through:

- Engaging with investees to ensure they are well informed of the need to transition, and the Southern African context in which this needs to occur.
- Actively raising awareness of the acute situation in South Africa, the impacts of a failure to transition, through seminars, webinars, articles and engagement.
- Supporting clients seeking global solutions better aligned with the transition.
- Collaboration and individual engagement with entities who are key emitters, understanding their dependencies on coal, ability and timelines to pivot from such dependencies and supporting such initiatives, and accounting for the risks of any failures.

Approach to coal

Coal is a global priority because of its major emissions impact, and the significant risk of stranded assets. The Group position, as set out in March 2021, is that thermal coal needs to be phased out by 2030 in OECD and EU countries, and by 2040 in developing countries. This approach is considered a forward-looking approach to enable real-world, positive change, and currently does not include the M&G SA investment business as explained in subsequent sections of this report.

M&G Southern Africa lends support to and engagement with entities that are key to a Just Transition in the South African market, where there are socioeconomic dependencies on coal.

M&G SA Data and analysis

The Southern Africa quantitative teams have undertaken in-house work and liaise with those in the broader M&G plc Group, and are leveraging off their in-house systems to provide additional resources to our Southern Africa operations. Our investment teams have access to a range of proprietary tools to help them identify, assess and monitor climate risks for different types of assets, drawing on our ESG database.

These include the following M&G plc Group tools for rollout within M&G SA in 2023:

We are working with our colleagues in M&G plc to make use of the internal Portfolio Analytics Tool (PAT), which incorporates Net Zero Investment Framework (NZIF) metrics, and will allow our investment teams to monitor and visualise climate data, enabling them to track progress against relevant benchmarks. In 2022, the PAT was updated to reflect the latest climate science and bring the NZIF in line with relevant IIGCC guidelines.

M&G climate tools allow the Group to view how portfolios and benchmarks are positioned against the Asset Manager Thermal Coal Investment Policy, and we are liaising with M&G plc group on our portfolios against these outcomes, noting that the policy does not apply to M&G SA.

In 2023, M&G SA will continue to strengthen climate analytics capabilities, through the expanded coverage and access to group climate tools and resources.

Investments – engagement strategy

M&G plc Group - Shared urgency on Climate

The overarching objective of our climate engagement is to ensure investee and stakeholder alignment with the need for effective action in harmony with the Paris Agreement. M&G plc aims to establish a shared sense of urgency and focus on implementation and solutions.

We partly gauge progress through data, published plans and actions to implement these. However, we also need confidence that the Boards and management teams of investee companies have the knowledge and commitment needed to navigate the momentous change that lies ahead. As an asset manager, our engagements help us make this judgement. Likewise, as an asset owner, we need to ensure that the asset managers appointed, including ourselves as a subsidiary and an asset manager, are aligned with climate commitments and able to demonstrate genuine climate stewardship.

Stewardship, through engagement and shareholder voting, is how we communicate our expectations to investees. We do this in a spirit of collaboration and knowledge sharing, mindful of the complex challenges presented by climate change, but we are also aware of the very tight timelines for Paris-aligned action. We believe all companies should prioritise climate-proofing their business models and operations for the future.

M&G SA Engagements

The table on this page highlights the Climate Engagements, as defined by specific measurable targets and actions centred around climate aspects, undertaken during 2022 relative to the Financed Carbon Emissions (FCE) and our AUM. The engagement data evidences the focus on higher M&G SA investment emitters.

Collaborative engagement

Collaboration is critical to accelerate the transition. Part of this is seen through M&G Investments' active membership of the Climate Action 100+ (CA100+) initiative, which targets the world's major GHG emitters. M&G Investments represent the over 700 members of CA100+ as co-leads on three specific engagements, targeting investee companies in the mining, chemicals and energy sectors. M&G Investments also sits on the CA100+ Corporate Programme Advisory Group, Escalation Working Group and Net Zero Stewardship Working Group, and are active members of six additional company-specific working groups. The CA100+ project is entering its second phase in 2023, following a consultation on its net zero company benchmark. This will strengthen the indicators used to assess the credibility of companies' climate actions, to close data gaps and promote greater real-world impact.

M&G SA's ESG team proposed and has assisted Standard Bank in hosting Eskom, listed in the Climate Action 100+, in a collaborative discussion with leading asset managers, engaging the head of its JET (Just Economic Transition) Plan in the second half of 2022.

M&G SA Client engagement

In South Africa, where the economic environment has a strong coal dependency, we seek to keep our clients informed, and actively participate in engagements with industry bodies, most recently discussing the Just Transition in webinars with BATSETA, a key representative of pension and provident funds, in April 2023.

We recognise the critical importance of economy-wide change to tackle climate change and that this requires stronger policy and regulatory signals, as well as collaboration with peers to promote best practice and support practical implementation across the financial services industry.

M&G SA Policy and Industry advocacy

In South Africa we are members of ASISA (Association for Savings and Investments South Africa), with members of our ESG team on their Responsible Investing Sub Committee. As part of M&G plc group's ongoing active memberships of the Investment Association, Principles for Responsible Investment, the Investor Forum and IIGCC, among others, the group continues to participate in a range of meetings and discussions, with climate change being a key focus.

M&G SA has been engaging with members of the Presidential Climate Commission through forums, dialogues, and establishing collaborative engagements during 2022 and through early 2023. We have also engaged with the South African staff of the UK Foreign Commonwealth and Development Office during 2023 to better understand their role in JET (Just Economic Transition) plans and funding, and project progress in renewable energy in which the UK is involved, and lending capacity and expertise to the South African government and related organisations.

M&G SA Climate Engagements

Climate Engagements % AUM - M&G Southern Africa	26.9%
Climate Engagements % FCE - M&G Southern Africa	70.7%

Climate metrics

Introduction

M&G plc use a range of metrics to identify and assess climate-related risks and opportunities, and track progress against our plc targets. This includes absolute metrics as well as intensity-based indicators that enable comparison across different issuers, portfolios and transition scenarios. In addition to backward-looking data, which indicates the current emissions profile of an asset or portfolio, M&G SA are working with M&G plc group resources to use forward-looking metrics to assess transition alignment and risk exposures over time. The key backward-looking metrics used across all our internal and external reporting are financed carbon emissions (FCE), carbon footprint, and weighted average carbon intensity (WACI).

For example, we assess FCE change at portfolio level to monitor our overall portfolio emissions exposure, while we monitor carbon footprint (a measure of economic emissions intensity) to assess progress against our interim targets. WACI is used to understand our portfolio exposure to carbon-intensive issuers. We currently rely on Scope 1 & 2 GHG emissions to inform investment decisions. While we monitor Scope 3 emissions to inform targeted actions, such as engaging companies on transition plans, data quality and disclosure of this emissions category remains poor, which makes it less reliable for decision-making.

For the M&G plc group wide TCFD report, please refer to the report which can be found here.

M&G SA Public assets (equities and corporate fixed income)

The table to the right are presents emissions metrics relating to public equities and corporate fixed income managed (total AUMA of ZAR204.5 billion). Underlying emissions data is sourced from MSCI. Data in the table on the right represents 2022 coverage and AUMA.

M&G SA's high emissions intensity is largely due to a heavy reliance on coal-fired power generation in the region. The Just Energy Transition Partnership announcement at COP26 in 2021 highlighted the issues faced by South Africa and many developing countries, which need support to navigate the infrastructural challenges of adding low-carbon power generation capacity at a scale and pace to phase out use of coal, while maintaining supply to meet the needs of a growing population and support the economy. We appreciate this need for a just transition and view this as an opportunity, and continue to engage with government departments, local companies, and industry bodies to support initiatives that reduce the fossil-fuel dependence of the Southern African economy.

Metric	Unit	FY2022 (M&G Southern Africa)	
		Overall	% Coverage
Public Assets (Equities & Corporate Debt)			
Carbon Footprint metrics			
AUM (ZARm)	ZARm	204576	NA
Financed Carbon Emissions Scope 1 and 2	(000s tCO2e)	3,496	91,20%
Financed Carbon Emissions Scope 3	(000s tCO2e)	22430	90,10%
Carbon Footprint Scope 1 and 2	tCO2e/ZARm invested	19	91,20%
Carbon Footprint Scope 3	tCO2e/ZARm invested	122	90,10%
Weighted Average Carbon Intensity Scope 1 and 2	tCO2e/ZARm sales	48	93,30%
Weighted Average Carbon Intensity Scope 3	tCO2e/ZARm sales	188,8	92,00%

M&G SA Sovereign debt

Sovereign debt emissions data is reported per Partnership for Carbon Accounting Financials (PCAF) guidance. In the table on the right, we have included financed domestic production and consumption emissions, and their respective weighted average intensities. LULUCF stands for Land Use, Land Use Change and Forestry. Data in the table on the right represents 2022 coverage and AUMA.

Metric	Unit	FY2022 (M&G Southern Africa)	
		Overall	% Coverage
Sovereign debt			
Financed Sovereign production emissions (Scope 1 excluding LULUCF)	(000s tCO2)	2818	100,00%
Financed Sovereign consumption emissions (Scope 1,2,3 excl. exported emissions, excl. LULUCF)	(000s tCO2)	5102	95,70%
Weighted Average Sovereign production intensity (Scope 1 incl. LULUCF)	(000s tCO2)/£m GDP PPP	0,04	100,00%
Weighted Average Sovereign consumption intensity (Scope 1,2,3 excl. exported emissions, excl.. LULUCF)	tCO2/ Capita	17,12	95,70%

Scenario analysis

Methodology and limitations

The scenario analysis presented covers assets managed by ourselves as an asset manager. The majority of the analysis covers public equities, fixed income, and sovereign debt. This work has been conducted on our assets by M&G plc, who use climate models that have sufficient coverage across key funds and M&G plc's largest issuers, while covering our most significant asset classes: equities, corporate and sovereign debt.

Recognising the different strengths and weaknesses of climate models, M&G plc has licensed a new scenario model in 2022 (Aladdin Climate) to complement their existing suite of scenario-modelling outputs.
They have also expanded their modelling to cover new asset classes such as sovereign bonds. We rely on two modelling partners to provide us with portfolio, sector, and asset-level output data, including:

future GHG emissions	energy flows
emissions intensity	energy demand
physical climate damages	technological capabilities

This data is provided at an issuer, sector, and portfolio level. The data points are aggregated to calculate a climate-adjusted valuation metric and temperature-alignment metric for the portfolio. With these results the group seeks to improve the systematic approach to identifying and evaluating climate-related risks.

As with any model, the results are heavily influenced by the assumptions made. We recognise that the climate models are based on stylised scenarios, and attempt to capture the possible future interplay between physical climate impacts, policy and regulation, and consumer behaviour at a global scale. The scenarios are not predictive, but rather help us explore a range of potential outcomes. This analysis is a useful tool for interrogating and understanding how climate-related developments could impact the assets we administer and manage.

Another key observation is that the data that underpins climate-scenario modelling is reported by companies at a lag relative to financial data. We have used the most up-to-date information available in all cases. However, for a subset of our analysis, the GHG emissions used in the scenario modelling represents data from prior years.

For public listed equities, corporate debt securities and sovereign debt, we assess the financial impact of climate change based on three Network for Greening the Financial System (NGFS) scenarios:

An orderly scenario, predicting a temperature rise of less than 2°C by 2100 as a result of immediate climate action.

A disorderly 2°C scenario, in which climate action is not taken until 2030.

A hot house scenario, which predicts an average temperature change in excess of 4°C by 2100, assuming no global response to climate change.

Forward-looking metrics

The key forward-looking metrics that our asset manager and asset owner monitor across public assets are:

Implied temperature rise: this metric allows a user to quickly gauge if a portfolio and issuer's GHG emissions' trajectory is aligned with the Paris Agreement through sub-industry and regional benchmark comparisons.

Climate-adjusted value: this metric is equivalent to value at risk (VaR), but is calculated on a bottom-up basis, by assessing the impact of different climate scenarios on a company's financial position. The adjusted value is calculated separately for physical and transition risks as part of the scenario model that we use across our public portfolios (Aladdin Climate).

Binary science-based targets: this data shows the proportion of issuers who have committed to setting science-based targets, or had their targets validated by the Science Based Targets initiative (SBTi).

Implied temperature rise

As part of our modelling, we have calculated the implied temperature rise (ITR) for our firm-wide holdings.
ITRs are a fairly intuitive way to assess transition alignment, by estimating an issuer's relative share of the remaining global carbon budget consistent with the Paris Agreement. In simple terms, it shows what the global temperature rise would be if the whole economy followed the same emissions pathway as the company, or portfolio, analysed.

Due to their simplicity, ITRs are inherently limited and we recognise the following:

There is no commonly accepted approach to temperature alignment calculations, which makes comparisons across different model outputs problematic.

The methodology we have used allocates a carbon budget to each company, and compares that company's progress and expected future emissions against that budget. The calculation is sensitive to sector and geographical emission assumptions.

It is based on carbon intensity (emissions per unit of revenue for each investee), and on projections of future GHG emissions which are subject to significant uncertainties.

The portfolio ITR is calculated as the weighted average of individual company ITRs.

We do not use ITR in isolation, due to the limitations mentioned, but believe it provides useful indications of alignment when viewed in conjunction with other information.

M&G SA ITR analysis shows that issuers are aligned to a broad range of temperature outcomes, but on current trajectories the M&G SA portfolios are in the 3.3 degree range when factoring in emissions targets, and in the 3.4 degree range omitting these targets.

Temperature alignment - with emission targets	°C	3.30
Temperature alignment - without emission targets	°C	3.40
Temperature alignment (coverage as a % of AUMA)	%	68.8%

These numbers reflects South Africa's high coal dependency in our electricity supply, on which our economy is currently entirely dependent as an input to continue to function. This is the key complexity to the Just Transition – the power supply company, Eskom, which amounts for a large proportion of total South African emissions, is operating at overloaded capacity on an aged coal power fleet, and, at time of writing, the country is experiencing rolling brown outs of up to 11 or 12 hours on days, with this expected to worsen.

Removing existing coal stations and replacing them with sustainable energy in an economy of a developing nation in this current position requires urgent funding to enable this pivot.

By contrast, by denying funding the electricity crisis will worsen, putting the entire economy in jeopardy, and further removing funding and capability to pivot into a transition to decarbonise.

Supplementary climate metric and modelling information

Metric definitions

Financed Carbon Emissions (FCE) represent the total financed greenhouse gas emissions associated with a portfolio of investments. For public corporate assets, in line with PCAF guidance (see formula below), we use enterprise value including cash (EVIC) to apportion ownership across the equity and debt parts of issuers' balance sheets. Financed emissions are partly a function of asset size, so can grow or shrink due to changes in M&G's AUMA.

$$\sum_n^i \left(\frac{\text{Invest . value}_i}{\text{EVIC}_i} \times \text{GHG}_i\,(\text{tCO}_2\text{e}) \right)$$

Carbon footprint refers to financed emissions normalised by portfolio value (GHG emissions per million pounds of investment). This indicator is particularly useful for comparative purposes, but sensitive to factors that do not relate to decarbonisation, such as financial market movements which influence portfolio value (the denominator). Carbon footprint is used to monitor progress against our net zero interim targets.

$$\frac{\sum_n^i \left(\frac{\text{Invest . value}_i}{\text{EVIC}_i} \times \text{GHG}_i\,(\text{tCO}_2\text{e}) \right)}{\text{Portf. value (£million)}}$$

Weighted Average Carbon Intensity (WACI) is a measure of the carbon intensity of the portfolio, calculated as the weighted average sum of carbon emissions per million pound of issuer sales. It is not based on emissions' ownership (EVIC), like the above mentioned metrics, but is widely used to compare the climate profiles of investment portfolios.

$$\sum_n^i \left(\frac{\text{GHG}_i\,(\text{tCO}_2\text{e})}{\text{Sales}_i\,(£)} \times \frac{\text{Invest . value}}{\text{Portf. value}} \right)$$

Other emission-related metrics we calculate include carbon intensity (GHG emissions per million pounds of sales) for public assets, and total GHG emissions for private assets. In addition to backward-looking metrics that are focused on emissions, we monitor a range of indicators that provide information on whether an asset, or portfolio, is exposed to higher climate-related transition risks or opportunities.

These include:

Exposure to fossil fuels: these metrics show our portfolio exposure to issuers with revenues derived from the whole value chain of oil, gas and coal, with a separate metric for issuers that generate revenue from fossil fuel-based power generation. These metrics indicate transition risk, given the necessity of phasing out fossil fuels to meet the Paris Agreement goals.

EU Taxonomy-aligned: this is an estimate of the proportion of AUMA invested in issuers that are generating revenues aligned with the sustainability categories in the EU Taxonomy (including climate mitigation and adaptation). It does not include climate solutions investments in our private funds such as Catalyst or Infracapital.

Climate commitment of issuers: We monitor net zero alignment across 'committed' and 'targets set' SBTi categories and green exposure. These metrics are helpful in monitoring our overall position at portfolio level and form the criteria for some of the NZIF categories.

High level methodology

We have licensed two different climate models from third-party providers to undertake scenario analysis at the asset/ issuer level: Aladdin Climate for financial assets (the 'equities and bonds model' covering public listed equities, corporate and sovereign public debt); and Marsh for assessing the private portfolio's real estate and infrastructure exposure to physical climate risk. Physical climate risk of the private portfolio is modelled by Marsh using XDI which quantifies the cost of extreme weather and climate change impacts to physical assets, taking into account asset-specific information – how different types of assets in a specific location will perform in different physical conditions.

Both models are leveraging the extensive expertise and experience from third-party providers with strong capabilities in climate scenario modelling, and were selected following extensive proof-of-concept exercises. However, climate change scenario modelling is an inherently complex area and so the results presented are influenced by assumptions, judgements and limitations.

These include the nature of scenario modelling itself, data limitations and specific model limitations from our modelling counterparties. The results should be interpreted with this in mind.

Key assumptions: transition risk

As countries around the world increase energy demand and transition to greener energy sources, a key assumption is the energy requirements and mix in each region under each of the three scenarios. Projections include both energy reduction and change in the energy mix, and show the high-level requirement of a complete phase-out of coal in the transition assumptions, as well as significant reductions in gas, replaced primarily by renewables such as wind, solar and hydro energy. These impacts – notably emissions trajectories, energy demand and supply mix, carbon prices and electrification assumptions - drive major model results.

The models provides outputs based on the following scenarios:

Exposure to fossil fuels: these metrics show our portfolio exposure to issuers with revenues derived from the whole value chain of oil, gas and coal, with a separate metric for issuers that generate revenue from fossil fuel-based power generation. These metrics indicate transition risk, given the necessity of phasing out fossil fuels to meet the Paris Agreement goals.

An orderly scenario, which is aligned with Representative Concentration Pathway (RCP) 2.6 and predicts a temperature rise in the order of 1.5°C by the end of the century, aligned with the Paris Agreement. Important context for this scenario is that the world currently remains significantly off target in restricting the temperature rise to below 2°C, yet the industry often refers to this as a 'best case' and it provides a valuable reference point against other scenarios.

A disorderly scenario, which is aligned with RCP 2.6 and predicts a temperature rise lower than 2°C by the end of century. However, climate action to achieve this is not taken until 2030, which delays transition impacts and makes them more drastic. This scenario is limited in that it assumes coordinated policy action at a global level by 2030. This scenario is useful to explore transition risk dynamics, and is only applicable to the equities and bonds model.

A hot house scenario, which is aligned with RCP 8.5 and predicts an average temperature change in the order of 4.3°C by the end of the century, assuming no global response to climate change beyond what has already been committed to. There are concerns about the credibility of this scenario. However, it is widely used in industry to represent a 'worst-case' outcome and provides a valuable comparison with the RCP 2.6 scenario as an unlikely high-risk future.

Key assumptions: physical risk

For the equities and bonds model, macro-level assumptions about how physical risks will impact GDP pathways are applied across all sectors, essentially allowing for implicit estimation of second-order impacts (e.g. supply chain impact). By contrast, for the real estate and infrastructure model, physical risk data from Marsh, using XDI, calculate direct impacts at specific location, meaning that outputs of the model represent the projected impact due to direct physical damage to each asset, and do not take into account second-order financial impacts (e.g. business interruption).

Data limitations of scenario analysis

There are three aspects of data limitations impacting our scenario analysis, reflecting the current industry-wide challenges of climate modelling.

The first aspect is the input data since for most assets modelled, we have used company-specific data sourced from third parties such as Aladdin, Evora or Bloomberg. Many publicly listed companies are measuring and reporting their emissions, which is a required data point for the calculation of climate-related metrics. However, among smaller and privately owned companies, this data is not commonly reported.

The second aspect of data limitation relates to lack of high-quality, comprehensive and reliable data upon which the model assumptions are based.

Examples are the lack of high-resolution physical hazard data (at a 5mX5m grid level) or the gaps in data relating to supply-chain reliance, which prohibit models from building explicit intra-company dependencies. Models are developed using proxies where data gaps are present, to ensure conclusions are based on the widest coverage possible.

The last aspect of data limitations relates to the lack of historical data points to calibrate and validate the model outputs. In particular, the lack of historical data on the relationship between climate risks and financial outcomes makes it difficult to interpret modelled outcomes far into the scenario horizon with confidence.

Despite these limitations, scenario analysis provides us with useful information that can inform asset class and portfolio level decision-making.

Limitations of the public assets climate change model

At the counterparty and portfolio level, the model assumes a constant balance sheet with full foresight. While such assumptions are necessary for model feasibility, they do impact on the reliability of the results. One of the other limitations of the equities and debt model is the timeline. The scenario analysis provides outputs up to 30 years in the future, and while this helps to provide an estimate of the adjustment in valuation by 2050, there are aspects of the scenario interplay beyond 2050 that are not explored.

Importantly, the current version of the equities and bonds model provides separate assessments of physical and transition risks, which reduces our ability to assess the interdependencies across those climate risk transmission mechanisms.

This transition module in particular only takes into account Scope 1 & 2 GHG emissions.

There are some industries, such as automotive, that are known to be significant climate contributors owing to high Scope 3 emissions, yet these impacts are not explicitly explored. Measurement and reporting of Scope 3 emissions is expected to improve and will be incorporated into the analysis in future as scenario analysis matures.

When assessing physical risk, the geographic distribution of a company's financial activity and dependencies is crucial. In the absence of such information, the model follows a top-down approach in determining climate shocks at sectoral level through macroeconomic pathways.

While this modelling approach implicitly allows for second-order impacts from climate change, it is less suitable for distinguishing between outliers and better performers at an asset level.

> As a result of these limitations, the model results need to be interpreted taking the following caveats into consideration:
>
> Being a static asset portfolio, we have not modelled likely investment or asset allocation actions to mitigate against climate-related impacts. For example, in a disorderly scenario we would likely have to carry out significant reallocation across both asset classes and geographies to align with rapidly changing policies.
>
> We recognise the transmission pathway interdependencies across physical and transition risks, so the model results need to be interpreted taking this limitation into consideration.

M&G Investments

Focus on thermal coal

M&G plc's Thermal Coal Position

M&G plc has determined Climate Change as one of its strategic sustainability priorities, and has taken action to address its investment exposure to thermal coal, one of largest contributors to climate change. This has resulted in the development of a formal policy reflecting the latest scientific recommendations to achieve net zero by 2050.

While South Africa is aligned to M&G plc's climate change goals, it is temporarily out of scope from the M&G plc position on thermal coal. South Africa, despite its relatively small size in the M&G plc group, is a significant contributor to the group's portfolios' global greenhouse gas (GHG) emissions, due to high emitters such as Eskom and Sasol. And there is the added complexity of South Africa's role and position in the Just Transition. Simplistically stated, South Africa stands out as a country having exceptionally high carbon emissions per capita, while also having one of the lowest GDP per capita measures. It needs to shift away from sources of its carbon emissions, but lacks the capital to do so.

Within the South African listed equity constituents, there is heavy coal exposure. To remove coal exposure completely from portfolios would heavily prejudice our clients' ability to achieve risk-adjusted returns, particularly for pension fund clients for whom a strong South African equity exposure is a prerequisite.
Our approach is to engage entities with coal exposure for mitigation, interim reduction, and eventual complete removal or off-set. To this end, London-based experts in the Group have been lending assistance and working closely with our local ESG and analyst teams.

For these stocks and issuers, agreed engagements, objectives and timelines toward emissions reduction have been stipulated. We are aligned with the Group position that automatic divestment is neither the most constructive nor the most responsible approach. The entities in question, though, do need to demonstrate, at a minimum, commitment to these goals, and have realistic short- and long-term objectives, as well as continuous engagement and feedback with shareholders and stakeholders. There must be some chance of success, and meaningful steps undertaken.

1. Eskom

Background

Eskom is currently the only power utility in South Africa. The decarbonization of the country, reliant on coal-fired generation for over 80% of its electricity, is fundamentally linked to the decarbonization of Eskom, which will need considerable private and public resources to achieve its net zero ambition.

Eskom has committed to achieve net zero by 2050 and two-thirds of Eskom's coal-fired power plants are planned to be retired by 2040.

Just Transition Considerations

There are considerable Just Transition elements to consider as the South African economy is heavily reliant on Eskom.

As the state power producer, Eskom's operations have a significant impact on the South African economy. Eskom is currently faced with a severe lack of generation capacity, which is resulting in prolonged bouts of power cuts (locally called "loadshedding"). This is having a significant impact on South African economic growth, especially employment and livelihoods. The SARB has estimated that loadshedding has reduced South Africa's GDP growth by 2%. Given the current supply deficit, an accelerated reduction in coal generation capacity is thus not viable. A stable and reliable energy supply for businesses and households will contribute to the economic development of the country, upliftment of the poor and a reduction in South Africa's extreme inequality.

Eskom is also a highly indebted entity lacking financial resources to pivot to renewables by investing in new renewables generation capacity.

Eskom has recognised the need to transition to cleaner and more sustainable energy sources, and to the extent possible, will be decommissioning coal plant as capacity allows.

Eskom is a material issuer in the South African debt capital market, with just under £6.5bn in listed debt, most of which carries government guarantees.

Engagement Objectives

M&G Investments Southern Africa (M&G SA) holds less than 2.5% of Eskom's total debt. We have had some insightful engagements with the company, notably on Just Transition issues.

Eskom, being 100% owned by the State, is entirely dependent on government policy and plans. Many of our engagements are focused on getting information on policy and plans so we can test their viability and credibility, and how these might develop on the back of funding requirements, and their availability and access from local and international backers.

Engagement Objectives	Detail	Rationale
Gain ongoing insight into coal plant retirement plans - understand any changes and impacts	Information to be able to achieve reasonable quantification and ongoing monitoring of commitments to retire coal-based generation plants, and individual units.	Ongoing rolling brown outs due to lack of generation are negatively impacting the economy and social cohesion of the nation. The targeted plan for retirement of these plants may shift to longer periods of utilisation until alternative energy sources become available.
Understand increasing availability and viability of renewable energy for substitution	Ongoing monitoring and engagement to be held around REIPP (Renewable Energy Independent Power Producers) looking to sell power, primarily solar and wind generated, into the grid. Engagement to be had with Treasury, National Development Plan Commissioners, and relevant ministries, tracked and recorded.	As independent power producers come on stream, this will help relieve dependency on the aging coal power station fleet. Past obstacles have been red tape with the regulators, but this appears to be easing somewhat, with a 'one stop shop' launched on 28 July 2023. However, a lack of grid capacity is an ongoing issue that requires capital.
To have up-to-date information and potential shifts expected in the National Development Plan and Integrated Resource Plan.	Eskom is government-owned, and the allocation to shifting and transitioning away from coal is directly correlated to government and national policies as set out in the Integrated Resource Plan and the National Development Plan. Ongoing engagement will facilitate our ability to understand the viability and actualisation of any plans to shift away from coal generation sooner or later than the current commitments.	Understanding shifts in government policy and plans will signal later regulatory relaxations (for alternative sources and their oversight), and how the plans for coal substitution might progress.

Actions

M&G SA successfully organised and supported collaborations with like-minded industry peers in late 2022, engaging with key representatives from the transition team at Eskom around funding access, proposed transition plans, phase-out plans for coal power stations, pilot projects for renewable energy, and policy development.

We also engaged with Presidential Climate Committee members in late 2022 through an industry organisation, and later directly with the Commission in early 2023, while also interacting with prospective candidates for the new CEO role after the previous Eskom CEO was forced to resign due to disagreements on policy priorities.

At the same time, we have been in discussions with some prominent financial houses around plans to finance a controversial floating set of power plants to be docked at certain South African coastal cities (Karpowership). While these would utilise gas and be cleaner than coal powered stations, this would not be a permanent solution to coal dependence. Allegations of corruption have additionally weighed on this process.

Our objectives and actions have been to gain assurance that any funding of such power stations would require sufficient transparency and environmental compliance.

Outcomes

This is a complex space and we continue to engage to get further information and a clearer view of unfolding government policy.

2. Sasol

Background

Sasol is a significant stock on the South African stock exchange, and features in every major current index of South African stocks used as an investment benchmark for South African equities. Not having exposure to Sasol is therefore taking a considerable active underweight position in the investment universe. It is also the only company for exclusive and true Oil and Gas exposure listed in South Africa.

Approximately 87% of Sasol's emissions come from its Secunda plant. Secunda uses coal liquefaction to produce petroleum-like synthetic crude oil from coal. It is the largest coal liquefaction plant and the largest single emitter of greenhouse gas in the world.

Sasol is, after Eskom, South Africa's largest greenhouse gas (GHG) emitter. Reduction of emissions on its path to net zero rest on two essential legs: the reduction of coal dependency in its electricity generation, and the replacement of coal with gas as a feedstock as an interim measure before the potential use of green hydrogen or biogas.

In terms of thermal coal, which is the focus of climate strategy and transitioning to a lower-carbon economy, Sasol Mining extracts about 32Mt of saleable coal per year, which is mainly used as gasification feedstock for Sasol Synfuels in Secunda and utilities coal for the Sasolburg Operations. Sasol Mining also exports some 2.3Mt of coal per year to Europe, the Far East and other international customers.

There is a 1,200 MW renewable energy target for the Energy Business. It is in the process of concluding negotiations on Power Purchase Agreements (PPAs) with independent providers for over 600 MW of solar and wind renewable power for introduction before the end of 2026 – one of the largest private sector renewable energy procurement initiatives in Southern Africa.
Sasol has committed R15-25 billion in cumulative capital expenditure to be spent by 2030 on their 30% emissions reduction target. They plan to sequence this expenditure over time.

Just Transition Considerations:

Sasol is one of the largest employers in South Africa (28,630 direct employees in AR22). The company is critical to the South African economy as the supplier of a number of the country's liquid fuels and a large share of the inputs into a range of manufacturing industries including mining, healthcare, plastics and cleaning products. The workers in the coal industry that feeds Sasol's inputs and energy matrix are a significant consideration of the country's Just Transition, and therefore must be taken into consideration in the company's shift towards net zero emissions.

Summary of position:

Sasol has committed to net zero by 2050 and a 30% decline in GHG emissions by 2030. The company has projects underway to meet their short-term goals; key to this is building renewable energy capacity for their Secunda and Sasolburg operations. To meet the longer-term targets, they are running green hydrogen pilot projects in Southern Africa. Sasol's position remains complex given the nature of its operations, funding and geographical spread, but there are clearer short-term targets in place where progress can be tracked to 2030.

M&G SA's engagement with the group around ESG issues has improved in recent years and this has been coupled with better reporting from their side.

We were recently a key player in a larger asset manager collaboration on ESG aspects, with a focus on climate change.

We also engage with Sasol company executives, non-executives, and the sustainability team on a frequent basis.

Objectives:

We have the following set of engagement objectives in the short-, medium- and long term:

Engagement Objectives	Detail	Rationale
Shorter Term:		
Renewable energy impacts	Reasonable quantification of the expected impact of renewable energy implementation plan on carbon emission reductions at Secunda.	Secunda accounts for 87% of scope 1 and 2 emissions. Less than half of the emissions are from the FT process, more of the emissions comes from utility generation, hence the focus on substituting coal-generated electricity with renewable energy (in the shorter-term and then medium-term gas substitution).
Renewable processes	Monitor regulatory risks and challenges which can impact IPP's timelines – NERSA approvals required for trading licences by IPP's and Eskom's process to allocate grid capacity is currently undergoing changes. Monitor the construction of the renewables once all regulatory approvals have been met.	The practical achievement of goals and their viability will indicate the chances of success, and the company's commitment to reduction and eventual elimination of thermal coal exposure.

Engagement Objectives	Detail	Rationale
Medium Term:		
Gas substitution effects	Reasonable quantification of expect-ed impact of natural gas substitution for coal plan on carbon emission reductions at Secunda. Understand how much LNG added and this will be linked to the to the gas drilling tests done in Mozambique.	Adding more natural gas would mean that Sasol is using less coal (but this process won't be linear).
Gas substitution process	Monitoring development and achievement of potential availability, viability and transport of natural gas into the FT process.	The practical achievement of goals and their viability will indicate the chances of success, and the company's commitment to reduction and eventual elimination of thermal coal exposure.
Decrease coal usage in process over 5+ year time frame	Monitoring and understand the coal reduction plan until 2030 – boilers need to be turned down (electricity generation) to reduce emissions and meet SO2 compliance, coal initiatives to replace Isibonelo coal once contract ends, and purchasing strategy.	As renewable energy and natural gas are added we need to understand and monitor how coal usage will shift.
Long Term:		
Developing Technologies	Clarity on the role of gas – how much will be used to support a sustainable production level for the plant in the latter part of this decade, and how this will eventually be switched out to other feedstocks, like green hydrogen. Monitor and obtain more information on green hydrogen pilot projects currently happening at Sasolburg operation.	Sasol climate change plan starts with increasing renewables, increasing natural gas as a transitional feedstock and then over the longer-term transitioning to other technologies - a key one that is being tested is the ability to generate green hydrogen.

Actions

M&G SA's engagements with Sasol on their coal exposure have consisted of meetings with senior management, including the CEO and CFO. We have also participated in collaborative engagements in mid-2023, and more recently, a roundtable discussion with key shareholders and a policy research organisation. Discussions focused on coal reserves and usage, and the viability and ability to use natural gas as a transition feedstock, as well as having engaged with Sasol on its coal mines, usage and coal quality.

Outcome

M&G SA has reviewed and updated our mapping of their coal mines, usage and grading, and incorporated these in our own models. These have then been used to set our future objectives and timelines for engagements.

There is residual uncertainty around the viability of natural gas as a transition stock – supply will need to be provided from Sasol's Mozambique operations, or imported. Some methane finds have been located near Secunda, but the viability and extent of these is currently in question.

We will continue to explore their projects on green hydrogen. Recent collaborations by Sasol with international mining companies are indicative of progress and commitment, but the potential for green hydrogen is currently small and relatively untested at scale, and the feasibility is not yet determined. Ongoing engagement and monitoring will be required.

3. Thungela

Background

Thungela is a thermal coal miner in South Africa. It aims to be net zero by 2050. Compliance with IEA 2050 is potentially to be achieved through the short life of mine of its assets. It has almost all its coal mining operations in Southern Africa, and is potentially acquiring a mine with a relatively short life of mine expectancy in Australia.

Engagement Objectives

Our objectives on engagement over the period were to confirm prior commitments we have had from Thungela, monitor these commitments, and confirm the steps towards achieving their shorter-term objectives of reducing emissions from the operations themselves.

Action

We engaged on confirming our data and modelling, and meetings with senior management and investor relations on their long-term strategy.

Outcome

M&G SA has confirmed that almost all of their mining activities are currently on track to meet the IEA 2050 objectives of non-OECD countries being out of thermal coal exposure (or having offset this exposure) by 2040. We also raised concerns on the potential acquisition of the mine in Queensland Australia and received assurance that there will be no new 'greenfield' acquisitions or operations (outside of existing but un-mined seams in existing operations and mines).

We have mapped the life expectancy of Thungela's coal reserves, and have been actively engaging the company during the period.

Engagement Objectives	Detail	Rationale
Life of coal mine plans, extension projects, commitments, policies and practical considerations	Monitor commitments to no greenfield mining, applicability of expected life of mine periods, expected 'flex' in production.	To ensure ongoing credibility and viability of the company moving away from thermal coal by 2040, or as close as possible to this date.
Understand and monitor renewables plans and energy efficiency projects and their impact on emissions	Understand and monitor renewable plans - 4MW at Elders and 15MW renewable energy solution. Also to understand what the proposed energy efficiency programs are. Also understand the effects on emissions. Monitoring of the regulatory challenges will be critical.	The practical achievement of goals and their viability will indicate the chances of success, and the company's commitment to increase renewables and decrease emissions.

4. Exxaro

Background

Exxaro is a coal mining company that has been shifting to green energy and mining for green minerals since formally introducing its transition goals in 2019. It will, however, remain a key supplier of coal to South Africa's power generation operations (mainly Eskom) for quite some time. Without this supply, the national electricity grid, already unable to meet current demand, would fail yet further.

Exxaro additionally has key social aims as a large employer – these are discussed later in this Report.

Social aims

Key to Exxaro's commitments is utilising cash flows not otherwise used for capital maintenance to be channelled into renewable energy, as well as seeking opportunities for investment into green minerals required for the just transition such as iron ore, bauxite, copper and manganese.

Exxaro has already signed a Memorandum of Understanding (MOU) with Eskom to develop renewable energy projects to power their Eskom-tied operations. They are starting in Mpumalanga, the province likely to be most affected by the energy transition, where they are developing up to 200MW of potential wind and solar projects. Exxaro's wholly owned subsidiary, Cennergi, currently contributes 229MW of renewable energy to the national power grid, and through nine smaller distributed solar facilities, building to 1.6GW by 2030. In 2021, they began developing their first large-scale distributed solar project, Lephalale Solar Project, at their flagship coal mining operation, Grootegeluk, in the Limpopo Province (where 70MW commences operations in 2025). They are also developing a wind solution for Grootegeluk.

Objectives

Exxaro has proved a good communicator in terms of signalling its policy strategy and since 2019, its intentions and projects. However, balancing the use of its excess cash flows from coal operations between green minerals and renewable energy is going to be complex. Energy regulation is only just being relaxed in South Africa, but transmission capability remains in question. Mining regulation continues to develop, and commodities operate in cycles – so finding well-priced projects and joint ventures in green mineral mining operations in which they can participate and invest will require prudence.
Much of M&G SA's engagement objectives are therefore centred around monitoring progress, and understanding any changes, pivots, and risks to their current strategy.

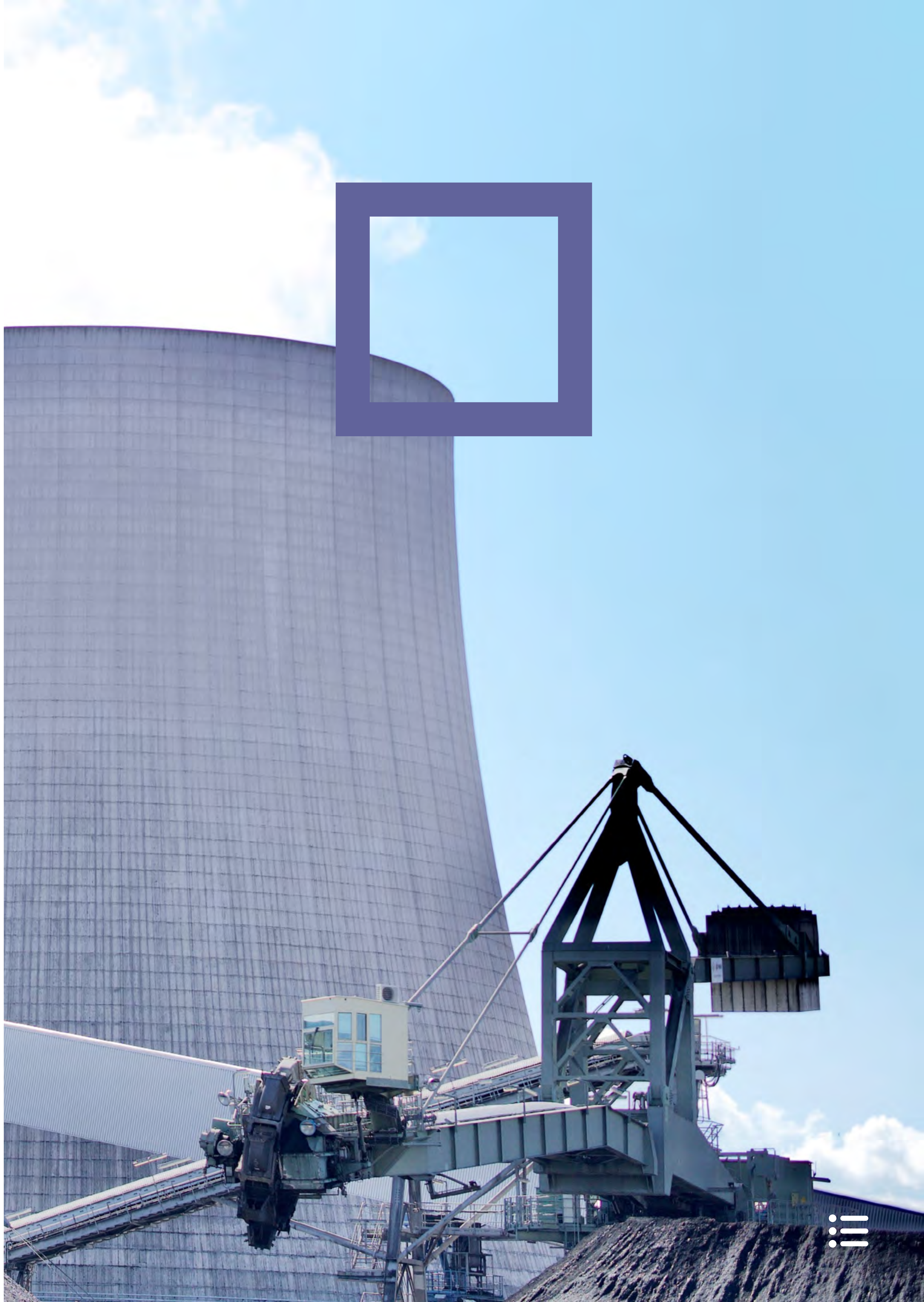
Action

M&G SA's engagements with Exxaro during 2022 and early 2023 consisted of email-based clarifications on data applicable to their activities, as well as one-on-one offsite personal meetings with the board of directors around their strategy, board oversight, and risks and impediments to implementation.

Outcome

M&G SA's engagements with Exxaro continue to be productive, with both parties gaining insight and information. Our view is that they have a well-placed and experienced team, and are as open as possible on the challenges they face, and provide adequate disclosures and information in a timely manner.

Engagement Objectives	Detail	Rationale
Renewable impacts at coal mines	Reasonable quantification of expected impact of renewable energy implementation plan on carbon emission reductions of scope 1 and 2 emissions at coal mines. Monitoring of the regulatory challenges will be critical for projects that they want to build.	While this does not stop coal mining operations, this will at least render the operations themselves carbon-neutral or offset. Exxaro is currently undertaking a project to build renewables at their Grootegeluk operations.
Renewable energy ex coal mines	Monitoring development and achievement of renewable energy plans outside of coal plants and whether the timelines set remain feasible and viable. Monitoring of the regulatory challenges will be critical.	The practical achievement of goals and their viability will indicate the chances of success, as will the company's commitment to pivoting away from being a coal miner to a provider of renewable energy and green minerals.
Understanding the 'life of mine' plans in place, extension projects, commitments, policies and practical considerations.	Monitor commitments to no greenfield mining, applicability of expected life of mine periods, and expected 'flex' in production given Eskom's dependence on the mine.	To ensure ongoing credibility and viability of the entity moving away from thermal coal by 2040, and how it is impacted by potential dependencies by Eskom beyond 2040 (given that some coal plants are directly linked to some Exxaro coal mines.)



Regulation: Carbon taxes, South African transition plans and policy direction

A key issue coming to the fore in South Africa is the payment of carbon taxes. For example, for Sasol these are currently in the range of R1 billion. Developments in carbon border taxes are also being keenly watched, though their impact remains relatively low given the current industries in scope. M&G SA's concerns are around government policy and our revenue services' preparation – aspects such as carbon border taxes do allow for local rather than offshore taxation (a sort of 'double taxation' mechanism) and can allow the tax revenue to not only remain within our borders but also be utilised to further the transition to renewable energy or at least more sustainable interim sources. On the carbon taxation we are pushing to learn more how this can be used most efficiently and constructively for the energy transition. We have raised these matters with the Presidential Climate Committee in consultation processes, and in industry forums, and with significant industry players.

Much will turn on future government regulation in the energy sector, which is currently fairly opaque, with promised plans and roll-outs often being delayed. Some of this is potentially influenced by national elections in 2024, in addition to concerns around the negative impact that a transition will have on employment in sectors such as the coal mining industry. Poverty and unemployment are high in coal mining regions where the average miner supports up to eight dependants. Following elections, government policy could become more transparent.

Our role in the climate discourse

It is important that M&G SA play a role in the public discourse around the need for a transition to renewable energy, the complexities of a Just Transition, as well as provide clients and client consultants with information and contextual data.

We have done this through the following presentations, consultations, and panel discussions:

BATSETA

During the first half of 2023, M&G SA's ESG Specialist and our Chief Investment Officer, delivered a presentation on the complexity and requirements for a Just Transition, highlighting the need for action on climate change and the complexities facing South Africa around the ability to finance the Just Transition. This presentation and subsequent discussion were made to BATSETA, which is a representative organisation of pension funds in South Africa.

RFIN

RFIN is the Retirement Funds Institute of Namibia. Our M&G SA ESG specialist travelled to Namibia in late 2022 to discuss the potential impacts of climate change on their economy and geography, with special focus on aspects such as changes in rainfall, the dependence on South African electricity (which is heavily based on coal-fired power plants) and the risks and opportunities around hydrogen as a potential renewable energy source.

Presidential Climate Commission

M&G SA has also shared our views in consultations with the Presidential Climate Commission (PCC) during early 2023, both on the transition plans and on carbon border taxation, and during late 2022 we had industry meetings with the PCC chairman.

Corporate Responsibility

In this section you will find:

- Corporate Social Investment (CSI) Report
- Transformation Report

M&G Investments

M&G Investments Southern Africa: Corporate Social Investment Report

Year End 2023

Our approach to Corporate Social Investment

As long-term investors, we at M&G investments Southern Africa hold the conviction that sustained success arises from enduring commitment. Genuine empowerment goes beyond a mere donation, irrespective of its size; it necessitates ongoing consistency, unwavering dedication, and a readiness to create lasting impact over the course of many years. Our country faces many social challenges, and to truly make it better, not only for today but for future generations, our actions today must possess the capacity to empower well into the future.

Since our founding in 1994, we have taken our role as an active, responsible steward of our clients' savings very seriously, and this attitude is reflected in our approach to social investing as well. As explained in our Sustainability Report, we take a long-term view in all we do, being engaged partners with our investee companies and seeking to understand their challenges and help them deliver positive, sustainable results over time. In our approach to social investing, likewise, we form long-standing partnerships with successful community organisations to understand their challenges and empower them to effect meaningful progress where our communities are most in need.

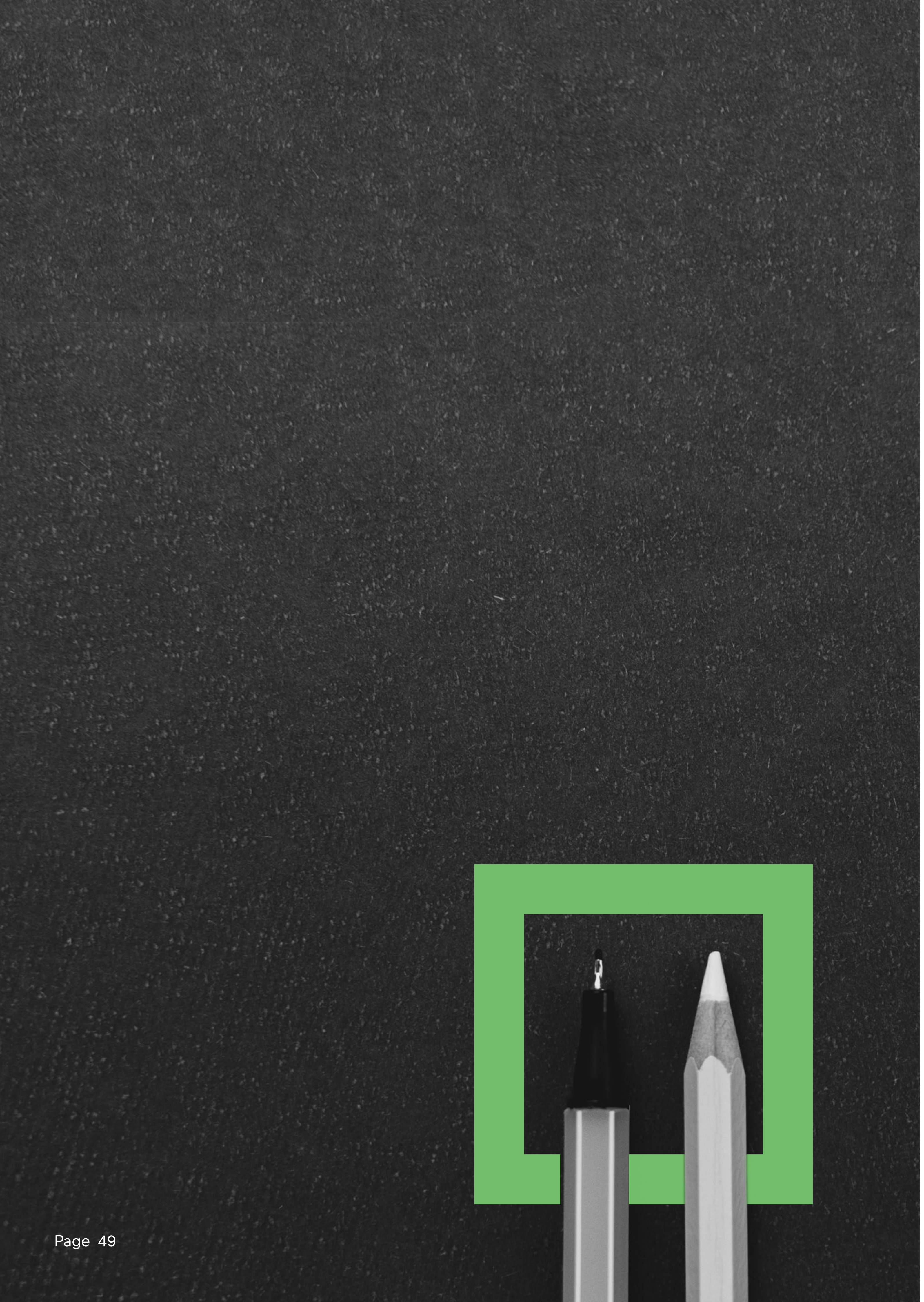
We work with our CSI partners to make a real difference through the transfer of sustainable skills, resources and financial contributions. The added advantage of being a global investment company also means that our global parent M&G plc enables us to make an even more powerful impact through aligning the considerable global resources of our group behind our community upliftment initiatives.

A focus on education for a future of empowerment

Based on this deep-rooted ethos, it is highly appropriate that educational investments form the heart of our corporate social investment (CSI) programme. Education is the key to breaking the cycle of poverty in Southern Africa, and if we can sow the seeds of a quality education for as many people as possible, then surely generations to come will reap the rewards.

Education empowers and is something that can never be taken away. Our embrace of education supports the principle embodied in UN Sustainable Development Goal 4, which emphasizes achieving inclusive and quality education for all. This is also one of the SDG's that our group has adopted globally. The UN chose this goal with the firm belief that education is one of the most powerful and proven vehicles for sustainable development, and one of the most effective ways to reduce gender and wealth disparities in a society.

“Genuine empowerment goes beyond a mere donation”



Forging lasting partnerships to create lasting change

Our CSI initiatives are driven by a deep commitment to nurturing human potential, unlocking individual capabilities, and imparting crucial skills to the vibrant young minds within communities we operate in, including the communities of our dedicated staff and our loyal clients. Our mission is to not only provide tools and skills, but also ignite a transformative journey for these individuals, empowering them to shape their futures and carve out a sustainable path to success, and emerging as the potential leaders of tomorrow. As they ascend, they become beacons of upliftment for their families, both in the present and the future. We firmly believe that the most effective route to realising this vision is through long-term collaboration with successful, like-minded organisations already effecting positive change in the specialised areas in which they operate. We are tremendously proud of our long-standing relationships with The LifeMatters Foundation, LEAP Science and Maths Schools, and SAME Foundation, as explained below. These organisations are passionate about educating our youth and providing the infrastructure and support systems necessary for that education; they share in our social purpose of doing good for today and for tomorrow. Together, we forge a collective force dedicated to making a tangible impact and creating lasting change.

Our CSI programme comprises of three types of initiatives:

1. CSI Partner initiatives, where we contract at a corporate level with registered non-profit organisations working on the ground - in communities most in need;
2. Staff community initiatives, where we help to fund worthy community projects identified by our staff that they are directly involved in; and
3. Living CSI initiatives, where our staff in-house activities generate donations to community projects near to our hearts.

Operating under a mandate from the M&G Social, Ethics and Transformation (SET) Sub-Committee of the Board, M&G's Corporate Social Investment Committee spearheads our CSI programme both externally and internally in our company, championing our dedication to promoting inclusivity and sustainable socioeconomic equality through education. It is responsible for identifying worthy CSI projects and partners, and overseeing the allocation of the CSI budget, the staff funding application process for community initiatives and in-house fundraising activities for special occasions such as Mandela Day. It also has the important task of carefully recording and monitoring the progress of the various initiatives and the impacts they are having on beneficiaries, to ensure they are reaching a wide variety of regions and people around South Africa and Namibia, and ultimately, making an actual, measurable difference.

We are pleased to report that for 2022-2023 we have invested over R2.2 million into CSI Partner initiatives and Staff community initiatives, and raised nearly R300,000 in donations for in-house staff CSI initiatives.

Our approach to Corporate Social Investment

1.

LEAP Science and Maths Schools

The NPO operates in the Western Cape, Gauteng, and Limpopo, offering high-quality education to students from underprivileged communities. The organization is deeply committed to both academic and personal development, ensuring a holistic approach to the child's growth. We have a long-standing partnership with LEAP, with our continuous support contributing to funding the operational expenses of their Gauteng schools in 2023, as was the case in 2022.

Our 2023 donation was directed towards covering various essential expenses, including educational costs, learner food and meal expenses, teacher and tutor costs, and matric study camps. The educational costs encompass materials such as stationery, textbooks, exam pads, and worksheets. LEAP implements a wide range of academic interventions, comprising an extended school day of 9 hours, Saturday classes, holiday programmes, and evening study sessions held throughout the year. Additionally, daily meals are provided to the students.

The Gauteng schools are strategically located in Linbro Park, serving the communities of Alexandra, Ga-Rankuwa, and Diepsloot, and the Western Cape schools in the communities of Langa, Gugulethu and Crossroads. These townships are all characterized by elevated levels of crime and extreme poverty, significantly impacting the youth residing there. LEAP schools have emerged as a beacon of hope in these challenging circumstances, providing a nurturing environment where the youth can flourish both academically and socially.

"When learners come to our centres of excellence, they receive more than education, they receive career and personal emotional development and become part of a family. This is a significant commitment as it represents a like-minded partnership which means like us; you recognise the challenges faced in present day South Africa and that you want to be the response to complex problems which affect young people in under-resourced communities. Because of M&G we are able to annually transform and advance the lives of more than 1673 young people nationally. Your partnership with us empowers young people to become economically active citizens able to stand on their own two feet and be the best that they can be."

Nicole Buckley, Fundraising Manager at LEAP Science and Maths Schools.

IMPACT:

- **Over 1600 students**
- **Funded 3 high schools' operating costs in Linbro Park, Gauteng- serving the communities of Alexandra, Ga-Rankuwa, and Diepsloot in Gauteng**
- **Uplifting the communities of Langa, Gugulethu and Crossroads in the Western Cape**

1.

SAME Foundation

The S.A. Medical & Education (SAME) Foundation operates as a South African NGO, strategically executing high-impact community development projects through private partnerships with corporate entities and individuals. The organisation's primary objective centers on enhancing healthcare and educational infrastructure within impoverished communities, where there is a lack of short- to medium-term government funding for such improvements.

M&G's 2023 donation to SAME was dedicated to the construction of a state-of-the-art Maths, Science, and ICT Centre at Letsibogo Girls High School, situated in Soweto, Johannesburg, which has been identified as a school of specialisation in Science, Technology, Engineering, and Mathematics (STEM). Around 1500 disadvantaged black South African female learners are enrolled at the school, of which 100 learners are currently participating in the robotics and coding programs. The STEM projects will encompass diverse fields, including robotics, communications, coding, and hydropower, thus nurturing their skills and knowledge in cutting-edge scientific and technological disciplines.

The newly built 80sqm STEM centre was completed in 2023 fully equipped with the latest technology, including five science, robotics and coding kits, 16 Android Tablets containing the robotics curriculum, as well as software to communicate with and control the robots they build. The centre will be the hub of school's Robotics and Coding projects program. The centre is a physical manifestation of our commitment to supporting education efforts with the aim of creating future talent for our industry and the country. We couldn't be prouder of this achievement.

Looking ahead, the next step for the school is to formally apply to the Department of Education to expand the program, and formally offer robotics and coding to all learners from grade 8.

“We extend our heartfelt gratitude to you for this incredibly impactful investment in our school. We look forward to utilizing the resources to improve our STEM and robotics programmes to further the knowledge and skills of our girl learners, to enable them to achieve their full potential in this modern world.”

Ellen Mathopo, Letsibogo Girls Secondary School

IMPACT:

- **100 Students to attend Robotics course and 1,507 black, female students enrolled at the school**
- **Funded 16 Android tablets (with robotics curriculum, and software to control the robots)**
- **Funded construction of an 80sqm STEM centre to accommodate 50 students at a time**
- **Uplifted Letsibogo Girls High School in Soweto, Johannesburg**

1.

Life Matters

Our donation to Life Matters in 2023 was to facilitate the implementation of the Literacy, Numeracy, and Life Skills Programmes at Steenberg Primary School. The school, situated in the Steenberg community of Cape Town, is a non-fee-paying educational institution catering to 815 learners. Like many previously disadvantaged schools in the wider Cape Flats region, the community served by Steenberg Primary faces numerous challenges, including high unemployment rates, poverty, food insecurity and substance abuse.

The school confronts issues such as overcrowded classrooms and a lack of adequate support for teachers, some of whom may be experiencing burnout or apathy.

The impact of Life Matters' Literacy and Numeracy programmes on the learners at Steenberg Primary has been significant. Our funding has helped effectively address the challenges arising from unmanageably large class sizes, providing individual attention and support in these crucial areas. Moreover, to enhance the learners' overall well-being and personal development, a dedicated full-time counsellor (who is a registered and qualified social worker) renders over 30 hours of support to Steenberg Primary each week, engaging with an average of 40 learners per term, in addition to supporting the teachers.

IMPACT:

- 815 students
- Funded English, Math and Life skills programmes
- Uplifting Steenberg Primary in Steenberg, Cape Town

ABC For Life

ABC for Life was established in 2007 with the belief that "one good action creates another". With a 16-year track record of implementing successful learning programs, ABC for Life knows first-hand that the long-term economic, social, and personal gains from education are immeasurable for individuals, families, communities, and the development of our country. To this end, our educational interventions have been developed to empower children with the skills and self-confidence to achieve their academic potential.

ABC For Life is a NPO dedicated to providing crucial assistance to primary school students who may be struggling in essential literacy skills. We have agreed to a donation to support the Foundation phase Literacy program. ABC for Life currently provides intensive literacy support to 550 foundation phase learners (Grade R-4) every month at three under-resourced schools serving some of the poorest learners in Cape Town, namely Sentinel Primary (Hangberg, Hout Bay), Hout Bay Primary (Imizamo Yethu) and Ellerton Primary (Sea Point).

> "On behalf of all our learners, we wish to extend our sincerest appreciation to you for your continued support, without which we would not be able to assist these deserving children."

IMPACT:

- 550 foundation phase (Grade R – 4) students in the learning programme
- Funded feeding schemes at 3 Primary Schools
- Uplifted Sentinel Primary (Hangberg, Hout Bay), Hout Bay Primary (Imizamo Yethu) and Ellerton Primary (Sea Point) in Cape Town

1.

Amoyo Foundation

A new partner for us in 2023, Amoyo Foundation takes a unique approach to upskilling and empowering children through an after-school and holiday programme offering high-quality dance, drama and performance classes. Amoyo's missions is to uplift the underprivileged communities of Imizamo Yethu and Hangberg, in Hout Bay, Cape Town, one child at a time, through an after-school and holiday programme offering high-quality dance, drama and performance classes.

Each beneficiary transitions from Amoyo as a success-driven, integral and foremost employable young people who has acquired core values, life and communication skills in a genuinely caring and nurturing environment. The emphasis is on life and communications skills, emotional intelligence, self-discipline, and core values so that students are highly employable and lead successful lives once they finish matric.

In support of its endeavours, we committed to funding extra-mural performing arts workshops in underprivileged neighbourhoods.

"The Amoyo Holiday workshops were significantly successful, and we are profoundly grateful for your support. Your generous grant was instrumental in making these workshops possible.
We want to express our gratitude for your continued support, which allows us to make a difference in the lives of the individuals we serve. Your belief in our mission has contributed to what we hope will be a life-long impact on the lives of many beneficiaries in Hout Bay, and we look forward to further collaboration with M&G in the future."

IMPACT:

- 400 students
- Funded 5 performing art workshops
- Funded a feeding scheme
- Uplifted Imizamo Yethu and Hangberg communities in Hout Bay, Cape Town

Kwano Academy

Kwano Academy is a NPO situated in Plettenberg Bay utilizing education and cycling as catalysts to uplift and academically transform historically disadvantaged youngsters and communities.

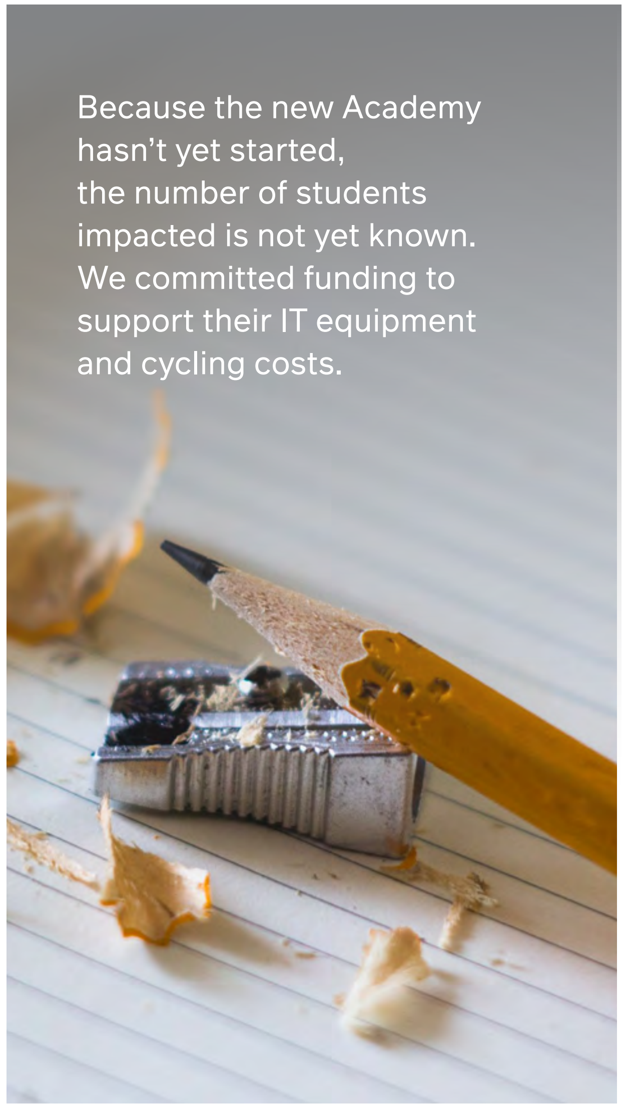
Kwano intends to build a new facility in the Kwanokathula community that will deliver on three key initiatives: an after-school academic programme, post-high school technical training, and a cycling coaching programme.

The after-school academic programme will have a dedicated team of volunteer teaching staff where the focus is on academic assistance with English, Math, homework and projects, as well as career counselling and access to scholarships and technical training.

The post-high school technical training will be for those who wish to obtain vocational training without the need to attend a university. The programme will be focused on the technical training required for electrical work, plumbing, computer coding, training to work in the hospitality industry as well as welding/metal work, bricklaying/tiling and baking. In addition, Kwano aims to subsidise candidates to get their Code 10 drivers' licences (allowed to drive any vehicle up to 16 000kg, with a trailer of up 750 Kg) improving candidates employability and employment options. Kwano believes that this is the first step towards addressing a huge skills shortage in a country with a high youth unemployment rate.

Kwano combines cycling and education to implement the "no study, no ride" rule. The cycling coaching progamme provides more than just an extramural activity, it promotes a healthy lifestyle by encouraging healthy eating and exercise. It also lends itself to teaching the youth teamwork with the team working towards participating in local and national races.

Each learner is responsible for and takes accountability for washing and maintaining the bicycles.



Staff community initiatives - 2023

Part of our social purpose centres around uplifting the communities in which we live and operate. To this end, we actively lend our support to meaningful causes that our staff are passionate about. These are some of the causes close to their hearts that we have supported in 2023

2.

U-Turn

Founded in 1997, there is no doubt that U-Turn is now making a significant dent on the problem of homelessness in Cape Town.

The end of 2022 saw the launch of U-Turn in Johannesburg—the first step towards becoming a truly national organisation.

U-Turn has refined a four-phase skills development model that meets homeless clients where they are at and walks the complete journey out of homelessness with them.

IMPACT:

We funded the support of ongoing training programmes that U-Turn runs to assist homeless members of society. This includes initiatives such as the recently launched plant nursery established on the grounds of the old Claremont Bowling Club. In addition, funding supports U-Turn's retail outlets that sell second-hand clothes that the public donate.

Little Seeds

Little Seeds ECD is dedicated to early childhood development, primarily through the Smart Start program, day mother initiatives, and community-based reading groups. They are actively involved in fostering a nurturing and educational environment for young children.

Little Seeds ECD also operates registered childhood development centres and aftercare facilities, further emphasizing their commitment to providing comprehensive support and care for children during their crucial formative years.

IMPACT:

M&G has played a pivotal role in supporting Little Seeds ECD by funding not only their operational costs but also the expansion of vital programs such as reading groups and day mother initiatives.
This funding has allowed Little Seeds ECD to continue providing essential early childhood development services and broaden their reach within communities, thereby positively impacting the lives of more children.
With M&G's assistance, Little Seeds ECD can further their mission of nurturing and educating young children through these crucial programs.

SCOUTS South Africa

SCOUTS South Africa (SSA) is one of the largest and oldest volunteer-driven educational organisations in the country.

For over 115 years, SSA has been preparing children and youth to be catalysts for social change.

The age-appropriate experiential learning programmes focus on leadership training, life skills and personal development.

SCOUTS South Africa further encourages members to undertake and participate in local, national, and global initiatives that contribute towards achieving the Sustainable Development Goals and the National Development Plan, such as addressing poverty, inadequate education, the lack of employment opportunities, the mitigation of climate change, biodiversity and natural resource conservation, water safety, and the HIV/AIDS and Covid pandemics.

IMPACT:

Our financial commitment will enable SSA to fund various projects throughout South Africa, including the "food project" where township youth are trained to set up and maintain a community vegetable garden.

University of Western Cape's Access-to-Success

This year we donated to the University of Western Cape's Access-to-Success campaign, aimed at empowering female students to graduate without the burden of debt.

This invaluable campaign endeavours to raise funds for financially disadvantaged students, addressing fee balances that range from as little as R50 to up to R5,000, and enabling them to settle their outstanding obligations. We are dedicated to contributing to the academic success and financial relief of deserving female students pursuing higher education, underscoring our commitment to education and sustainable empowerment.

IMPACT:

Our contribution will help a minimum of 18 underprivileged female students clear their university debt, so they can enter the workforce or go on to further education without the financial burden of repayment.

2.

The St Augustine Cricket Club

The St Augustine Cricket Club is one of the oldest non-profit community clubs that has been in existence for 124 years.

The club has provided a recreation outlet for the underprivileged lower to middle income group in the surrounding community for junior and senior members. The club is also a forerunner and one of a few clubs within the province that has a women's cricket team and is promoting women's cricket among the community with its first ladies SA international player, who played for the club as a junior, receiving her colours last year. The club also oversees and administers an outreach program (a development and training hub) for six schools in the nearby communities.
Over the years, St Augustine CC has made and continues to make positive contributions to the cricketing community. With the assistance of club members and vigorous fundraising, young cricketers have reaped the benefit of development programs that in turn provided opportunities to participate in tours, tournaments and being promoted to playing the game at its highest levels.

We are proud to have funded essential infrastructure repairs and improvements for the club in 2023.
This financial support encompasses a range of critical initiatives, including the repair and enhancement of practice facilities and nets, ensuring that the club's players have access to high-quality training resources. Additionally, our funding will contribute to the repair and improvement of the ablution block, enhancing the overall facilities for members and visitors.
Furthermore, we have also extended our support to provide necessary clothing for the club.

Ottoman Cricket Club

Ottoman Cricket Club, established in 1882, is one of the oldest cricket clubs in the Western Cape, currently celebrating its 140th anniversary.

The club is located at the Diamant Street sports field, known as the Hassan Howa Pavilion. Its members hail from various areas, including Surrey Estate, Manenberg, Bonteheuwel, Heideveld, Nyanga, Grassy Park, and Bo-Kaap. The club is actively involved in cricket, fielding four senior teams registered with the Western Province Cricket Association, and they are in the process of establishing a veteran's team to engage older members.

Additionally, they support six junior teams and three mini-cricket teams.

To sustain their operations, Ottoman Cricket Club heavily relies on sponsorship and donations, as the subscription fees cover only a small fraction of their expenses.

IMPACT:

M&G provided the much-needed funding to cover the kit expenses for the club.
This sponsorship enabled the club to secure the order from a reputable supplier and subsidize the kit costs for its members, making this project a reality.

2.

MES

MES, founded in 1986, is a registered not-for-profit organization (NPO) dedicated to transforming the inner cities of Johannesburg, Cape Town, Gqeberha and Kempton Park in South Africa.

Their mission focuses on finding sustainable solutions to combat poverty and delivering much-needed services so that clients are eventually able to use the tools or skills they have received, take responsibility for their own lives, and inspire further development due to positive self-awareness. Their multi-disciplinary teams offer holistic social support services in inner cities, including social work, health care, community engagement and nutrition enhancement.

Their four areas of focus span all age groups, including:

City pre-school aged children: This Early Childhood Development client group ranges from five months to almost six years old and includes their nuclear families. Pre-schoolers are reached specifically through crèches providing them with learning and day care. Parents are reached as a second target group through parenting programmes. MES Adoption services are in the planning phase.

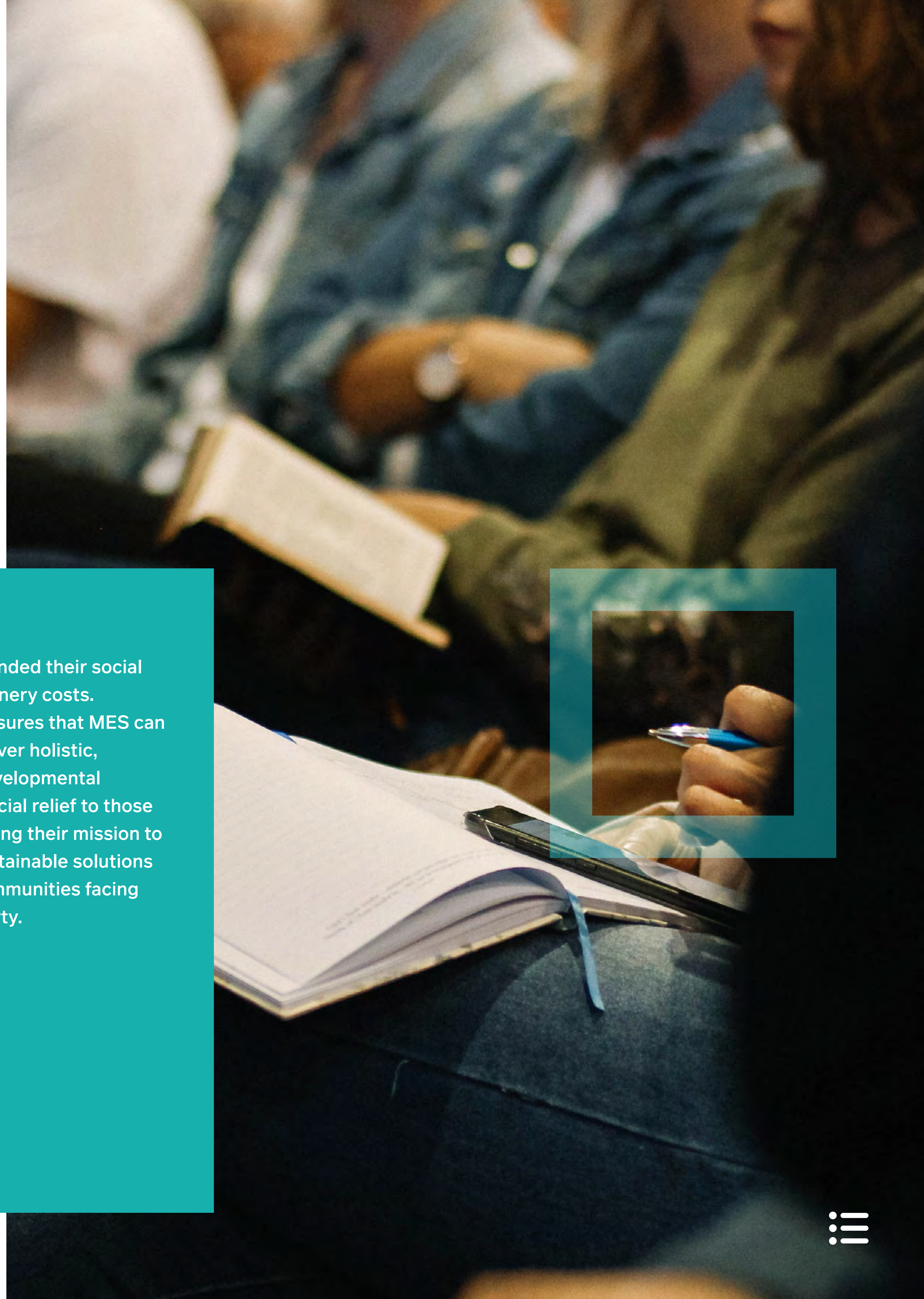
City school-aged learners: These are children between the ages of 7-18 who are of school-going age. Learners are reached and mentored through MES's after-school programmes, holiday programmes, camps and outings, gymnastics and the Dance4aPurpose initiative.

City Youth: Youth helped by MES are between the ages of 18-35, who are either studying or acquiring skills after school. They are often the largest unemployed component in South Africa and make up the vast majority of the clients at MES. They are reached through skills training, job preparation and placement through the MES Training centre, as well as recruitment into the Joshua Youth Service Year programme.

Adult marginalised city communities: These are generally adults older than 36 in marginalised communities who are typically poorer, disempowered and unemployed, many of whom are homeless and have health problems. They are served through shelters and MES's GROW Job Rehabilitation programmes.

IMPACT:

For 2023, we funded their social relief and stationery costs. This funding ensures that MES can continue to deliver holistic, high-quality developmental services and social relief to those in need, upholding their mission to bring about sustainable solutions in inner city communities facing pervasive poverty.



Living CSI Initiatives - In-house

3.

At M&G, one of the core values we embrace as a team is "Care." To us, this signifies a commitment to treating everyone with profound respect and dignity. It involves investing time to comprehend the needs of others, recognising the significance of what matters to them, and consistently offering assistance whenever possible. Reflecting this ethos, our dedicated staff has demonstrated remarkable generosity during our "in-house" CSI days in 2023.

These initiatives, fueled by genuine care, have brought heartwarming changes to our communities, and we take pride in showcasing the positive impact made throughout the year.

Heritage Day

M&G hosted a heartwarming Heritage Day initiative called "A Dish, A Difference."

During this event, our dedicated staff came together to celebrate their diverse backgrounds by bringing in dishes representative of their respective heritages. For each dish contributed, we donated a sum to U-Turn, collectively raising a remarkable amount.

IMPACT:

These funds have had a tangible and immediate impact by providing shelter and support to the homeless, enabling 128 individuals to escape life on the streets for an entire month. It serves as a poignant reminder of the positive change we can bring about in our communities when we come together with compassion and generosity.

Women's Day

The Saartjie Baartman Centre for Women and Children (SBCWC) stands as a comprehensive and pivotal facility, providing support to women and children who have endured the harrowing ordeal of abuse.

Functioning as a one-stop centre, it offers a sanctuary for survivors, fostering empowerment and healing through a range of specialised services.

IMPACT:

In observance of Women's Day in South Africa, we pledged a donation intending to cater to the centre's daily requisites and reinforce their indispensable mission of restoring hope and security to those who have experienced the trauma of abuse.
This contribution seeks to bolster the vital work of the SBCWC, affording them the means to continue their invaluable support for the vulnerable women and children within their care.

3.

Mandela Day

On Mandela Day, M&G staff contributed various essentials, including bread, spreads, grocery items and books, alongside their voluntary time in making sandwiches and covering books.

IMPACT:

The culmination of these endeavours resulted in the distribution of 840 sandwiches, numerous non-perishable food items, and a substantial collection of books to LEAP Crossroads, situated in Philippi. Additionally, we extended our support to LEAP Ga-Rankuwa by donating grocery items and to Life Matters by supplying books to be utilised in their literacy programme.

We furthered our assistance to LEAP Crossroads by providing funding dedicated to the procurement of essential educational materials, such as textbooks, stationery and printing costs, fulfilling their pressing requirements.

Conclusion: Empowering communities for sustainable success

To quote Nelson Mandela,

"What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead."

At M&G Investments we are proud of these partnerships and the opportunities they provide for us to make a meaningful difference. However, we also recognise that there is still much more to be done and we are committed to keep going for the long term.

Doing the right things right, taking small, positive steps day after day, year after year, can end up making a meaningful difference when those results are compounded over time.

That is how we are successful in delivering strong investment returns for our clients, and also how we are making a positive difference in our social investing across Southern Africa.

M&G Investments Southern Africa: Transformation Report

Year End 2023

Where our journey began

In 1994, as democracy dawned in South Africa, a small group of South Africans set up an investment management business under the banner of Prudential, the UK-listed global insurer and asset manager.

Their aim: to make a meaningful contribution to South Africa's journey toward achieving broader-based prosperity and rising standards of living.

Their vision: to help people manage and grow their savings to retire with dignity.

Today, three decades later, we are called M&G Investments Southern Africa, and retain the same vision and mission we had then.

Equally, we remain fundamentally the same in our people, investment philosophy and process. While other global firms have come and gone, our commitment has been firm as we expanded around the country, extending our footprint to Windhoek in 1996. We are proud to have helped thousands of clients by delivering superior investment returns, consistently braving the financial markets' ups and downs. Our ability to remain steadfast in our focus has been underpinned by our global parent, who has backed us on our journey with their deep resources, global market expertise and experienced people.

Over the years, we are proud to have seen our investments aimed at benefiting not only our clients and staff, but also the communities in which we operate, bear fruit. The founding team recognised their pivotal role as helping to democratise wealth.

To this day, our mission remains: to assist as many South Africans and Namibians as possible in accessing investment solutions that safeguard and enhance their savings so that they can, one day, retire with dignity.

Our unwavering commitment to our investment philosophy (one we hold in common with our global colleagues), combined with our consistently strong investment performance, have firmly established our position among the top 10 asset managers in South Africa and Namibia. As of June 2023, we oversee assets of over R316 billion. As a leading investment manager, we not only bear the responsibility of acting in the best interests of our clients, but also of seizing the opportunity to play a meaningful role in reshaping our industry and the communities we operate in.

For us, transformation transcends mere ownership or scorecards; it's about demystifying the investment landscape and making it accessible to the many Southern Africans who have been excluded from this industry. Our purpose in this regard is twofold: first, as custodians of our clients' savings, we aim to protect and grow their investments; second, as a corporate citizen and investment manager, we strive to expand the industry by attracting talent from outside it. Additionally, we leverage our voice and investments to bring about tangible change in the fabric of our communities and society, promoting a more equitable and sustainable future for generations to come.

At M&G SA, we aspire to leave the investment industry in a better state than when we entered it: more accessible, more diverse, more transparent and more transformed.

This is deeply rooted in understanding our clients' hopes and aspirations, leveraging our own transformative experience, and forging a shared journey toward a more inclusive and promising future.

This is our story.

Key Transformation Milestones

Transformation is an evolutionary process for everyone, and it has been an evolutionary process for us as well. To understand our 30-year-old history, we highlight some key milestones.

1994 Prudential Portfolio Managers South Africa established in Cape Town.

1996 Prudential Portfolio Managers Namibia established in Windhoek.

2005 Partnership agreed with Thesele Group, a successful black-owned investment business.
All staff become owners under Staff share scheme.

2011 B-BBEE Level 5 achieved.

2013 B-BEEE Level 2 achieved.

2019 Parent company Prudential/M&G Investments splits, lists insurance and investment businesses separately on London Stock Exchange.

2021 B-BEEE Level 1 achieved.
M&G Investments becomes indirect majority shareholder in Prudential's Southern African business.
Change of brand name from Prudential to M&G Investments Southern Africa.

Company Ownership

As they prosper, we prosper

As long-term investors, we hold the conviction that sustained success arises from enduring commitment. Our commitment to transformation and the role that we play in making the investment industry more accessible is something that we take very seriously.
We are proud to have first achieved a Level 1 B-BBEE rating in 2021 and to have maintained and improved the rating since then. While this scorecard does formally demonstrate our compliance with the B-BBEE requirements of the country, for us it is more about showing our consistent commitment to sustainable transformation and creating a more equitable future across all spheres in South Africa.

In our journey toward transformation at M&G Investments Southern Africa, our primary focus is centred on our clients, acknowledging the imperative of fostering greater socio-economic equality in all aspects of our society. This commitment is driven by our dedication to doing what is right for our clients.
It also encompasses the meaningful development of our people, our stakeholders, and our communities, in order to build a sustainable future for generations to come. Please refer to our CSI Report for more about how we are doing this.

M&G INV Gazetted Amended FSC Scoreboard		FY2020	FY2021	FY2022	FY2023
Element	Weighting	Score			
Ownership	25	21.86	22.26	22.38	22.18
Management control	20	12.39	13.49	14.29	16.54
Skills Development	20	13.96	13.07	16.61	16.79
Preferential Procurement	20	22.00	21.52	20.73	22.73
Enterprise and Supplier Development	15	16.55	17.00	16.00	16.00
Socio-economic development	5	8.00	8.00	8.00	8.00
Empowerment Financing and ESD	N/A	N/A	N/A	N/A	N/A
Acess to Financial Services	N/A	N/A	N/A	N/A	N/A
	105	**94.76**	**95.34**	**98.01**	**102.24**
Converted Total	**111**	**100.17**	**100.79**	**103.61**	**108.08**
B-BBEE Status		**2**	**1**	**1**	**1**

Enhancing Client Outcomes Through the Power of Diversity

Leading research suggests that having diverse teams leads to better decision making. Different perspectives provide multiple lenses through which our analysis of potential risks and opportunities takes place, providing an increased depth of analytical perception. As the investment landscape in Southern Africa changes, we are also seeing that clients in the investment management industry are increasingly diverse. Having a team that reflects the diversity of clients can enhance the understanding of their unique needs and preferences, potentially leading to more tailored and effective investment strategies.

Diversity and inclusion are therefore key attributes for success in our business.

Leading by example – M&G SA Executive Committee

Internally we are making strides towards having a more diverse and inclusive leadership. With more than 19 years of average industry experience from various backgrounds, **our executive committee is made up of a diverse group of individuals which has a majority of Black members (70%) and a strong female representation of 40%.** This combination of skills, experience and backgrounds creates a formidable senior leadership team, laying the foundation for the success of our business, staff and future generations to follow suit.

We strongly endorse the idea that one cannot aspire to what one does not witness. Through the appointment of our inaugural CEO of colour and the inclusion of women of colour in our executive team, we aim to demonstrate to our younger staff and other aspiring individuals, even those outside our industry, that with diligence and hard work, achieving a position at the decision-making table is indeed possible.

EXCO Demographics
(as at 29 February 2024)

40% Female
70% Black
192+Years

Combined Industry Experience

Meet our Executive Committee (as at 29 February 2024).

From top to bottom, left to right:

Marius Botha
Chief Executive Officer
Naleni Govender
Head of Institutional Business
Daryl van Zyl
Chief Operating Officer
Yakupha Nkosinkulu
Head of Human Capital
Sandile Malinga
Chief Investment Officer: Multi-Asset
Sumayya Davenhill
Head of Marketing & Retail Client Services
Ross Biggs
Chief Investment Officer: Equities
Nailah Limbada
Head of Finance
Shaheed Mohamed
Head of Risk and Compliance
Gareth Bern
Chief Investment Officer: Fixed Income

MEET THE TEAM

They say we're 100% compliant, we say we're 100% committed

While following the letter of the law should naturally be a given, the spirit of Employment Equity has become the golden thread interwoven with our business practices. This commitment, led by our CEO, is reflected in the significant strides we consistently make toward achieving fair representation of employees from designated groups.

To advance our approach in this domain, we concentrate on:

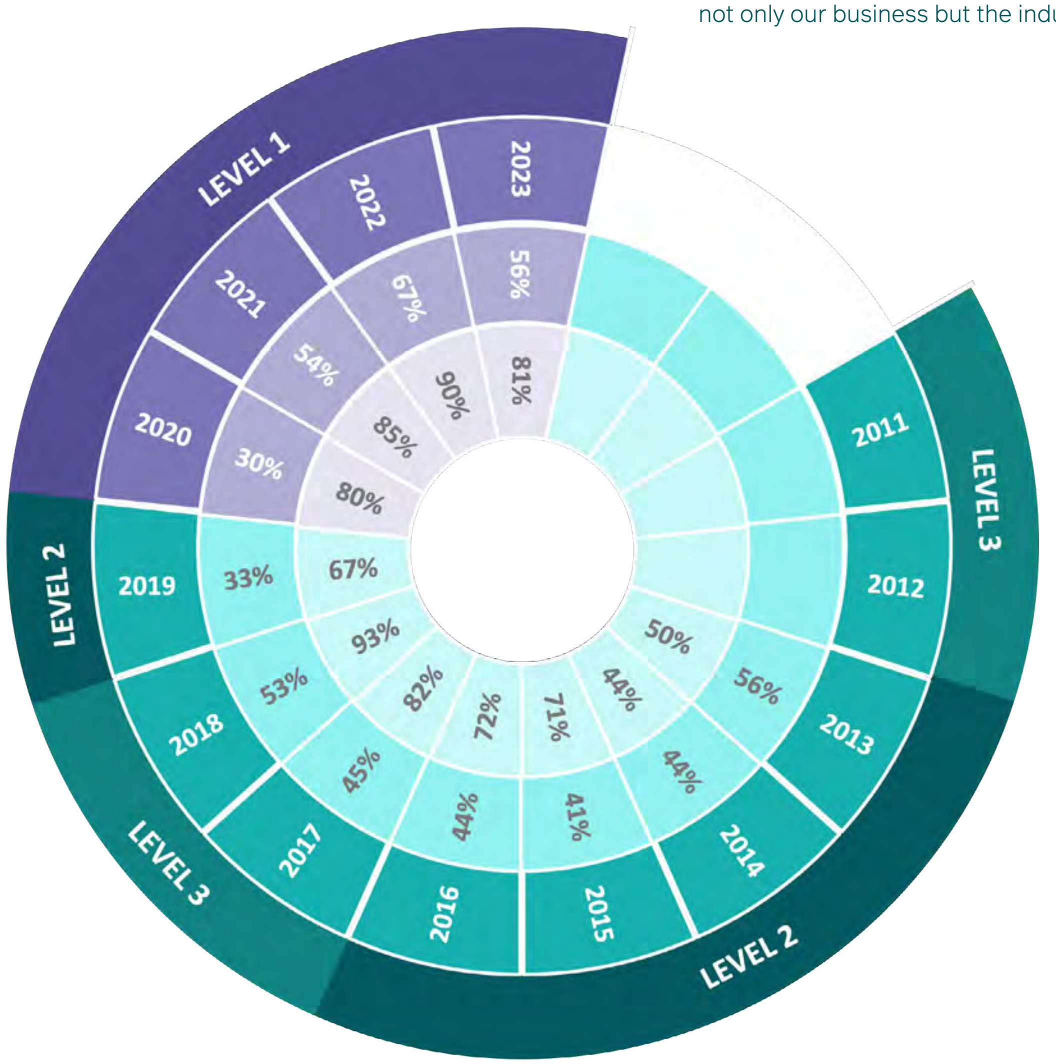
Create awareness and acquire talent from Designated Groups:
Actively seeking talent from designated groups during our recruitment processes.

Tap into talent and create opportunities:
Offering skills development opportunities specifically designed for individuals from designated groups.

Optimal Development of Black Talent:
Facilitating the optimal development of our own pool of Black talent within the organisation. This strategic focus underscores our dedication to fostering diversity and inclusivity, extending beyond mere compliance with legal standards.

Staff demographics (as at 29 February 2024)

191 Staff total (permanent and contract)
69% Black staff
50% Female staff
37% Black female staff
30% Black staff at top, senior and professional levels
9% Female staff at senior levels
18% of the total number of females
4% Black female staff at a senior level
8% of the total number of females



Create awareness and acquire talent:

We are actively progressing toward a more inclusive workforce at M&G SA. While we take pride in the positive shift we've achieved over the years, we recognise the ongoing need for improvement.

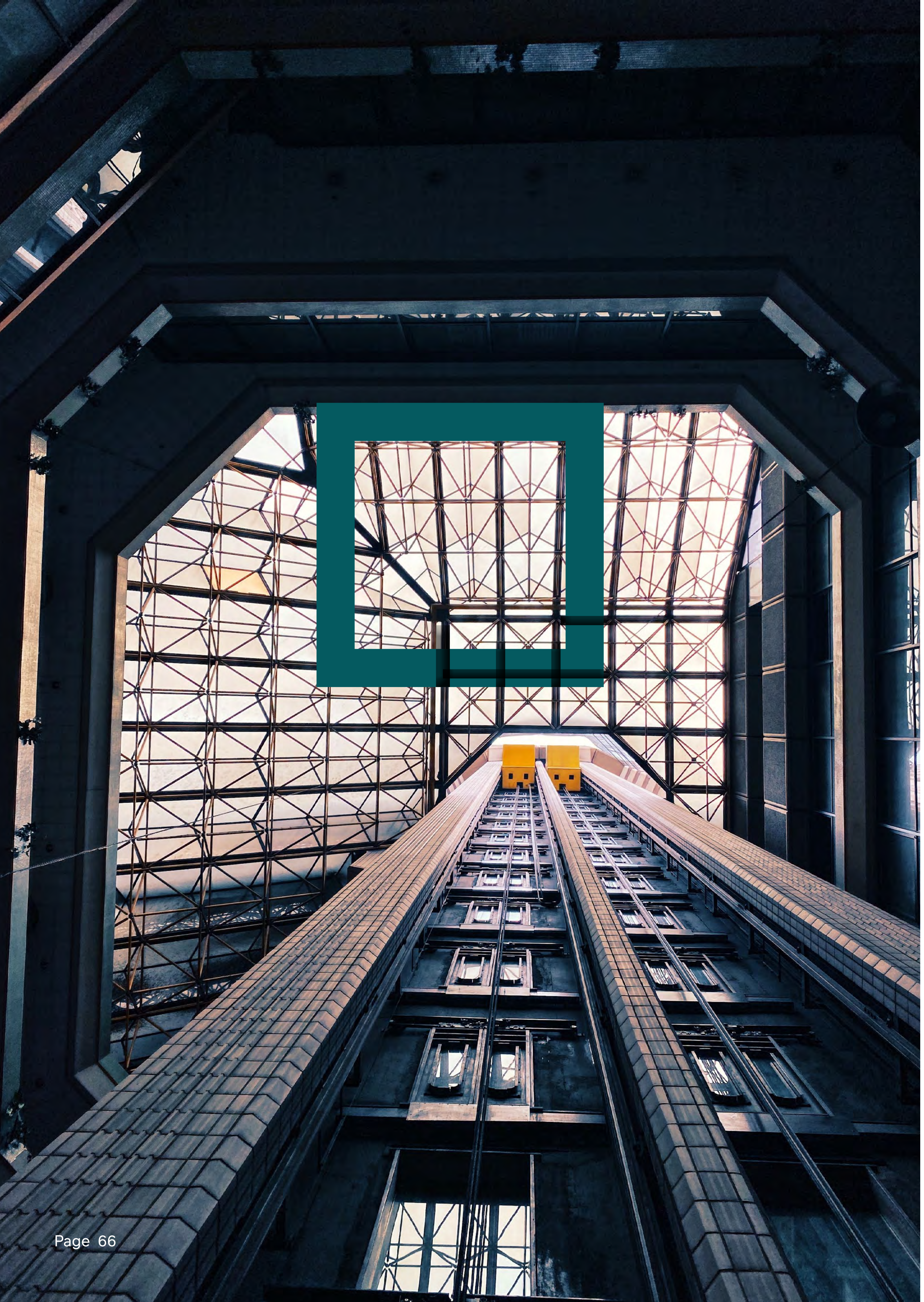
Our commitment extends to expanding opportunities within the industry for individuals who may not have previously encountered or had access to it.
We believe that we have a role to play in transforming not only our business but the industry too.

To achieve this goal, our recruitment strategy has evolved to seek talent beyond the traditional confines of the industry. We've successfully brought in professionals from diverse backgrounds, not only benefiting from their fresh perspectives but also raising awareness about our industry.

In 2023, out of the 35 new hires, a noteworthy 17 individuals joined us from outside the industry, reflecting our dedication to broadening the talent pool and fostering a more inclusive and dynamic workplace. M&G SA has a robust Diversity and Inclusion committee, comprising staff members representing diverse groups within our organisation.
This committee actively oversees the implementation of our Employment Equity plan, submitted to the Department of Labour. Our continuous efforts have resulted in substantial strides in recruiting talent from designated groups.

The commitment to prioritising recruitment from these groups is championed by our CEO.

The chart illustrates our transformation journey since 2011. For example, in 2023, 81% of all our appointments were individuals from designated groups, with 56% of appointments being female.



Tapping into talent and creating opportunities

Here's what one of our graduates has to say about it:

M&G Analyst Graduate Programme

We are purposeful in our efforts to enhance the skills of our staff, firmly believing that this investment will support our colleagues in their career aspirations and interests, leading to improved outcomes for our clients. In 2021, we introduced the M&G Analyst Graduate Programme, representing a strategic investment in cultivating our future talent in the investment team. This initiative not only strengthens our internal capabilities but also contributes positively to the broader industry.

Through this programme, we actively recruit and empower aspiring young professionals by providing extensive exposure to various facets of the investment management profession.

Over a two-year period, participants engage in rotating roles with the portfolio management team, steadily building their knowledge, and honing their analytical skills.

A prerequisite for admission to this programme is an ongoing pursuit of a Chartered Financial Analyst (CFA) qualification. This dual focus enables participants to seamlessly blend the practical experience gained with theoretical insights, propelling them toward becoming accomplished analysts in their field.

Sifiso Hadebe, *Fixed Income Analyst, BSC Hons Actuarial Science, CFA (in progress)*

"The M&G programme provided a guiding light in shaping my career path, enabling me to plan and pursue my aspirations with confidence and purpose, setting me on a trajectory for success in the investment industry."

Q: *What motivated you to apply for the programme?*

A: Driven by my passion for investments, I sought to explore the investment industry. The M&G programme's uniqueness among various offers, with its exposure to diverse asset classes and insights into running an investment firm, made it an enticing adventure from the moment of the interview.

Q: *What was the biggest benefit of the programme?*

A: The M&G programme's greatest benefits included the opportunity to work closely with industry experts, comprehensive learning about the investment process, and the privilege of sitting in significant meetings to gain unparalleled exposure to the investment world.

Q: *Tell us about your greatest achievement since completing the programme.*

A: A significant milestone was achieving my dream role as a dealer and Fixed Income analyst, bringing me closer to the market and enabling me to leverage my technical skills to add substantial value to the business.

Q: *What did you find was the most challenging part of the programme?*

A: Bridging the gap between theoretical knowledge from university and practical investment decision-making was the primary challenge, but determination and dedication allowed me to overcome it.

TSIBA Business School student internships

We are equally dedicated to nurturing talent across various parts of our organisation.
In collaboration with TSIBA Business School, an accredited higher education institution offering both undergraduate and postgraduate business qualifications, we have established a longstanding partnership.
Throughout the years, we have actively supported their internship programme, welcoming high-potential undergraduate students pursuing a Bachelor in Business Administration (BBA) Finance degree into our business.
Since 2014 we have hosted 20 Black students, of which 17 have come from TSIBA and three from the Cape Peninsula University of Technology (CPUT), for internships lasting between four to six months. Of these students, we have offered a 12-month contract to 19, who then undertake a year of work experience. During this year, these students rotate through our support services including Operations, Marketing and IT, gaining invaluable direct and practical on-the-job experience.
We are pleased to be able to report that 8 of these interns became permanent staff, and 5 are still employed with us on an extended basis. In so doing we are contributing to the broader goal of making this industry more inclusive and accessible to individuals of colour who might not have otherwise had the opportunity.

Here's what one of our former students – now a staff member -has to say about their experience:

Sisipho Jokazi, *Institutional Client Manager, BBA (Bachelor of Business Administration)*

"The main benefit from early on, was having mentors that aligned with a vision that I had for myself. Having a mentor was immensely valuable to me. Being previously unfamiliar with the industry, I benefited greatly from the insights of like-minded professionals who had walked the path before me. As I developed over the years, they continue to be a solid source of support, empowerment and guidance."

Q: *What motivated you to apply for the programme?*

A: As a second-year student at the time, I was intrigued by the prospect of learning about portfolio management, building wealth and in the broader scheme of things, be in a position to relay my learnings back to the people at home and in my community. The opportunity to engage and get exposed to people who were in the industry opened my eyes to the profound impact of exposure – it is quite transformative for a young individual.

Q: *What was the biggest benefit of the programme?*

A: The main benefit from early on, was having mentors that aligned with a vision that I had for myself. Having a mentor was immensely valuable to me. Being previously unfamiliar with the industry, I benefited greatly from the insights of like-minded professionals who had walked the path before me. As I developed over the years, they continue to be a solid source of support, empowerment and guidance.

Q: *What has been your greatest achievement since completing the programme?*

A: I rarely speak of this, but to be truthful, one of my most treasured achievements is being able to build a home for my family. My mother, as a single parent, tirelessly worked for my brother and me, supporting her siblings and parents on the same income, which meant she couldn't get to own a house. Now, no matter what happens, we have a home that truly belongs to us, a reality made possible due in part to the opportunity I received as a TSIBA student.
Among others, this one stands out as a testament to my mother, that all her sacrifices were not in vain.

Q: *What was the most challenging part of the programme?*

A: I was just months away from finishing my degree when I joined.
My understanding of the industry was mostly from stories and lessons shared during lectures. Stepping into the orporate world with a limited grasp of the terminology and lacking hands-on experience made my first year as an employee quite the adventure. However, by staying true to my principles and background, I believe I drew a varied group of individuals who were supportive of my journey and were willing to carry me through the uncomfortable stretches of growth.

Q: *How has the programme shaped your career?*

A: It has been both a steppingstone and a solid foundation for my career; simply invaluable.

Internships. The facts since 2014

20	Black students in total
95%	of students offered a 12-month contract, which means they are work-ready and have one year of experience in financial services
40%	were offered permanent employment
65%	are currently employed at M&G in a permanent capacity (of those,
40%	are black female)
50%	of interns are black females

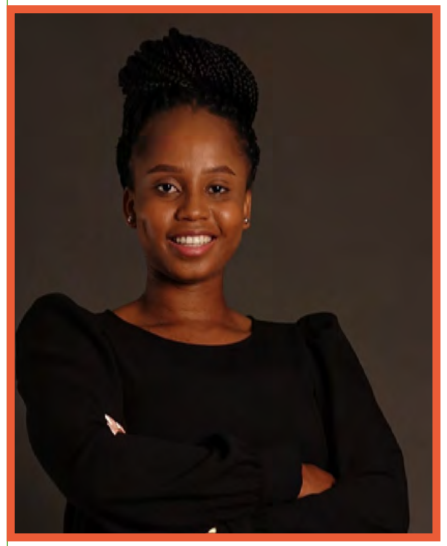
Further education and development

The business also supports and encourages its employees to pursue further education. We have team members who have successfully obtained their Chartered Financial Analyst (CFA) certifications, actuarial qualifications, and various other courses or degrees that align with our business objectives focus. To advance the careers of our up-and-coming talent, we recognise the paramount importance of continuous investment in their professional growth. Internally, we have instituted a dedicated agenda for talent and progression, aimed at nurturing the development and advancement of our staff within the organisation. To catalyse genuine transformation in our industry, we wholeheartedly embrace the concept of cultivating our own talent. It is through this commitment that we can not only nurture talent within our sector but also open doors for individuals outside the industry, providing them with opportunities to enter and make a meaningful impact.

Here's what one of our staff members had to say about their experience:

Boitumelo Mahudu, *Trainee Equity Analyst, BCom Accounting (CA-stream); Chartered Accountant (SA); Chartered Financial Analyst (CFA)*

"I've learnt a great deal throughout the CFA programme and apply these learnings in doing my job on a day-to-day basis, so that has been the greatest benefit. It hasn't been one of those qualifications that you do and never actually apply it in carrying out your day-to-day job – so it's been very useful in that I use the concepts I've learnt."



Q: *What motivated you to study towards a CFA?*

A: I studied a mostly financial reporting and auditing focused degree, and working in a position with a high level of finance knowledge required, the CFA designation provided an opportunity to upskill myself in this regard.

Q: *Tell us about your CFA journey.*

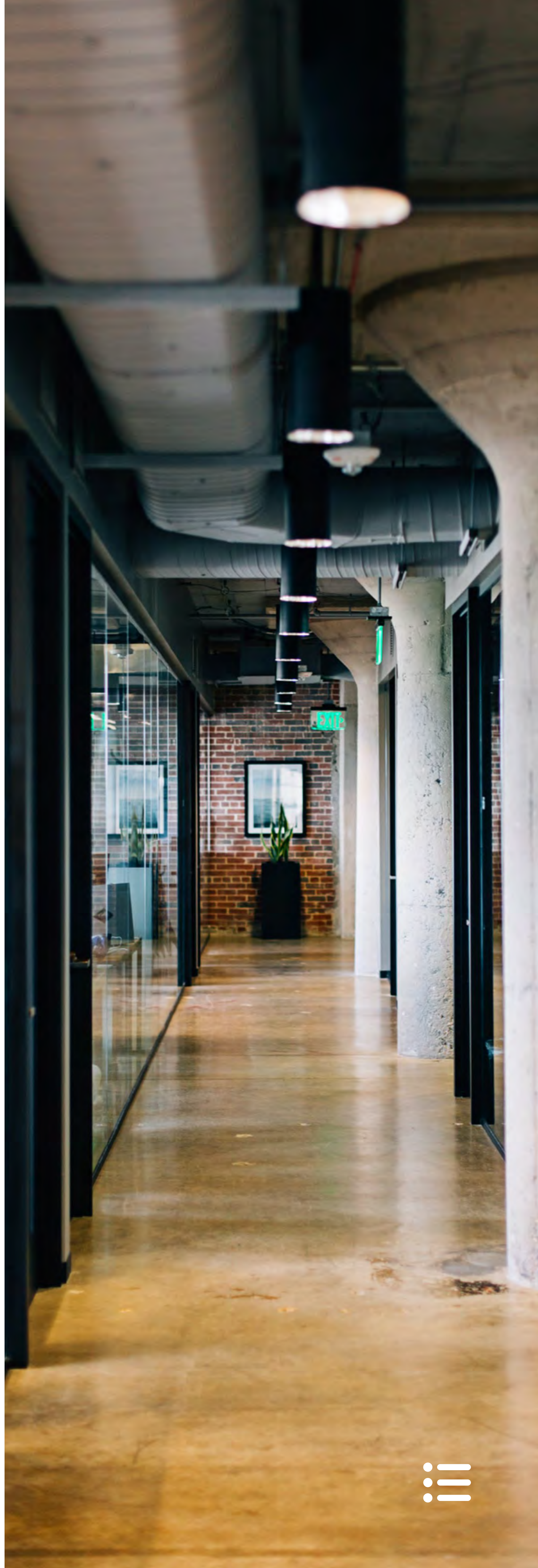
A: I wrote the first exam in 2021, which was my first year at M&G. Due to my Bachelor of Commerce background, I had covered a lot of the concepts in varsity already, so there was a lot of revision. The second (2022) and third exams (2022, 2023) were certainly more challenging and introduced newer concepts and required a deeper level of application of concepts, versus what was required in the CFA 1. So, one really needs to apply themselves a lot harder in CFA Level 2 & CFA Level 3. I had to write the level 3 exams twice as I didn't pass the first time, so that was tough.

Q: *What was the most challenging part?*

A: Certainly, having to re-write the level 3 exam was the hardest part. However, the positive takeaway from that was that this provided another opportunity to apply myself properly to the material, which is overall beneficial. Throughout the whole process, however, having to balance between work, studying and personal commitments was always challenging. Furthermore, unlike other school-based qualifications, CFA requires you to exercise a huge amount of discipline to ensure you're consistently working from the time you register up until the exam, to avoid having to cram four to six months of studying into the two weeks before the exam. I think if one remains disciplined and consistent in the months leading up to the exam, everything should go fairly well.

Q: *Any advice for those who are considering or currently doing their CFA?*

A: I would say ensure that you've got good enough motivation or reason for wanting to do the qualification – that'll keep you motivated when you're spending hours on weekends and in the evenings putting in the work. Most importantly, I would say that you need to be disciplined and consistent in the four to six months leading up to the exam. Many candidates fall short because they leave most of their studying to the last month before the exam, and by then there's far too much content to cover within a short space of time.



The LEAD programme

In our business, we acknowledge the presence of specialists in managerial roles. Collaboratively, we have developed a programme known as the Leadership Excellence and Development (LEAD) programme, working in partnership with a distinguished industrial psychologist possessing extensive experience in the investment industry. This programme spans one year for specialists, aiming to refine their critical thinking skills, deepen their understanding of design science and systems thinking for enhanced problem-solving, and foster an innovative thinking mindset.

For people managers, the programme extends over two years. The first year mirrors that of the specialists, focusing on critical thinking, design science, and systems thinking. In the second year, the emphasis shifts to essential management skills, including conducting critical conversations for success, effective stakeholder management, and cultivating key leadership soft skills. This extended programme ensures that people managers are equipped with the necessary tools to foster a happy and productive team.

Our staff members have enthusiastically embraced the chance to participate in these courses, and as of now, a total of 63 employees have taken part in the LEAD programme since 2019. Participants have comprised:

73% Black | 52% female | 35% Black females

10% went on to complete Public Mastery

We believe that by investing in this strategic focus, we are not only doing what is right for our staff, we are also improving their skills and future career prospects, while simultaneously enhancing the delivery of superior service and financial outcomes to our clients.

Here's what one of our staff members had to say about their experience:

Aphiwe Mxabanisi, *Retail Client Services Consultant*

“Because of LEAD, I'm more aware of my strengths and weaknesses. I was also able to identify areas where I can improve on to become effective at work. This also made it easier for me to deal with feedback. My conflict resolution skills were sharpened by this course. I was also able to set goals for my future based on my interest and capabilities.”

Q: *What motivated you to join the programme?*

A: The program presented an opportunity for me to grow personally, as an employee and as a professional.

Q: *What was the biggest benefit?*

A: It helped me clarify my professional vision, my sense of being and improved my communication especially when it comes to emotions.

Q: *What was the most challenging part?*

A: The most challenging part was communicating my feelings in professional and personal relationships. Also, having to reflect on that, and my actions, as well as the impact that I have on other people.

Q: *What was the key learning that you took out of the programme?*

A: For me, the key learning was learning how to navigate the organisation and the different people across the teams.

Q: *Any tips/advice to those considering going on the programme.*

A: Be open and apply yourself wholeheartedly to the program. Some learnings may not be used or applied immediately, but you will be better equipped for the future.

Advancing Black Equity:

Empowering Ownership and Shareholding Progress

In the early stages of our journey back in 2005, we formed a partnership with Thesele Group, a highly successful and knowledgeable partner with substantial experience in financial services. Currently, they own 21.8% of our business. We have developed a very successful long-term relationship with them. Thesele Group adopts a hands-on approach, actively participating as shareholders in all the businesses within their portfolio. More than mere capital providers, founders Sello Moloko and Thabo Leeuw are closely involved in M&G, serving on the Board of Directors in Southern Africa and contributing to various committees within M&G SA.

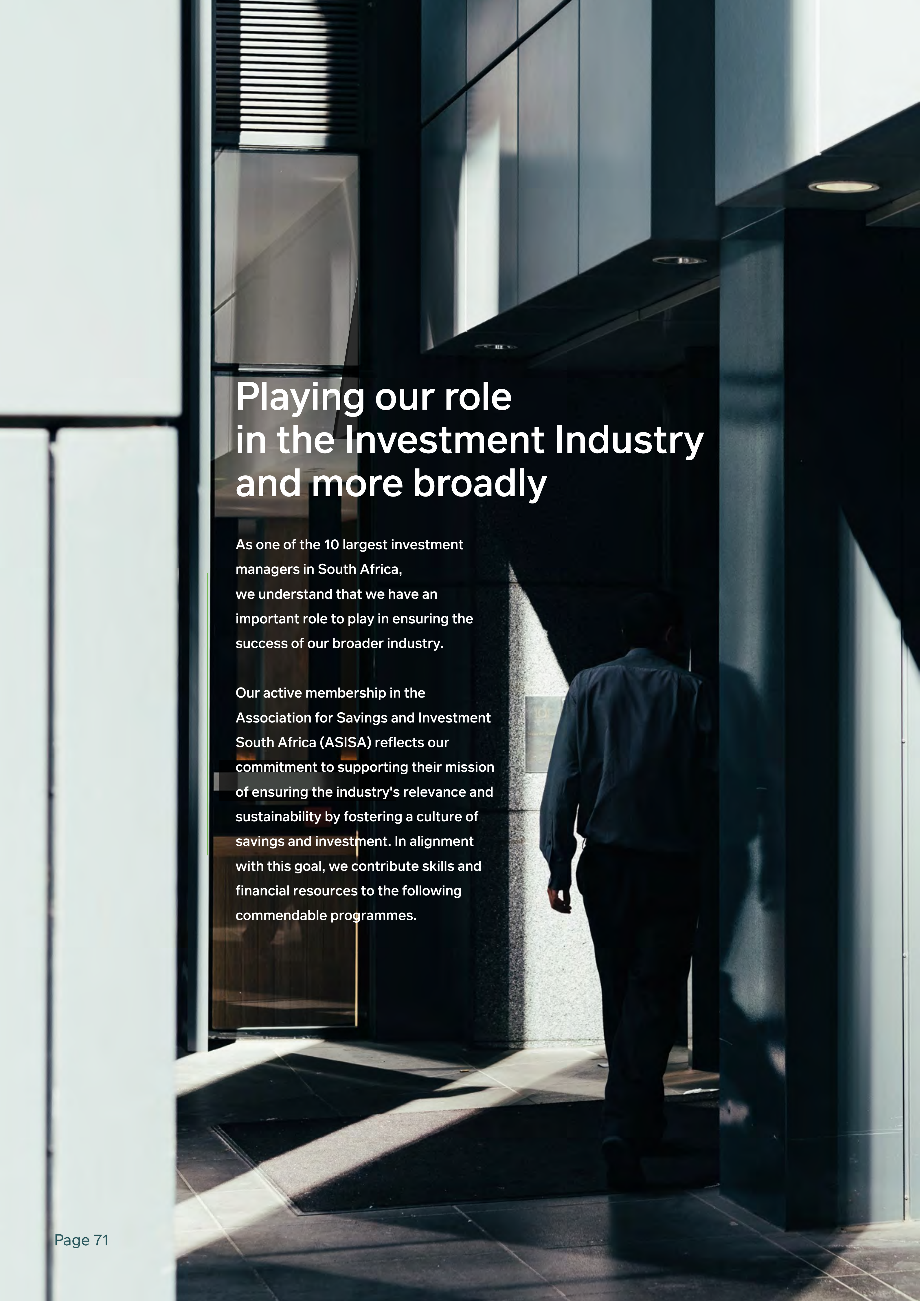
Thesele Group (Pty) Ltd is a 100% black-owned investment holding company founded in 2005. Thesele is positioned to identify suitable business opportunities for capital investments using its extensive business skills and networks, strategic input and financial expertise to bolster the business. Thesele is a commercial enterprise with a portfolio of investments across a range of sectors in South Africa, including financial services, logistics, property, ICT, automotive as well as energy, water and infrastructure.

Read more on Thesele Group

Also in 2005, we initiated an ownership scheme for our staff, resulting in them today collectively owning 28.08% of the business. We strongly believe that having our staff as shareholders cultivates a strong and inclusive ownership culture focused on care and dedication.

Every team member, regardless of seniority, holds shares, a practice we are proud of and believe significantly enhances our ownership culture. We are confident that these initiatives contribute to our staff's heightened commitment, ultimately leading to superior outcomes for our clients.

The remaining 50.12% is owned indirectly by M&G plc, who have been committed to Southern Africa for three decades and continue to invest in not only our business but the Southern African communities we operate in.



Playing our role in the Investment Industry and more broadly

As one of the 10 largest investment managers in South Africa, we understand that we have an important role to play in ensuring the success of our broader industry.

Our active membership in the Association for Savings and Investment South Africa (ASISA) reflects our commitment to supporting their mission of ensuring the industry's relevance and sustainability by fostering a culture of savings and investment. In alignment with this goal, we contribute skills and financial resources to the following commendable programmes.

Programme	**Association for Savings and Investment South Africa (ASISA) Fezeka Investment Management Programme**
Description	This structured development programme provides high-potential, black female graduates with the opportunity to build a career in investment management through a powerful combination of theoretical knowledge, professional development and practical work experience within investment management businesses committed to growing the talent pool of women in asset management. As part of the recruitment drive for 2024, twelve graduates have successfully secured placements.
Transformation objective	Skills development
Programme	**ASISA Independent Financial Advisors (IFA) Programme**
Description	The programme was purposefully designed to invest in the strategic growth and development of selected IFAs to equip their businesses with practical practice management toolkits, skills and knowledge. Since its inception, the programme has supported 148 Black SMEs and 129 interns from designated groups.
Transformation objective	Enterprise, supplier and skills development
Programme	**ASISA Enterprise and Supplier Development (ESD) Fund**
Description	The Fund invests in acceleration programmes for Black SMEs, assisting them with capital and business support so they can plug into the funder's value chains, create jobs and move society forward. Click here for a list of all the SMEs the Fund invests in.
Transformation objective	Enterprise and supplier development
Programme	**ASISA IMACS@TSiBA internship programme**
Description	This internship programme connects companies with high-potential undergraduate students completing a Bachelor of Business Administration (BBA) Finance degree through TSiBA Education. Students participate in the ASISA Academy's investment management administration programme, which provides a potent combination of theoretical knowledge and work-readiness input.
Transformation objective	Skills development
Programme	**ASISA Consumer Financial Education (CFE)**
Description	The ASISA Foundation facilitates several successful consumer financial literacy and education programmes to improve the economic behaviour of South Africa's most vulnerable groups through the transfer of knowledge and skills development. Click here to read about the programmes that are currently running.
Transformation objective	Socio-economic development and consumer education

Working with other stakeholders

We partner with the Ikusasa Student Financial Programme (ISFAP). ISFAP aims to fast-track South Africa's skills production for the 21st century. This is done through a funding model that predominantly caters to the higher education needs and costs of South Africa's poor and middle-class students studying towards a career in Occupations of High Demand (OHD).

Supporting black-owned stockbrokers

For many years we have been a staunch supporter of the development of black-owned stockbrokers in the local industry, to help influence transformation across the investment value chain. In fact, we were a founding sponsor of ASISA's Black Stockbroker Programme and IFA Development Programme and have contributed to both initiatives consistently. Separately, we make a concerted effort to ensure a significant portion of our trading volumes is transacted through select black stockbroking businesses. This year approximately 45% of our total brokerage fee payments has gone to black stockbrokers.

Partnering with Motswedi

We're also excited to be embarking on an endeavor with Economic Transformation Specialists, Motswedi, to facilitate meaningful enterprise and supplier development as well as empowerment financing to small black-owned asset managers. Currently, there are four black asset manager beneficiaries in the programme receiving support across a range of areas, including technology, resources, staffing, automation, licensing, marketing, among others.

Motswedi's vision

“To help develop the South African economy, through the asset management industry, by encouraging real economic transformation, financial inclusion, gender equality, pay equity, job creation, and social equity in a systematic and responsible way, both in the public and private markets. In doing so, to stimulate the asset management industry to deliver a more competitive and vibrant environment for capital investors.”

Preferential procurement

At M&G Investments Southern Africa, we believe that preferential procurement in asset management plays a pivotal role in advancing transformation goals by actively promoting the inclusion of historically disadvantaged individuals and businesses.

By prioritising procurement from entities owned by previously marginalised groups, such as Black-owned enterprises, women, and youth, we contribute to economic empowerment and social equity. This intentional focus on preferential procurement fosters diversity within the supply chain, supporting the growth of businesses that may have faced historical barriers. Ultimately, it contributes to a more inclusive and representative landscape within the asset management sector, aligning with broader transformation objectives in South Africa.

We are proud to have supported Black suppliers with more than than R234 million in spending in the 2022 financial year.

While we remain mindful of our expenditures with larger suppliers, our dedication to fostering Small and Medium Enterprises (SMEs) is equally unwavering. In pursuit of this commitment, we allocate spending to black-owned small and medium businesses to provide a range of services from professional services to our building work and maintenance to consciously choosing to support a local fruit vendor for office fruit supplies.

These deliberate choices underscore M&G Investments' commitment to enhancing our local economy and uplifting the communities in which we operate.

Investing responsibly

For us, sustainability embodies the concept of long-term viability, where we aim to create and share value over an extended period. To ensure the enduring well-being of current and future generations, we proactively address challenges that could hinder the quality of their lives.

In our role as custodians of our clients' savings, we recognise a responsibility to actively collaborate with our investee companies on environmental, social, and governance issues, including matters related to transformation.

We firmly believe that all listed South African companies, as corporate citizens play a role in positively transforming the socio-economic landscape of our country. Emphasizing diversity and inclusion, we engage with these companies to evaluate and discuss their employment policies and diversity plans, recognising that such initiatives contribute to the overall success of our country.

We have never underestimated the importance of being custodians of our clients' hard-earned savings and the meaningful role we can play in helping guide the policies and actions of our investee companies to improve the lives of our clients and their families, our staff, our suppliers, our communities, the financial services industry, and the broader Southern African region.

Empowering communities for sustainable success

As long-term investors, **we hold the conviction that sustained success arises from enduring commitment. Genuine empowerment goes beyond a mere donation,** irrespective of its size; it necessitates ongoing consistency, unwavering dedication, and a readiness to create lasting impact over the course of many years. Our country faces many social challenges, and to truly make it better, not only for today but for future generations, our actions today must possess the capacity to empower well into the future.

Since our founding in 1994, we have taken our role as an active, responsible steward of our clients' savings very seriously, and this attitude is reflected in our approach to social investing as well. We take a long-term view in all we do. In our approach to social investing, likewise, we form long-standing partnerships with successful community organisations to understand their challenges and empower them to effect meaningful progress where our communities are most in need.

We work with our CSI partners to make a real difference through the transfer of sustainable skills, resources and financial contributions. The added advantage of being a global investment company also means that our global parent M&G plc enables us to make an even more powerful impact through aligning the considerable global resources of our group behind our community upliftment initiatives.

Based on this deep-rooted ethos, it is highly appropriate that educational investments form the heart of our corporate social investment (CSI) programme.

Education is the key to breaking the cycle of poverty in Southern Africa, and if we can sow the seeds of a quality education for as many people as possible, then surely generations to come will reap the rewards.

Education empowers and is something that can never be taken away.

Our embrace of education also supports the principle embodied in UN Sustainable Development Goal #4 (SGD 4), which emphasizes achieving inclusive and quality education for all. This is also one of the SDG's that our group has adopted globally. The UN chose this goal with the firm belief that education is one of the most powerful and proven vehicles for sustainable development, and one of the most effective ways to reduce gender and wealth disparities in a society.

Our Corporate Social Investment (CSI) initiatives are spearheaded and executed by our dedicated CSI committee, comprised of staff members who are passionate about this cause. They volunteer their time and efforts to contribute to this meaningful aspect of our business.

Our CSI programme comprises of three different types of initiatives:

1. CSI Partner initiatives, where we contract at a corporate level with registered non-profit organisations working on the ground - in communities most in need;
2. Staff community initiatives, where we help to fund worthy community projects identified by our staff that they are directly involved in;
3. Living CSI initiatives, where our staff in-house activities generate donations to community projects near to our hearts.

“What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead.” – Nelson Mandela

More about the governance structures that enable transformation

Our Board

As an unlisted investment company, M&G SA has a board that is mandated to ensure that the business is strategically fit and well run in order to deliver on the promises that we make to our clients.

MandG Investments Southern Africa (Pty) Ltd Board

Title	Name	Role	Position
Mr	Graham Mason	Chair - Non-Executive Director	Shareholder Nominee (M&G)
Mr	Marius Botha	Executive Director	Chief Executive Officer
Mr	Linda Yanta	Non-Executive Director	Independent Director
Ms	Dolores Mashishi	Non-Executive Director	Independent Director
Mr	Bruce Grater	Non-Executive Director	Independent Director
Mr	Thabo Leeuw	Non-Executive Director	Shareholder Nominee (Thesele)
Ms	Fabiana Fedeli	Non-Executive Director	Shareholder Nominee (M&G UK)
Mr	Sandile Malinga	Executive Director	Shareholder Nominee (Staff)

Permanent Attendees

Title	Name	Position
Mr	Shaheed Mohamed	Head of Risk and Compliance
Ms	Nailah Limbada	Head of Finance
Ms	Candice Posthumus	Company Secretary

55%
Black members

36%
Female members

18%
Black female members

From left to right
Linda Yanta -
Independent Non-Executive Director
Fabiana Fedeli -
Non-Executive Director
Bruce Grater -
Independent Non-Executive Director
Graham Mason -
Chairman
Marius Botha -
Chief Executive Officer
Dolores Mashishi -
Independent Non-Executive Director
Thabo Leeuw -
Non-Executive Director
Sandile Malinga -
Chief Investment Officer: Multi-Asset

MEET THE TEAM

Our SET Committee

To uphold an unwavering commitment to Ethics and Transformation within our business, the board has established a subcommittee known as the Social, Ethics and Transformation Committee (SET). Comprising an independent non-executive chair and representatives from the Thesele Group and our staff, this committee is dedicated to overseeing the implementation of our Transformation, Diversity & Inclusion, and Corporate Social Investment strategies.

The aim is to ensure that we fulfil our mandate as a responsible investment company.

For the day-to-day management of initiatives related to Diversity and Inclusion, as well as Corporate Social Investments, the SET committee delegates authority to two committees led by staff members at M&G SA.

“Constantly being mindful that what we do has to be purposeful, and holding ourselves accountable to it, changes how we do business. It ensures every decision we make and every action we take creates a positive future for our people and the planet.”

Graham Mason – *Chairman, M&G SA Board*

Permanent SET Members

From left to right

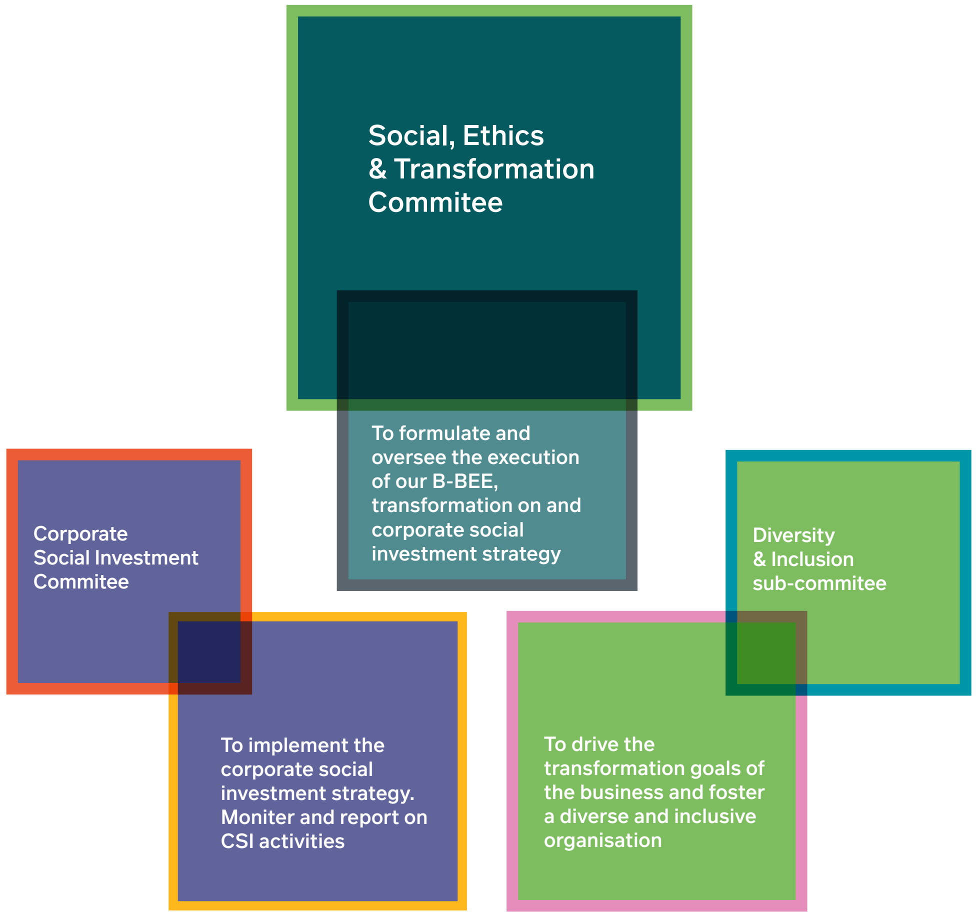
Dolores Mashishi - Independent Non-Executive Director

Marius Botha - Chief Executive Officer

Thabo Leeuw - Non-Executive Director

	Position	Role
Marius Botha	Chief Executive Officer	Executive Director
Dolores Mashishi	Independent Director	Chair (Non-Executive)
Thabo Leeuw	Thesela Shareholder Representative	Non-Executive Director
Nailah Limbada	Head of Finance	Attendee
Yakupha Nkosinkulu	Head of Human Capital	Attendee
Sumayya Davenhill	Head of Marketing and Retail Client Services-	Attendee
Ziyaad Bassadien	Complience Officer	Attendee
Anthony Walker	ESG Specialist	Attendee

75% Black members **50%** Female members **50%** Black Female members



Celebrating success and paving the way forward –

A close from our CEO

At M&G Investments, we take pride in the transformative milestones achieved on our journey so far, making a meaningful impact in the communities we serve. While celebrating our successes, we acknowledge the ongoing need for progress and remain steadfastly committed to the long-term vision. Recognising that sustained positive change is achieved through consistent, responsible actions, we are dedicated to doing the right things right—taking small, positive steps day after day, year after year. It's this cumulative effort that yields significant results over time.

This philosophy guides not only our success in delivering strong investment returns for our clients, but also shapes our approach to making a lasting, positive difference in our country and for our valued clients.

As we reflect on our journey thus far, we are energised and resolute in our commitment to a future marked by continued transformation, growth and positive impact.

Responsible Investing

In this section you will find:

- ESG Integration – Principles, developments and engagements
- Integration of responsible investment into our investment process
- ESG integration tool: ESGIT
- Active stewardship: ESG engagements and interactions
- Responsible Investing: Industry and related developments

Responsible investing

ESG Integration: Principles, Developments and Engagements 2022-H1 2023

This section highlights our principles and processes around our active engagement with our investee companies on environmental, social and governance (ESG) issues. We touch on selected engagements over the period to illustrate how we engaged, and to share information about certain cases that may have been too sensitive to our investment case at the time. Clients can at any time request our quarterly engagement reports, which provide a regular high-level summary of our engagements.

Our ESG investment principles

In order to carry out effective responsible investing, at the heart of the investment process is the requirement to analyse ESG factors. This requires some guiding principles for the investment process, and our Responsible Investing policy has at its core the following ESG investment principles:

A For all investments, M&G SA takes into consideration ESG factors that have the potential to have a material financial impact on that investment. In addition, for explicit ESG-related funds and segregated mandates we take into consideration ESG strategies as necessary to deliver the specific objectives as defined in the fund documentation or investment mandate.

B For all investments, we believe consideration of the implications for society and the environment to be part of investment stewardship and in line with our fiduciary duty to our clients.

C We take a long-term approach, keeping in mind client time horizons, the urgency of individual ESG issues and delivery of the firm's ESG priorities and commitments.

D We identify ESG themes and risk factors and incorporate them into our general investment and risk management processes.

E We are active investors and believe in active management, preferring stock selection, engagement and voting (where relevant) over exclusion. Our aim is to invest in the solution, not the problem, therefore as a responsible investor we actively seek to support companies transitioning towards the creation of a more sustainable economy.

F As an investor we are politically neutral, we do not engage in political contributions, nor do we have a direct affiliation with any political party in any country. We are committed to working with our stakeholders, including our investee companies, to help end slavery, human trafficking, child labour or any other abuse of human rights. Therefore, we take into consideration politics where they impact human rights, the rule of law, fairness and equality, and where local and/or geopolitical risk impacts the risk-return profile of the investment.

G Where an investment, either by the nature of its business or by the nature of the investee company's activities or behaviours, breaches our core values, we will assess the investment under our exclusion process. Where we believe engagement and voting has been or will be ineffective in influencing positive change, we may exclude the company from our portfolios.

H We review our ESG approach regularly in order to align with scientific and technological advances, changes in the global economy, and the evolution of good practice sustainability and ethics.

I We aspire to produce research of the highest quality for our investment teams, generating market-leading proprietary research and data, integrating ESG into the investment process across all asset classes.

J We recognise the complexity in identifying and addressing the drivers of ESG issues, given the interdependence of ESG factors, some of which are inherently subjective and where available data may not be of high quality. In such cases we adopt a pragmatic approach, balancing the implications for the economy, society and the environment where available information is not objective or reliable.

K As providers of capital to investee companies we are not responsible for the daily management of the company, but we are cognisant of the need to encourage good corporate governance and sustainable business practices, and if necessary make changes to board composition where this is not the case.

Integration of responsible investment into our investment process

M&G SA's approach to responsible investing may be described as integrated fundamental analysis and active ownership.
Active ownership is described in a separate section; the section below describes how ESG is incorporated into the investment process.

Screening

While including ESG issues into the investment analysis is essential, broad "include/exclude screens" based on subjective viewpoints, are not commonly mechanically or quantitatively applied to Southern African assets without client reference. The investment universe in Southern Africa is quite narrow, and the effect of screening without client reference can contrast with the fiduciary duties of active management across a client's chosen investment universe. It may also reduce the opportunity set where ESG factors have been mispriced in the market. Rather, investment decisions are made after giving appropriate consideration to all factors, including ESG factors that can influence an investment's risk or return.
However, circumstances may exist where ESG concerns are sufficient to warrant either not investing in the entity or its issuance, or to hold a maximum underweight position relative to its benchmark position in the client's index. This can occur by process when the Investment Team reviews stocks or sectors, or by process of escalation to the Investment Risk Oversight Committee. Defined client requirements for exclusionary ESG screening can be accommodated for segregated mandates.

Integration into the ESG Process

ESG has not been reduced to a specific stand-alone quantifiable element in the investment process.
The investment decision-making process takes into account the prospects of a company, in particular a substantive view of factors potentially affecting its sustainability, and this is where ESG issues play a material role.

Research

Research is conducted by the equity analyst on the stock or the credit analyst on the issuer. As responsible investors, the Analyst seeks to understand, inter alia, the ESG risks facing the financial health and sustainability of these entities, and confirmation that management is aware of these risks, their magnitude and impact on the business and broader society, and is seeking to mitigate them. Analysts also seek assurance that management is sound and has an established practise of good governance with the correct degree of expertise, not only in the business, but also in respect of ESG issues. This research primarily rests with the analyst, with assistance from the in-house ESG specialist, or peer analysts where necessary. In addition, externally sourced ESG specialist research complements internal research.

Interrogation (and further research)

The stock/issuer research, including ESG factors, is presented to the relevant investment decision-making team for discussion and interrogation.
This can be as a result of new developments, both ESG and non-ESG related, that pertain to the stock or issuer, sector reviews, or simply as part of the calendar of refreshing the investment team on a particular stock or issuer. The investment team may request further investigation into the ESG factors or a further adjustment to the model to account for these in our valuation process where warranted.

Voting

As part of the investment decision-making process, the team may decide to vote on the stock or issue to determine its continued or altered position on a buy or sell list. Material ESG factors are also accounted for at this stage.

Portfolio Construction

ESG factors are also integrated at the portfolio construction stage, especially as many ESG factors are not easily accounted for in the valuation process.
As an example, governance is not easily accounted for in a future earnings valuation. However, adjustments can be made to the weighting during portfolio construction where, taking two similarly valued stocks, one may receive a higher allocation on the basis that it has stronger governance processes and structures, and is more likely to be a sustainable business.

Monitoring

ESG factors, as with any other material factor that influences a company or issuer's valuation, are regularly monitored. *Please refer to the section here for more details on the role played by the Investment Risk Oversight Committee and escalation processes for ESG Risks.*

ESG Integration Tool: ESGit+

Evidencing M&G SA's ESG work, as it has been integrated into the investment process, is becoming more essential. It is also becoming more important that, as the level of information and data grows, it is swiftly and readily available to the investment staff, particularly in a growing team.

To accomplish this, we have begun developing a proprietary in-house ESG integration tool (ESGIT), with development having started in 2022.
The system allows for auditability and time tracking of the ratings of a variety of ESG risks and data, and easier referencing of stock and issuer engagements across the investment teams.

The system will allow for a review of any Southern Africa-based issuer or stock that is analysed by our investment teams based on modified Sustainability Accounting Standards Board (SASB) risks. Additional modifications allow for the capture of unique South African-context ESG issues, for example transformation and unique aspects of governance.

ESGIT is currently in beta testing, with the JSE Top 40 stocks having been inputted into the system. We are currently testing various reporting output functions.

This ESG integration system has been developed in parallel with the system being developed in London by M&G plc, who are currently operating on similar principles, though employing different input systems (some of which are not available or relevant in South Africa).

The system architecture has been structured in-house in such a way that additional components, reporting and inputs can be created and deployed quickly. Key to this project has been the involvement of our equity and fixed income analysts in developing and testing the system to ensure that it meets their requirements and needs as an ESG investment process integration tool.

Being proprietary, we are not utilising it for client reports. However, clients will receive updates on this system as it develops further.

Active Stewardship: ESG Engagements and interactions Areas of focus and selected case studies

Active engagement and collaborative participation remain core elements of our investment process on individual issuers, stocks and sectors. It is also a method by which we can support sustainability objectives in the broader industry.

Not all of M&G SA's engagements are covered in this report. Some of these remain material to our investment case, and we hope clients understand that some engagement records are sensitive and cannot always be shared. However, a quarterly client report on ESG engagements (which are not sensitive) is available within the first two weeks after every calendar quarter, and clients are encouraged to request this from their client service teams if so desired.

For interest, please find below a selection of illustrative examples of interesting engagements in 2022/2023.

Environmental considerations

Environment: Climate and coal

Given its importance in South Africa's economy, this report contains a section dedicated to coal exposure and how we are managing our engagements around this complex topic, in light of the Just Transition.

FOCUS ON THERMAL COAL

Environment: Water

Background and Approach

Water availability is a significant area of concern for us for many stocks – the current available plans for South Africa's large metropoles indicate only Cape Town is on track for adequate water supply beyond 2035. With the lead times involved in such projects, the possibility of water shortages is a very real concern. We have seen failures of water provision of significant scale in parts of the KwaZulu-Natal and Johannesburg regions of late. These failures have at times extended to weeks of non-provision, with a devastating impact.

Municipalities with significant mining operations appear to be increasingly propped up by the miners themselves, generating potential dependency relationships.

Much of our engagement centres on urging entities not to assume stable water supply in the future, to be aware of systemic pressures in the municipalities in which they operate, and the levels of mitigation (and related costs) that might need to be incurred. In 2021, M&G SA visited Astral Foods. A video of this engagement was filmed and subsequently flighted at COP26.

WATCH NOW

Our engagements with miners also focus on water usage, rehabilitation, licensing issues, etc. For example, we are engaging with one entity on their proposed initiative to use indigenous plants and wetland areas for rehabilitation that also carry the benefits of trees for water treatment for the uptake of heavy metals from a mining operation.

Mining and chemicals are currently the sectors most in focus for the most immediate water risks. Not only is supply to the entities' operations a risk, but in some cases the supply to the mining staff and communities becomes dependent on the mine propping up supply. We are increasingly seeing private/public sector 'partnerships' to this end. We also understand there are instances where, when miners fail to help with water supply, communities end up damaging the water supply and place themselves at risk of drinking non-potable water.

> Management of waste water at mines is another complex challenge, where failures, even from illegal miners, bring liabilities and risks to mining licences.

More broadly, our engagements with entities on water are focused on the following aspects:

Internal action – governance, risk, and accountability
Are there genuine structures in place to monitor water risks, and are there defined roles of accountability? As a minimum requirement – has work on water at least started at the entity?

Meaningful data
Is the entity gathering meaningful and useful data on water, or is it just gathering and reporting data? Is it gathering data at all the right points of its processes?

Milestones more important than policies
Is the entity meaningfully progressing its water plans? We would be concerned if there are simply policies and risk processes in place without being backed by credible milestones and movement in this space.

Mitigation plans
Does the entity have room to mitigate its water risks, and if so, then at what costs and on what timeline?

Municipal plans matter
Does the entity simply trust future municipal supply plans, and has it studied these and understood them for context and reliability?

Talbot Water Roadshow 2023

Objectives

During the first quarter of 2023, we partnered with Talbot, a large water consultancy and testing group, and participated in a nationwide roadshow with a focus on the current material and increasing risks related to water availability in South Africa. We are concerned not only on current, but future, supply issues.

The roadshow included presenting to and having discussions with large water users such as Sasol, as well as those with water vulnerabilities like miners in arid regions. Our key objective was for our ESG Specialist, who was a speaker, to illustrate to companies what asset managers are looking for in terms of objectives around water, risk monitoring, governance structures, and data.

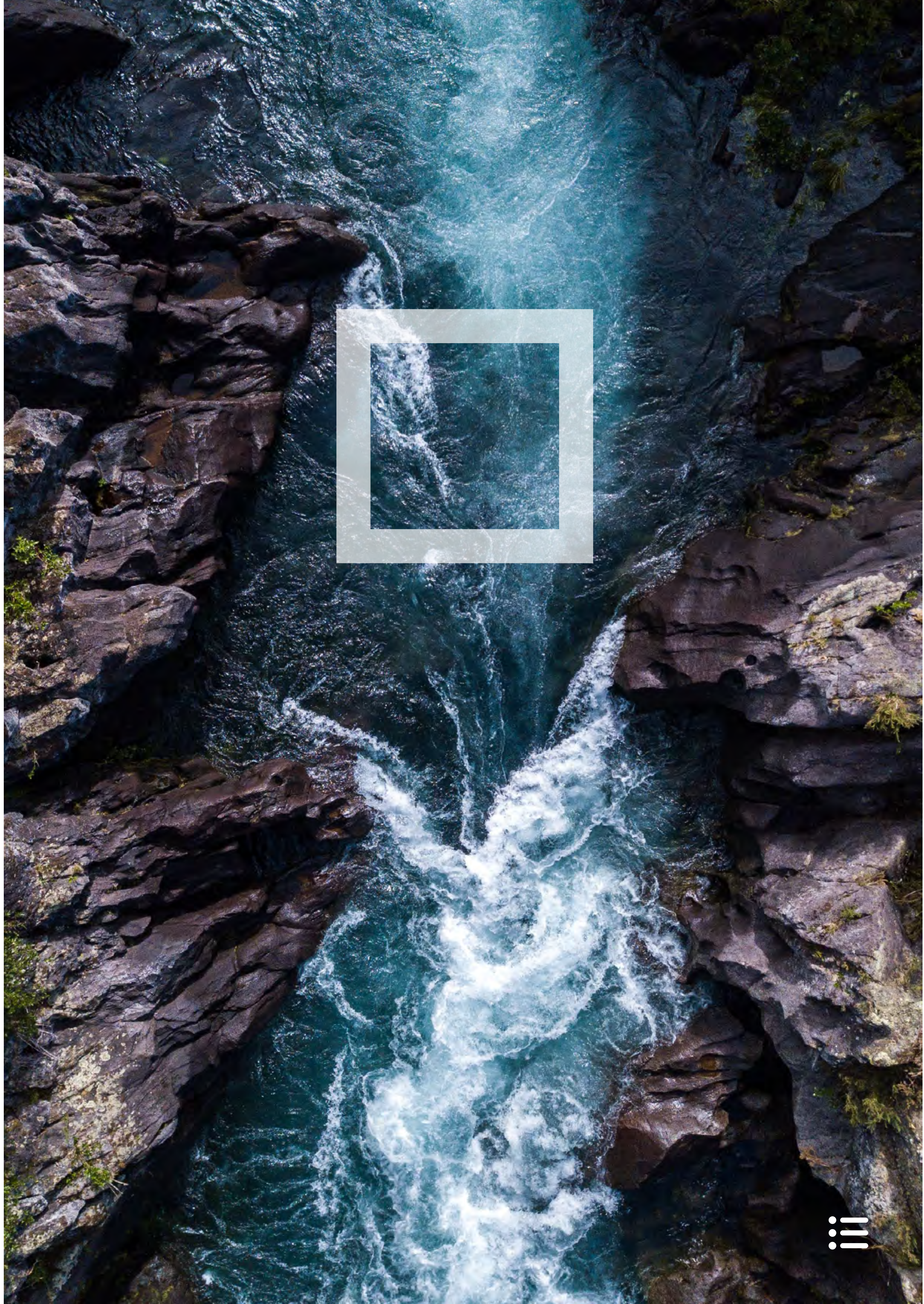
Action

We presented at the roadshows and participated in the open-floor discussion in Johannesburg. The discussions showed that companies are increasingly concerned about water security and the ability of provincial and municipal governments to supply reliable water to their operations. We are also increasingly seeing this concern among a range of entities with diverse operations in different geographies.

Outcome

Many of the entities attending were listed, and existing or potential investee companies for M&G SA. Invitees included Exxaro, African Rainbow Minerals, Harmony Gold, Omnia, Sasol, Oceana, AECI, Sibiya and Distell.
In Johannesburg, we had around 60 entities and 80 attendees. There was lively in debate among the entities, with quite a lot of transparency around mines needing to prop up rural municipal water supplies and sharing of common concerns.

Cape Town had approximately 50 people in attendance, but this also included experts such as the drafter of the Green Drop and Blue Drop national water and effluent reports, a few leading consultants and water academics. This also helped turn this event into a meet and greet for people with similar concerns, putting experts in touch with one another for collaboration on an industry level.



Rand Water

Background

One of the State-Owned Enterprises (SOEs) to whom we have fixed income exposure is Rand Water. This issuer features in our fixed income and multi-asset portfolios. SOEs provide an interesting space for engagement and discussions, as the purpose of many of them is not so much for profit, but to fulfil a social mandate. Naturally they should not run at a loss, but if investors in fixed income-related instruments have certainty that the coupon payments will be made in good order, then the focus of engagements can be around the social mandate of that SOE.
Rand Water was one such the entity M&G SA engaged during 2022 with the aim of discussing our concerns around water, encompassing both the environmental concerns and the social impact of water shortages. (Refer to our 2021 report for engagements with Umgeni Water in prior periods.).

Objectives

One of our interests with Rand Water was to understand whether any of their social projects had been able to resume following a hiatus during Covid. We were also interested in learning if there had been progress in accessing groundwater as outlined in prior years' plans, what the effect this might have on the water table, and if they were continuing to assist municipalities who were struggling with water retention within their own systems.

Action

We engaged senior management, discussing these objectives with them. We found management to be transparent, highlighting areas where they had made progress, and where they continued to have difficulties.

Outcome

M&G SA was satisfied with the outcomes of the engagement. Rand Water's community initiatives around water were being reopened, and while apparently not having reached their pre-Covid levels, they are underway once more. These initiatives can provide employment, but also serve to embed water security-consciousness into South African communities.

Banks: Climate Policies

Background

The market and industry focus on climate impacts from emissions typically falls on large industrial stocks such as cement producers, oil and gas companies, and coal miners. However, all these entities need to source their capital from financial institutions, so a reliable method of ensuring sustainability is to monitor bank lending to high carbon-emitters, to understand what, if any, limits they are placing on their exposure to high-emitting companies with transition or mitigation plans in place. Equally, to discover whether banks are putting covenants into their debt provisions to ensure that their clients are operating in a manner that is sustainable for the future.

M&G SA has been overweight South African banks as a sector in many of our portfolios during the period, with strong overweight positions in Standard Bank being a feature throughout the period. Understanding how Standard Bank is approaching its climate-related risks and obligations helps us understand the company's future risks from exposure, reputation, and regulation.

This bank has previously been the focus of climate engagements from NGOs and stakeholder groups, given it has larger investments into the rest of Africa than its peers, including regions with oil and gas resources.

Climate debates with financial entities also provide an interesting litmus test for the overall maturity of the entity's management and board: they are an excellent indicator of how such entities rise to face new risks and new environments.

South African banks have begun to produce climate policy statements, and more recently are developing TCFD reports. To this end, the banks have been making a degree of general progress in reporting.

Over the past 18 months, we found that banks have spent considerable time gathering data from their clients to understand the underlying (indirect) climate exposure of their business units via their clients.

Objectives

M&G SA's engagement objectives with the banks have focused on ensuring that they have begun the data collection processes to build these risk reports.

In instances where the data has already been collected to some extent (for example, at Standard Bank), we wanted to understand whether they are setting targets that are sufficiently stretched to help their entity drive a more sustainable future.

Action

Engagements have taken place through roadshows or individual climate-specific engagements with senior climate staff at the banks. Emphasis has been on banks where we have significant ownership, such as Standard Bank, or where we believe there is cause for concern around a bank's progress in reporting capabilities.

In the case of Standard Bank, we were able to engage the primary project leader on two occasions, assisting us in understanding the process and difficulties of their climate reporting journey to date.

Outcome

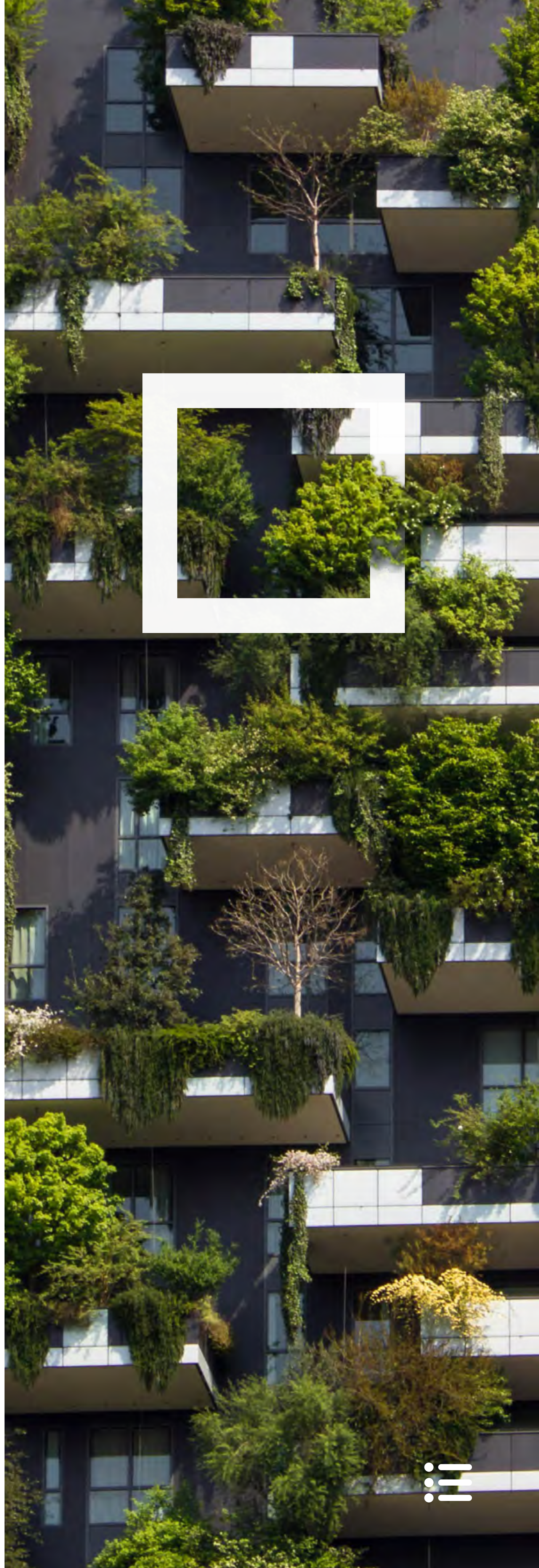
While the format and policy structure of Standard Bank's reporting could be improved, we were pleased to be able to engage the drafters and discuss how the process had unfolded. It appears that there has been a strong debate within their teams regarding their target-setting. We look forward to seeing if our suggestions are accommodated in the existing policy documentation.

This engagement with Standard Bank also reflected a greater degree of openness and transparency than we have seen in past years, and we are enjoying strong and robust discussions with some of the Non-Executive Directors – who equally have been complimentary on the constructive debates.

These have helped us retain confidence in the entity, which has been overall an exceptional performer during 2022 and 2023 to date.

Engagement with staff at Nedbank is also an example of interest and worth touching on briefly, although we generally had negligible exposure to this bank during the period. While it proved productive, it is also worth noting that their exposure to more controversial fields such as oil and gas is already limited, making target-setting somewhat easier.

> We have engaged all the major banks on climate funding, but it is important to note their starting context and focal areas of business.



Social considerations

Social: Wages

The Foschini Group (TFG)

Background

TFG has at times been a favourite overweight position in our portfolios through the years, and this past period was no exception, offering a compelling price and high-quality business. Its share price was impacted heavily by Covid, but during the recovery it rebounded and has grown its on-line business impressively.

For this sector, cost control is key to maintaining margins and a competitive offering. Retail firms, particularly for shop floor workers, remain one of the lower paying sectors in the South African economy, since one of the mechanisms through which retailers compete with one another on price is through keeping operational costs as low as possible.

It was most pleasing when TFG approached us through their Remuneration Committee chair following a survey they had conducted of staff remuneration; particularly those at lower levels on the shop floor. TFG felt it appropriate to raise the salaries of the lowest-paid staff members, even though they were above the minimum sectoral wage is, and it would would impact negatively on company earnings to some degree.

Objective

This was not an engagement that we initiated, however, TFG wanted to test shareholder sentiment and policy around such an initiative.

Action

We were pleased to indicate our support for this initiative and outcome.

Outcome

M&G SA was most pleased that TFG was one of a few entities that approached us during the year around their lowest-paid staff and raising wages to help close the wage gap. We were supportive of this initiative and mentioned that TFG could reference our support to other shareholders they would be engaging.

The executive remuneration engagements fared less well, and are discussed under our governance engagements.

Social: Communities

SANRAL

Background

We have exposure to SANRAL, the state-owned rail company, through its debt issuance. Although relatively small, it brings diversification benefits to our portfolios, given the bonds' favourable yields.

SANRAL is a good example of an SOE that M&G SA engaged around social issues. Government agencies, particularly those that are dedicated to delivering infrastructure, have good opportunities to both involve and uplift local communities in development projects.

Objectives

In the case of SANRAL, we were concerned that media reports were indicating that a large portion of contracts were being awarded to foreign entities.

The concern was that this might lose opportunities for local construction companies and their employees.

An additional concern was around the potential impact of construction mafias who have been known to target construction projects under the guise of social upliftment for the purposes of extortion and financial gain.

Answering these questions also gives us a better sense of any change in the firm's future direction or overall processes for executing its mandate, and if this might bring additional risks to its ability to generate revenue and afford its coupon payments if it had foreign dependencies.

Action

M&G SA had an in-house meeting with SANRAL where we covered a number ESG topics, including the social aspects which were raised above. Attendees from SANRAL included directors and executives, and a representative from National Treasury.

Outcome

SANRAL was able to provide us with detail around the foreign contractors, their employment practices, and the nature of the projects on which they worked. They additionally discussed aspects of construction methods and how this impacted on their operations, providing us with some degree of comfort. The tender processes around the awards of these contracts were also disclosed and discussed.

At the same time, we were able to reinforce our view with the entity that we recognised their broader social mandate and were closely monitoring its projects and the execution thereof. As a result of these and other discussions around general governance with the entity, we had sufficient comfort to continue holding these debt instruments.

Social: Mining safety

Northam Platinum

Background

M&G SA has held positions in the platinum sector in most of our portfolios over the period covered by this report, with positions in both Northam Platinum and Impala Platinum. Much of the focus on these two entities has centred on the battle for ownership stakes in Royal Bafokeng Platinum that came to the fore in the past year or so. Amid this competition, it is easy to lose sight of other critical risks in the ESG space.

Safety in the mining sector is of critical importance to us, not only to prevent operational shutdowns which affect financial revenue, but more importantly to ensure that the employees of our investee companies are operating in the safest environment that can be achieved in what otherwise can be considered a sector fraught with risk.

Objectives

Given that we had several engagements with Northam on a range of other matters, we took the opportunity to engage further on aspects of safety. This was with the intention of better understanding their view on safety in the mining sector, the measures they use to quantify the safety of their operations, and how executives would be rewarded or penalised should safety be achieved or compromised.

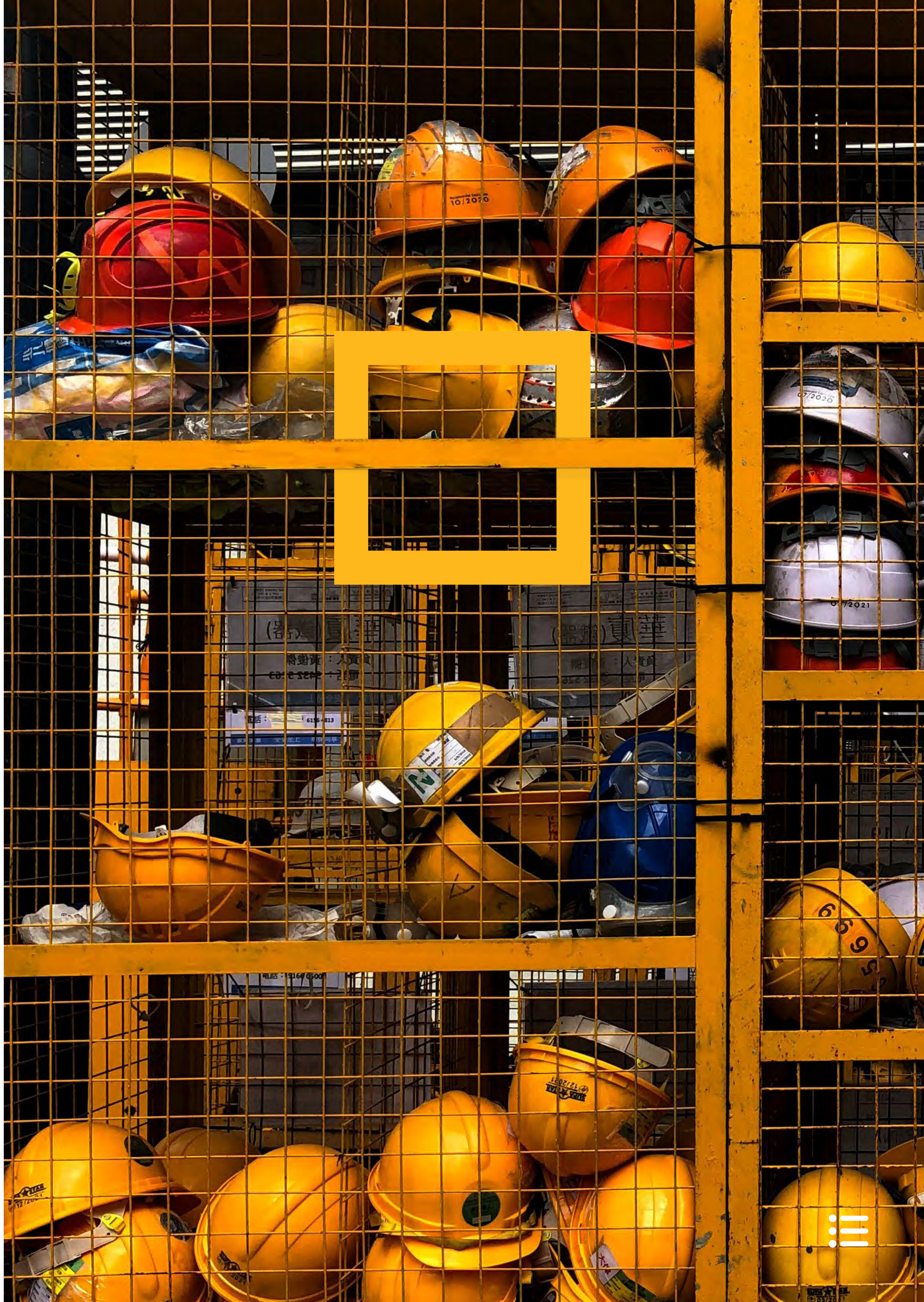
Action

Engagement was through discussions with senior management and board members during one-on-one meetings. Additional information was supplied through investment relations.

Outcome

Through the engagements we were able to better understand how safety is incorporated into the Northam mining process, the measures used, and how this impacts on executive remuneration.

This information gave us comfort that while the boardroom battles were taking place around Royal Bafokeng Platinum, miner safety remained a critical focus for this stock.



Governance considerations

Governance: Auditors and Directors

Oceana Group

Oceana is a stock in which we have held strong overweight positions – offering a quality business with a valuation that presented upside during the period and delivered strong performance.

The engagement below is an interesting example of where it may be tempting for investors to exit a stock based on ESG concerns, but where further engagement can help contextualise the nature of the risks and assist investors to stay the course in an otherwise well valued company that was facing simultaneous temporary set-backs that were circulating in the media, and optically, looked concerning on the surface.

Background

Oceana experienced a difficult first half of 2022, with the Chief Financial Officer being suspended pending a disciplinary process, and the Chief Executive Officer resigning. Several media reports speculating on the investigation into the CFO added to the noise. Following sharp disagreements between the auditors and the audit committee, mostly around accounting treatment of its 25% investment in Westbank, the auditors eventually resigned. Making matters more complex, the dispute around accounting treatment involved a US company that contracted with Oceana having a former CEO at the helm. At first glance, the loss of a CEO and CFO, as well as the auditors, would not bode well for a listed company.

Objectives

The first objective was to understand whether the loss of auditors posed any risk to a misstatement over the financial statements. In other words, did the accounting dispute involve any irregularities that had a material impact of the financial statements? Once this was established, the next step was to determine if there was any untoward behaviour that caused the dispute around the financial statements.

While concerning to see a loss of two executives, the nature of the industry did not necessarily mean that this would undermine the day-to-day operations of the business. The next objective was to ascertain whether a replacement CFO could be found, and if the loss of the CEO would have an impact on the execution of business strategy.

Action

The M&G analyst and portfolio manager covering Oceana briefed the investment teams, and the stock was placed on the investment risk oversight committee's watch list for further monitoring. An engagement plan was discussed with the analyst, portfolio manager, ESG specialist and the Chief Investment Officer. The analyst, portfolio manager and the ESG specialist engaged Oceana's board of directors, including the audit committee. Several engagements were held over the period, enabling M&G SA to monitor the above matters and understand the potential business impacts.

Outcome

The engagement resulted in a degree of comfort for us that neither the chief financial officer nor the chief executive officer's losses were going to have a material impact on the business. The CFO position was swiftly replaced and a new CEO was found from within the business who M&G SA regarded as very suitable. Additionally, the company underwent, with the help of external consultants, an independent investigation which included (amongst other things) a cultural review of the organisation. The external consultant's investigation found no evidence of fraud, criminal conduct, financial loss or management override of controls within Oceana.

The loss of directors had no impact on the day-to-day operations of the business, beside the costs and time required for resolution and for the additional appointments.

The loss of auditors was a significant concern for M&G SA; however, we reached a degree of comfort that financial statements were not misstated – the outgoing auditors simply had a different interpretation of the accounting standards on how to recognise the profits of the 25% investment in Westbank on the face of the income statement. The appointment of new auditors occurred two months after the outgoing auditor's resignation. As it turned out, the new auditors disagreed with the outgoing auditors' view and concurred with the Oceana audit committee's interpretation of accounting standards.

Since most of the company's challenges had not been strategic in nature, changes in the executive, while unfortunate, did not undermine our view that the stock was cheap.

Because we did not engage in a knee-jerk reaction to the flow of bad news at the company, but rather engaged with the Board of Directors, we were able to continue to hold the stock and not sell at a sub-optimal valuation that followed the news flow. Holding Oceana through this period of challenges and beyond has provided our clients with very strong returns from this exposure.

Governance: Independence

MultiChoice

Background

MultiChoice is a stock in which we have held a minor overweight position over the period. Given its operating environment, markets and clients, understanding its strategy and offering is critical to appreciating its valuation point. It is an excellent example of where management choices and decisions in the coming decade will be fundamental to its success (or otherwise) in an increasingly competitive and global space of entertainment offerings. Independent oversight is therefore critical to ensure the availability of additional views to management as they navigate this rapidly changing industry.

In our last report we covered MultiChoice on aspects of board independence, namely the lack of independence as a result of former CEOs and executives holding non-executive board positions. Some of this was a function of an unfortunate death of a director, and other aspects were attributable to MultiChoice having been rapidly unbundled from the Naspers group. Although it is tempting to automatically oppose the appointment of a director who is clearly not independent, such a knee-jerk reaction would likely have been short-sighted given the valuable roles that the chairman and lead independent director, who carry extensive and unique experience for this entity, could provide in terms of guidance to a company that had recently been unbundled from its holding company. Having raised this matter before, this year we were seeking an exit strategy for these two directors, or for them to change their "independent" classification.

Objectives

We had previously indicated to the board that we wished the chairman to step down given his former CEO role; however, we were not averse to him playing a consulting role to the board given his background knowledge. We also raised the matter of the lead independent director (LID) equally having been a former director and lacking independence.

We equally accepted that he is a highly regarded and experienced director in the industry, and had no objection to him remaining on the board in a non-executive capacity, provided he was not classified as an independent director.

Finally, we sought to bring more independence to the board in terms of members, and discussions on appointments, expertise with independence, and succession plans.

Actions

M&G SA continued to engage the board during the course of 2022 and early 2023 around the matter of succession planning and board composition. These discussions were constructive and well received.

Outcomes

The chairman has subsequently tendered his resignation and has taken a consulting position for the next five years. Although we are pleased that we are now able to appoint an independent chairman, we do require some clarity on the role to be played by the former CEO, who also has close ties to the current CEO. Undertakings have been received around the LID's continued tenure on the board and role.

The board's independence was further bolstered at the group's 2023 AGM, where we approved the election of an additional two independent non-executive directors who bring deep international pay-TV and SVOD experience to the board.

MultiChoice remains (at time of writing) in a challenging space. The smoother changeover of the 'old guard' of former executives, and the move to a much more independent board, have been steps in the right direction.

Governance: Remuneration

The Foschini Group (TFG)

Background

Retail wages at TFG have been discussed in the example above, as has our view on this stock being favourably priced and a quality business. The company has, however, been settling in a relatively new CEO, and shareholders need to ensure alignment between management, strategy and long-term shareholder value. During the period, TFG wished to update its remuneration policy, as its objectives and incentive schemes were outdated following the circumstances under which TFG found itself following Covid and a relatively new CEO (at the time). TFG advised shareholders of its intention to move to a single incentive remuneration scheme.

Objectives

M&G's intention was to approach the concept of a single incentive remuneration scheme, which is a relatively new concept in South Africa, with an open mind, provided it was sufficiently aligned with the interests of shareholders.

Actions

We had numerous calls with the chairman of the remuneration committee and a senior member of the human resources team who was involved in the architecture of the structure. It is unusual for us to engage with members of management, such as human resources, around remuneration. Given the desire for TFG to quite radically amend their remuneration structure following the appointment of a relatively new CEO and post the COVID crisis, we made an exception.

Outcomes

Initial calls proceeded well and we were supportive of a change in structure. However, as the structure was explained in more detail, we expressed concern around the levels of discretion, which had been a feature of the prior remuneration policies.

The outcome was unfortunately disappointing for us as shareholders, as the nature of the discretion was too wide. This came despite having worked hard with the chairman of the remuneration committee to try and achieve a consensus on how a single incentive remuneration scheme could work. Ultimately, the policy failed in its final iteration. The policy also received a very poor response at the AGM, failing to garner 50% of shareholder votes. This is a good example of where initially shareholders and the board attempted to achieve alignment of ideas, but ultimately what could have been a simple remuneration structure became hobbled on levels of discretion. Despite not supporting the remuneration scheme in its final format, we were grateful for the opportunity to engage with the remuneration chair.

Industry Engagements

RIO guidelines

Background

One of the initiatives we are supporting is a programme by the International Financial Corporation *(IFC, part of the World Bank Group)* called the RIO Guidelines.

These are a set of guidelines for pension funds to follow to assist pension funds integrate ESG into their processes and philosophy. These guidelines are free and come with examples and a programme for implementation. Pension funds that are interested in furthering their ESG integration are encouraged to review the RIO Guidelines.

Objectives

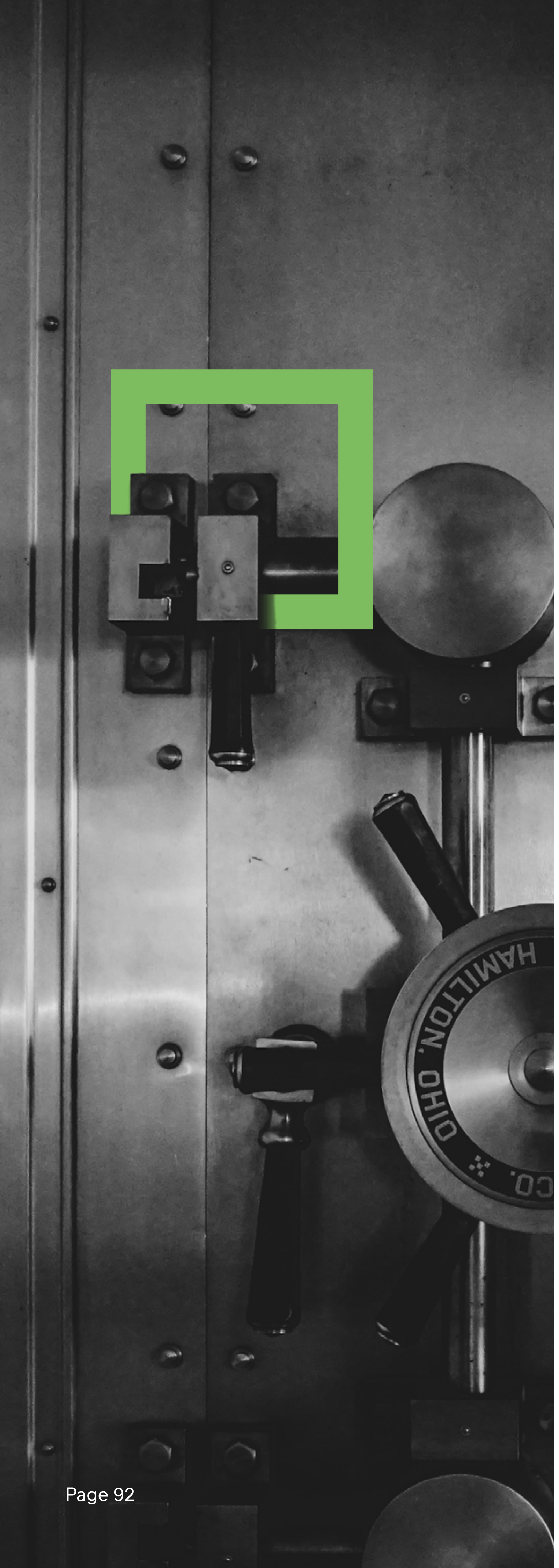
The RIO guidelines have unfortunately been somewhat neglected by the market and there was an attempt to relaunch them starting in 2022. We have volunteered to provide guidance and insight from an asset management perspective on ESG incorporation and how pension funds can work with asset managers to achieve alignment through their investment guidelines.

Actions

We attended meetings in 2022 and sent follow up emails to the IFC volunteering to be part of any future processes. During 2023 a meeting was held with interested parties and we volunteered to be part of the second working group.

Outcomes

We have volunteered to join the second working group. Currently we are awaiting the outcome of the first working group's actions.



Responsible Investing: Industry and related developments

JSE Listing Requirements

During 2022 the JSE embarked on changes to its listing requirements, with the primary goal of allowing easier listing for new entities in order to counter the shrinking number of listings on the main JSE board. The concern has been that while this may drive up the quantity of listings, the less strict requirements may encourage listings of lower-quality entities.
As a consequence, M&G SA engaged with several of our peers in the industry and reverted to the JSE on a number of these concerns.

A few of the more serious concerns are outlined alongside, together with our views.

Dual share class structures

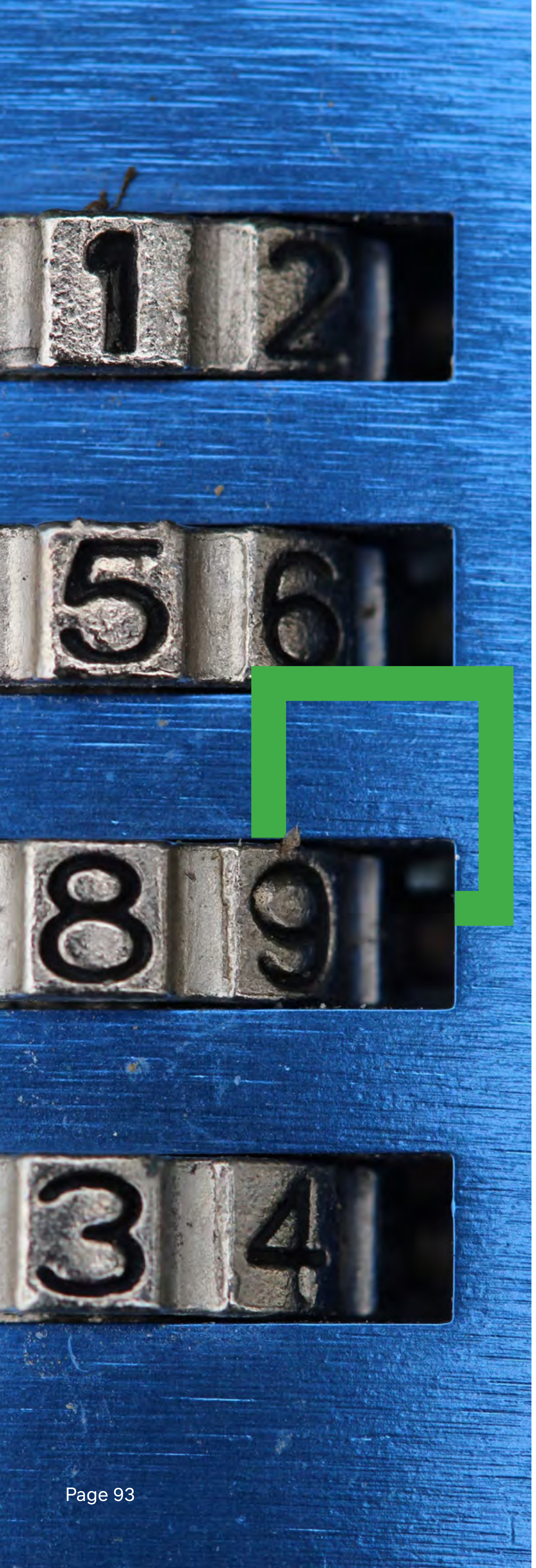
The JSE has been considering allowing dual share class structures. The JSE referenced other exchanges reviewing these as evidence of this being an international trend. Our view remains that these structures are not helpful, and we haven't seen actual evidence of a revival of these structures elsewhere, while the UK amendments to cater for dual share classes are extremely specific and limited.
There is not a strong conviction that this will bring many new listings, but it does invite quite complex new share structures onto the exchange. Our view is that the JSE should shelve this proposal.

Secondary listings – non-compliance required on JSE rules

The proposal was that a JSE secondary listing would mean that a listed company would only be required to comply with the Listings Requirements of the exchange where it has its primary listing.
A potential concern is that this could bring in exchanges with very poor controls or requirements, or those that may have sufficient requirements but simply do not enforce them. The counter-argument is that asset managers now have more choice and can simply avoid stocks that have sub-standard primary listings. However, avoidance may not be an option should the stock be large in the index, as avoidance would then be a deliberate off-benchmark position for those clients that wish their mandates to operate with tight parameters around index benchmarks.
This is a space we are watching for developments.

Market segmentation of the main board

The JSE has proposed a market segmentation model which conceptually means that the Main Board would be divided into two segments, high-cap and a mid/low-cap. Each would have its own regulation requirements. In short this brings the Alt X exchange onto the main board, and potentially relabels the high-cap board as the Main Board Plus, or something similar.
Our view is that this change doesn't seem likely to bring about more listings. Rather, it appears to be more a recategorisation of stocks and boards, which doesn't improve the JSE's attractiveness for listings.
The extent of the differences in the levels of regulation between the two proposed segments would naturally need to be analysed to understand the impact of such a change.



Audit Rotation

Audit rotation had been assumed to be required every ten years, based on a standard set by the Independent Regulatory Board for Auditors (IRBA).
However, on 1 June 2023 the Supreme Court of Appeal ruled that the IRBA did not have the necessary powers to introduce the rule as a 'standard' in terms of the Auditing Profession Act. It was struck down as *'ultra vires'*, but not on the merits of the rule itself.

It is, however, worth noting the following:

1. Auditor (individual as opposed to the firm) rotation continues as before in terms of Section 92 of the Companies Act, which is every five years.

2. Audit firm rotation remains, in our view, best practice. Some of our listed entities had the same audit firms for over half a century. M&G SA will continue to insist upon rotation. Given that the last rotations (from when it was viewed as a requirement) should in theory be underway this year means there should at least have been a full rotation on all listed entities, some of which had held their auditors for over half a century when rotation began.

3. This requirement could be brought into the Companies Act, but given the current legislative priorities, this is unlikely. Equally we could request this be brought into the JSE Listing Requirements, but as we have learned, the evidence seems to show the current trajectory of amendments to the listing requirements seeks a relaxation to boost listings.

Amendments to the Companies Act: Remuneration

Seemingly stalled since 2021, the Companies Act Amendment Bill came back to life in 2023.
The latest proposed amendment incorporates some changes to accommodate findings from the Zondo Commission, for example to implement time bars on directors and director delinquency. This is to be applauded – it is good to see legislation flowing from the enquiry.
In terms of earlier proposals, M&G SA made submissions both as a member of industry bodies, and in our own capacity. These have been covered in previous reports, but the stand-out feature remains the proposed amendments around remuneration policies and implementation.
We agree with the sentiment around the changes; executive remuneration is an area of great governance concern. We have had executives openly state that their strategy and decisions are heavily -- and in some statements almost exclusively -- driven by their remuneration incentives. It is also an area of growing contention, as recently as Q3 of 2023 we have seen some resolutions fail spectacularly – not only failing to achieve the required 75% level, but some unable to muster 50%. We are also seeing constant amendments to a significant number of incentive schemes, with single incentive plans being the most popular new structure. We are not averse to these in principle, but when the measurement period is just one year, and the vesting is in three, this is not true alignment with long-term shareholders, and can encourage very short-term driven behaviour.

The proposed amendments now make the resolutions binding with various consequences. This should settle incentive schemes down to a more structured and long-term policy, without endless changes depending on the cycle, international events like Covid, or simply directors who feel aggrieved that previous incentives did not come to fruition.
There are some concerns around the proposal however – implementation could be extremely difficult in some cases, and the proposals that remuneration committees must resign if aspects fail can carry some practical problems. With the Bill likely to be placed before Parliament in late 2023 or, more likely, early 2024, some urgent clarification is needed. This is certainly an area to watch, and we expect to see activity in 2024.

Carbon Border Adjustment Mechanism

The European Union's Carbon Border Adjustment mechanism began to take a decided shape in late 2022, progressing through the EU's various structures.

At time of writing, the Carbon Border Adjustment Mechanism does not have a significant impact on Southern African-listed companies, as its current scope is limited. This scope will, however, expand over time, and is a space that will require monitoring. M&G SA interacted at the Presidential Climate Commission dialogues on this in early 2023.

Our primary concern is that while the fairness of the tax can be debated considering the need for a Just Transition, what is urgent is that our tax region prepares in the interim. There appears to be a mechanism in the form of double taxation agreement/protocol that allows South Africa to capture this carbon tax in South Africa rather than in the EU. Practically, if the taxes are unavoidable, it would be best to rebate those taxes back to the affected local industry in a manner that helps fund the mitigation of the carbon tax in the first place. Our comments and input have been focused on requesting that this be given urgent attention at the taxation level.

Voting 2022 – H1 2023

In this section you will find:

- Voting fundamentals, policy and review
- Voting summary
- Voting themes

2022 – H1 2023

Voting Fundamentals, Policy and Review

M&G SA's voting is guided by our Shareholder Proxy Voting Guidelines PROXY GUIDELINES assisted by more detailed guidelines in specific matters, such as remuneration.

M&G SA leaves almost all proxy voting decisions (including when special/extraordinary meetings are called) up to the specific equity analyst, unless a client owns their portfolio stocks and has their own specific policy in place as to how to vote on the shares.

We do not use a proxy voting service; recommendations are generated by the analyst in conjunction, where applicable, with input from the ESG Specialist. The decisions are guided by the proxy voting policy. In some instances, our work is supplemented by governance research conducted by local specialists.

Corporate actions, such as mergers, black empowerment transactions, takeovers, acquisitions, etc., will be decided on a case-by-case basis and will only be approved if seen to be adding value to the client's investment and aiding in the long-term goal of growing the client's portfolio and diversifying risk.

Specific voting items, such as climate change or major corporate actions, require (by process) automatic escalation and oversight by the Chief Investment Officer or head of department in consultation with the ESG Specialist.

Guidelines and review

M&G SA voting guidelines are reviewed annually. Extensive changes were made in late 2022 to align with best practices internationally and ensure full alignment with our group guidelines.

The nature of our environment means we do operate a few exceptions to some international practices; for example, there is good reason to seldom signal our voting intentions prior to general meetings.

Voting Summary

In 2022, M&G SA cast 2,254 votes on South African company resolutions. This high amount is due to our large representation in our local market and therefore the large number of South African stocks held in our portfolios. For the first half of 2023 we cast 1,006 votes.

M&G Investments Southern Africa Proxy Voting Summary 2022

(1 January 2022 - 31 December 2022)

Number of resolutions	2254
Number of resolutions voted for	1992
Percentage of supported votes passed	99%
Number of resolutions voted against	261
Percentage of opposing votes passed	10%
Number of abstentions	1
Number of intentional abstentions	1
Number of non-intentional abstentions	0

M&G Investments Southern Africa Proxy Voting Summary HI 2023

(1 January 2023 - 30 June 2023)

Number of resolutions	1006
Number of resolutions voted for	924
Number of resolutions voted against	82
Number of abstentions	0
Number of intentional abstentions	0
Number of non-intentional abstentions	0

Voting Themes

We continue to see familiar themes from prior years repeat in shareholder votes.

Director Appointments

At M&G SA we do frequently oppose director appointments, due to exceptionally long tenures, multiple appointments, and disturbingly, close connections to state capture.

We have seen several occasions during 2022 and 2023 so far, where boards have been unaware of unfavourable mentions of their new appointments in State Capture documents, commissions of enquiry, reports into corruption at State-Owned Enterprises, or carrying exceptional conflicts of interest in transactions within prior entities.

There have also been two instances where non-executive directors have been appointed and never required to stand for election. Most prominent of these was the Chair of FirstRand, whose Memorandum of Incorporation was explicitly amended to exempt the chair from a shareholder vote. We raised this at the AGM, and we suspect that should no development be forthcoming, we will potentially table a shareholder resolution in this respect. This is the more concerning as the new Chairman is the former CEO. While approved by the regulator, this is nonetheless a poor show of governance from entities that are most scrutinized on governance processes and principles.

Finally, while improving, over-boarding remains a concern.

We are finding instances where directors proposed to be appointed at a listed company already hold over 20 active board positions in private companies. When we raise this matter with boards, at times we are told that these private company positions are inconsequential, since they are not listed. Our assumption must surely be that directors must apply equally good governance practices and attention to private companies as those in the public eye with public reports. No matter the size not equaling that of listed entities, these entities should surely still have the normal governance structures, reporting and relevant committees in place.

Capital Structures

A number of dissenting votes were cast regarding capital structure, as boards requested blanket authority to issue shares generally and unconditionally. In line with our policy, we continue to oppose overly broad resolutions that empower directors to raise excessive capital without shareholder consultation.

Remuneration Policies and implementation

Remuneration remains a hot topic, and we have opposed a few remuneration policies and/or the implementation resolutions. Our approach is to work with entities where they do not meet basic requirements, or these are not sufficiently aligned with shareholder interests, and should there not be adequate progress we tend to oppose these resolutions.

Overall, we continue to see general improvement in remuneration policies, although there have been a few stand-out disappointments.

We expect to see some shifts in practice in remuneration reports and policies following proposed legislation, and this is covered more extensively in the section here.

Shareholder resolutions

We have seen a few shareholder resolutions during 2022 and into the first half of 2023.

These resolutions have largely pertained to climate issues. Unfortunately, they are often the result of multiple collaborations between several organisations, producing resolutions of some complexity. Where the resolutions are extremely detailed but not broken into separate resolutions, if one aspect cannot be implemented, then the entire resolution fails.

There is the additional concern that resolutions are legally binding on the board, and it is far from ideal to ‘manage by resolution’ and supplant the role of the executive, or attempt to achieve by ordinary resolution what should be undertaken by special resolution to amend the articles and memorandum of incorporation.

By contrast, if resolutions are overly broad and vague, it can be difficult for the board and executive to know how to comply. They are then bound by the resolution, but unsure how to execute it.

While we are not opposed to shareholder resolutions and have not been shy in the past to lodge our own, the current trend of ‘managing by resolution’ or guidance by ‘wish list’ is making this space complicated, however well intentioned.

We have typically agreed with the sentiment of most resolutions over the past 18 months, but good governance means we may wish to engage more practically as large shareholders than support some resolutions.

Corporate Climate Resolutions

Companies are increasingly deploying their own climate policy resolutions. While initially well received as offering guidance to shareholders, some entities have expressed to us that this has become a quandary. Some shareholders, initially supporting the guidance, now want more detail and become dissatisfied with its absence. Others, also initially supporting the resolution, do not want management to provide great detail, thus effectively outsourcing approval of strategy to shareholders; this is an area in which management is expected to develop strategy. The result is that entities now inevitably disappoint initially pleased shareholders around disclosure.

Our request is for both parties, shareholders and boards, to engage and attempt to compromise.

M&G Investments

Contact us

Personal Investors
0860 105 775 info@mandg.co.za

Insitutional Investors
+27 21 670 5100 icm@mandg.co.za

Invest in **consistency**

mandg.co.za

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