

Climate change position statement

Santam Limited and subsidiaries' (Santam)

INTRODUCTION

Santam acknowledges that climate change is a complex and evolving phenomenon that poses serious risks to the stability and quality of human society and the global economy. As Africa's leading short-term insurer, Santam is committed to understanding what risks climate change poses to the business. In collaboration with its stakeholders Santam hopes to make a positive contribution to the management of the systemic risks associated with climate change.

THE SANTAM GROUP IN A CHANGING CLIMATE

Local and regional weather patterns are shifting as a result of climate change, affecting the frequency and intensity of precipitation and contributing to extreme weather events. The consequences of global warming are already evident in more extreme weather events as highlighted by the **Intergovernmental Panel on Climate Change (IPCC) special report** released in October 2018.

From a business perspective Santam is facing long- and short-term climate change impacts. Long-term changes are slow-onset phenomena such as rising sea levels, desertification and melting glaciers. Short- to medium-term changes such as an increase in the frequency and severity of extreme weather events (droughts, floods, wildfires, cyclones) pose immediate risks to the business in the form of loss exposure. Beyond losses from physical climate damages, climate trends and shocks can cause economic disruptions affecting the business. In combination, these factors are likely to increase claims for property damage, business interruption and crop failure.

Looking forward, Santam's response to climate change will build on its actions to date by targeting the emerging risks facing its clients and society at large. The company is working on understanding these risks as per the recommendations of the **Task Force for Climate-Related Financial Disclosure (TCFD)**, which categorises these risks as physical and transitional risks. Physical risks relate to the short-, medium- and long-term physical risks mentioned above, but also include the indirect physical impacts of climate risk such as inadequate risk management systems and the broader socio-economic implications of climate risk. Transitional risks are the financial risks that arise from the policy, technology, market, and regulatory shifts that will affect the profitability and viability of carbon-intensive companies and sectors as we move to a low-carbon world. These risks affect both the underwriting and investment sides of Santam's business. The company is working with internal and external experts to mitigate these climate-related risks and the implications for the business as recommended by the TCFD.

Santam welcomes progressive guidance and policy certainty that enable and support private sector climate risk responses. It is for this reason that it was the first African insurer to join **ClimateWise** in 2009. The ClimateWise principles advocate accountability, the incorporation of climate-related issues in the company's business strategies, leading in understanding risk identification and analysis, the reduction of the environmental impact of the business, informing public policymaking, and raising climate awareness among its clients. These principles are aligned with those of the TCFD. Santam partners with its majority shareholder Sanlam Ltd in the submission of the annual **Climate Disclosure Project (CDP)**. It believes participation in these global platforms supports collaboration with regard to climate risk resilience.

OUR STRATEGIC APPROACH

Santam operates in an uncertain economic and political context where the business is increasingly required to address complex socio-ecological challenges that are exacerbated by climate change. Its insurance good and proper approach to business, encapsulates a commitment to the creation of shared value with its stakeholders.

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This commitment is demonstrated by its focus on resilient societies, and therefore its climate change responses include:

- Investments in research-based activities that build capacity and drive down risks
- The refinement of its understanding of climate and weather risk, and incorporation of these findings in its decision-making processes and business activities
- Partnerships that help the company to better understand and manage the climate risk it faces
 - The support of local and global collaborative efforts to drive action on climate change risk at individual, organisational and institutional level
 - Continually improving its disclosure of material and relevant climate-related risks, issues and opportunities aligned with best practice (for example the King Code on corporate governance in South Africa) and the global Sustainable Development Goals

PARTNERING TO REDUCE RISK AND BUILD RESILIENCE

Santam believes that the response to climate change requires a holistic strategy that leads to understanding and measuring climate risk and which works with its clients and stakeholders to enhance resilience to these risks. The company is working with municipalities to manage flood and fire risk through **Partnerships for Risk and Resilience (P4RR) initiatives**. P4RR identifies and reduces systemic risk at municipal level through on-the-ground initiatives. Santam's partnerships with municipalities contribute towards improving disaster risk management.

REDUCING ENVIRONMENTAL IMPACT

In comparison with extractive and manufacturing industries, Santam has a relatively low direct environmental impact. However, it takes its water, waste and carbon footprint seriously, with measurement, monitoring and actions to minimise its impact.

Santam sets reduction targets as part of its carbon footprint and water usage management across six areas. Carbon emissions, electricity and water consumption, and waste generation are measured, monitored and reported against set targets on an annual basis. Its carbon emissions, waste, and water footprint is disclosed through the CDP. The company's latest report can be found [here](#).

GOVERNANCE AND REPORTING

Santam's response to climate risk is integrated throughout all levels of the organisation as part of its broader commitment to address environmental, social and governance considerations throughout its business.

Its commitment begins at a strategic level. Santam's management and board understand that climate change poses a material risk to the business. This understanding is demonstrated in its annual integrated report. The Social, Ethics and Sustainability Committee of the Board is responsible for overseeing the response to ESG risks as part of the company's strategy and operations.

For more information about Santam's climate action, see its latest [ClimateWise report](#).