

Welcome to your CDP Climate Change Questionnaire 2020

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

The Sanlam Group was established in 1918 as a life insurance company in South Africa but has, over the past 102 years, transformed into a diversified financial services group.

Sanlam's core operations lie in the life and long-term insurance sector, personal finance and asset management sector. While the Sanlam Group is responsible for centralised functions, Sanlam's financial products are provided through five clusters (i.e. Sanlam Personal Finance (SPF), Sanlam Emerging Markets (SEM), Sanlam Investment Group (SIG), Santam (SNT) and Sanlam Corporate (SC)); each containing a set of entrepreneurial business units. Each cluster has its own board of directors. Through its subsidiary, Santam, Sanlam is also in the short-term insurance sector.

Sanlam currently provides a broad range of financial solutions and products to retail (individual) and institutional clients: insurance, financial planning, retirement, investment and wealth services. Sanlam is listed on both the JSE Limited and Namibian Securities Exchanges since 1998.

In October 2018 Sanlam acquired the remaining 53.7% shareholding in Saham Finances to become a Pan-African player with direct presence in 33 countries in Africa. Sanlam operates through a number of subsidiaries (65), associated companies and joint ventures. Sanlam Life is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets.

The Group has stakes in operations based in Algeria, Angola, Benin, Botswana, Burkina Faso, Cameroon, Côte d'Ivoire, Gabon, Ghana, Guinea, India, Kenya, Lebanon, Madagascar, Malawi, Malaysia, Mali, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Republic of the Congo, Rwanda, Saudi Arabia, Senegal, Eswatini, Tanzania, Togo, Tunisia, Uganda, United Kingdom, Zambia and Zimbabwe and has interests in the Australia, Burundi, Lesotho, Philippines and the USA. Sanlam's Head Office is located in Bellville near Cape Town.

Sanlam's carbon footprint incorporates the 9 key regional South African locations subject to its Sustainability Management Framework, which constitutes about 70% of its physical footprint and includes Santam, an organisation in which Sanlam holds a 61.5% shareholding. The buildings occupied by Santam, but managed by Sanlam Facilities are: Head Office Campus, Auckland Park, Garsfontein, Glacier & Alice Lane.

Santam is the leading general insurer in South Africa with a market share of more than 23%. The group provides a diverse range of general insurance products and services in Southern Africa and internationally through a network of 3 600 intermediaries and direct channels. The group serves more than 1 million policyholders who range from individuals to commercial and specialist business owners and institutions in South Africa.

The group derives revenue from insurance activities and investments. Insurance activities include commercial and personal insurance and alternative risk cover.

Santam has 6 business units, namely Santam Commercial and Personal, Santam Specialist, MiWay, Alternative Risk Transfer, Santam re and Sanlam Emerging Markets (SEM) Partner businesses. SEM partner businesses is Santam's investments and strategic partnerships in SEM including Saham Finances. Through this partnership with SEM, Santam has economic participation in 33 countries across Africa, India, Middle East and Southeast Asia.

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

| | Start date | End date | Indicate if you are providing emissions data for past reporting years |
|----------------|-----------------|-------------------|---|
| Reporting year | janvier 1, 2019 | décembre 31, 2019 | No |

C0.3

(C0.3) Select the countries/areas for which you will be supplying data.

South Africa

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

ZAR

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your chosen approach for consolidating your GHG inventory.

Operational control

C-FS0.7

(C-FS0.7) Which organizational activities does your organization undertake?

Investing (Asset manager)

Investing (Asset owner)

Insurance underwriting (Insurance company)

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

| Position of individual(s) | Please explain |
|---------------------------|---|
| Director on board | <p>Sanlam recognizes that climate related issues could impact the stability and quality of society. It therefore acknowledges its responsibility to ensure that Sanlam, its solutions, support structures and business practices incorporate responsible environmental principles.</p> <p>The chairman of the Board appointed Social, Ethics and Sustainability (SES) Committee, an independent non-executive director, has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability matters and relevant issues that have a significant impact on the Group and its material stakeholders.</p> <p>The SES committee reports on the progress of Sanlam's sustainability journey through quarterly feedback to the Board, and to stakeholders through the yearly production of Sanlam's Annual Reporting Suite. Focus during 2019 was placed on environmental performance against corporate targets. The Chairman of the SES committee attends Sanlam's annual general meeting.</p> |

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Scope of board-level oversight | Please explain |
|---|--|---|--|
| Scheduled – all meetings | <p>Reviewing and guiding strategy</p> <p>Setting performance objectives</p> <p>Monitoring implementation and</p> | <p>Climate-related risks and opportunities to our own operations</p> <p>The impact of our own</p> | <p>Sustainability, including climate-related issues, is embedded on board agendas and it is mandatory for all business units and subsidiaries to include social, ethics and sustainability issues onto the board agendas.</p> <p>During 2019 the SES committee</p> |

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| | performance of objectives Monitoring and overseeing progress against goals and targets for addressing climate-related issues | operations on the climate | considered Sanlam's sustainability reporting for recommendation to the Board. Other key focus areas relate to monitoring environmental performance against corporate set targets and various sustainability initiatives as can be seen in the SES committee report. |
|--|---|---------------------------|---|

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

| Name of the position(s) and/or committee(s) | Reporting line | Responsibility | Coverage of responsibility | Frequency of reporting to the board on climate-related issues |
|---|---|---|---|---|
| Chief Sustainability Officer (CSO) | CEO reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our own operations | Quarterly |
| Environment/Sustainability manager | Corporate Sustainability/CSR reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our own operations | Quarterly |
| Facility manager | Operations - COO reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our own operations | Quarterly |
| Other, please specify Group Sustainability Management Office (SMO) | Corporate Sustainability/CSR reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our own operations | Quarterly |
| Other, please specify Group Energy Forum | Operations - COO reporting line | Both assessing and managing climate-related risks and opportunities | Risks and opportunities related to our own operations | Quarterly |
| Other, please specify Group Actuarial and Risk Management | Risk - CRO reporting line | Assessing climate-related risks and opportunities | Risks and opportunities related to our investing activities | Quarterly |

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

Below the Sanlam Board, each cluster is managed by a chief executive, supported by an executive committee with support committees or functions that are appropriate to their particular operational needs.

As such, the Group Sustainability Management Office (SMO) is tasked with assessing and addressing the compliance risks related to the governance for sustainability. The scopes of the risk are linked to the mandate of the Board appointed SES Committee, in which the social ethics and environmental sustainability impact, on the company and its stakeholders, are driven and monitored quarterly for the Group.

All sustainability issues, including climate-related issues, are channelled into Sanlam's group wide Enterprise Risk Management process. The Group Actuarial Risk Management committee coordinate the input of climate related risks into enterprise risk process.

A Sustainability Management Framework (SMF), which supports the business strategy, is the result of the risk and opportunity analyses and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. The nature and outcomes of these engagements will feed into the annual performance appraisals of those responsible and inform the integrated and sustainability reporting processes.

The SMF transcends the clusters and draws on established processes and systems.

Group Sustainability works cooperatively with business to provide guidance on non-financial matters, including climate-related matters, where relevant. The core focus of the Group Sustainability committee is therefore to ensure that the non-financial value of the business is entrenched and understood internally, and communicated externally. Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

Risks and opportunities associated with physical assets (facilities) are monitored by Sanlam's facilities management team. Continual monitoring of essential consumption patterns such as energy, water, waste and recycling are applied and controlled through an internal IT system. The facilities manager will report any identified climate change risk or opportunity to the SMO and the Group Environmental Sustainability Committee.

The Group's Energy Forum plays an important role in improving the Group's environmental performance by setting specific targets. It reports to the organisation's Business Continuity Committee that meets at least 4 times a year. Aspects with the most material impact on Sanlam's environmental resource conservation are water and paper usage, and the responsible management of waste.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

| | Provide incentives for the management of climate-related issues | Comment |
|-------|---|---------|
| Row 1 | Yes | |

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

| Entitled to incentive | Type of incentive | Activity incentivized | Comment |
|------------------------------------|-------------------|----------------------------|--|
| Chief Executive Officer (CEO) | Monetary reward | Emissions reduction target | Monetary rewards for the CEO and the corporate executive team are based on progress towards the 2020 emission reduction targets. Key performance indicators for responsibility towards greenhouse gas, energy, water, waste and paper reduction targets are included in performance scorecards. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets. |
| Chief Sustainability Officer (CSO) | Monetary reward | Emissions reduction target | Key performance indicators for achieving greenhouse gas, energy, water, waste and paper reduction targets are included in performance scorecards. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets. |
| Environment/Sustainability manager | Monetary reward | Emissions reduction target | Key performance indicators for achieving greenhouse gas, energy, water, waste and paper reduction targets are included in performance scorecards. The achievement of the targets positively impacts bonuses or |

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|--------------------|---------------------|-----------------------------------|---|
| | | | discretionary pay; hence there exists a strong incentive to reach the emission reduction targets. |
| All employees | Non-monetary reward | Behavior change related indicator | Responsible for reducing business kilometres travelled by 10% per full-time employee by 2020 from a 2014 base year. |
| Facilities manager | Monetary reward | Emissions reduction project | Key performance indicators for implementing energy, water and waste reduction projects with related targets are included in performance scorecards. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets. |

C-FS1.4

(C-FS1.4) Does your organization offer its employees an employment-based retirement scheme that incorporates ESG principles, including climate change?

| | We offer an employment-based retirement scheme that incorporates ESG principles, including climate change. | Comment |
|-------|--|--|
| Row 1 | Yes, as the default investment option for all plans offered | All equity and debt investments at Sanlam Investments are governed by a Responsible Investment Policy. As a result, investment processes incorporate ESG principles, including climate change, for retirement funds managed by SIM, including employment-based retirement schemes. |

C2. Risks and opportunities

C2.1

(C2.1) Does your organization have a process for identifying, assessing, and responding to climate-related risks and opportunities?

Yes

C2.1a

(C2.1a) How does your organization define short-, medium- and long-term time horizons?

| | From (years) | To (years) | Comment |
|-------------|--------------|------------|--|
| Short-term | 1 | 2 | This is aligned with business plans, which focus on short term changes and actions. This also aligns with annual reduction targets and budgeting for CAPEX to implement projects. |
| Medium-term | 2 | 5 | This 5 year horizon is used in forward looking business plans which include a longer term view of operations, reduction targets and project identification, design and approval of capital for implementation. |
| Long-term | 5 | 10 | This aligns with more strategic view of climate-related risks and opportunities. |

C2.1b

(C2.1b) How does your organization define substantive financial or strategic impact on your business?

In both the 2018 and 2019 financial years, severe weather/climate change was identified as one of the top-10 material risks to the group.

Sanlam distinguishes between strategic and operational risks, which are mitigated through a mature risk management governance structure. Risks are managed on a preventive basis as far as possible through various risk management activities. Substantive financial impact is defined in the risk appetite statement - what level of risk tolerance the Board is prepared to accept. Should substantive financial risks materialise, Sanlam's financial capital is available to absorb the financial impact to ensure it remains solvent to honour commitments to clients.

Sanlam's solvency ratio remains fairly stable and at 215% it is well above the 100% minimum regulatory requirement.

C2.2

(C2.2) Describe your process(es) for identifying, assessing and responding to climate-related risks and opportunities.

Value chain stage(s) covered

Direct operations
Upstream
Downstream

Risk management process

Integrated into multi-disciplinary company-wide risk management process

Frequency of assessment

More than once a year

Time horizon(s) covered

Short-term
Medium-term
Long-term

Description of process

Process for identifying and assessing climate-related risks & opportunities that could have a substantive financial or strategic impact on the organization:

Risk management is a 'tight' principle defined by the Sanlam Business Philosophy, which means that there are specific structures, roles and responsibilities allocated to the clusters, with a strong central control of risk management.

The Insurance Act of 2017 and related Prudential Standards became effective on 1 July 2018 and requires Sanlam to conduct a forward-looking, risk-based Own Risk and Solvency Assessment (ORSA). This is an ongoing process of identifying, assessing, controlling, monitoring and reporting the risks to which the Group is exposed, which include climate-related risks.

The Sanlam Board adopted the three lines of defence model for managing risks. This model defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk management is embedded in the culture and daily activities of business units and provides assurance to the Board and Group Exco that risks are managed effectively.

At the first line of defence (COMPANY level) a top-down approach is undertaken at an executive and senior management level, and considers the key strategic risks affecting Sanlam in the medium to long term, coupled with a quarterly scan of external risk reports.

The Board is ultimately responsible for overseeing risk management. The Risk and Compliance committee is mandated by the Board to advise and assist with the design and implementation of Sanlam's Group risk assurance framework and responsibilities. Therefore, the Risk and Compliance committee takes responsibility for approving the risk appetite and level of risk tolerance for the Group for recommendation to the Board and monitoring the implementation of the Group risk assurance framework and supporting policies.

At the second line of defence (ASSET level) the risks associated with the clusters' day-to-day operations inform the bottom-up approach to risk management. The maintenance of risk registers and reports in each area controls this process. Risk registers are aggregated and reviewed by each cluster's finance and risk committees or forums. Significant and emerging risks are escalated to Group level for consideration.

At the third line of defence independent verification provides objective assurance that the risk management process is functioning as designed as well as identifies improvement opportunities.

Risks identified are assessed and prioritized as Level 1 or 2 risk categories. Level 2 risk categories include a detailed breakdown of level 1 risks.

For each level 2 risk, the relevant policies are listed and a second level of defence oversight body is identified, for example the compliance function, estate committees or actuarial forum.

Additionally, for each level 2 risk, the Group risk oversight responsibilities are set out in detail, for example IT infrastructure and cyber-risks are monitored and reported by the Group Technology Infrastructure Audit and Risk committee with oversight performed by the Board Risk and Compliance committee.

How to mitigate, transfer, accept or control the identified climate-related risks and to capitalize on opportunities?

All sustainability risks and opportunities are channelled into Sanlam's group wide Enterprise Risk Management process and the Group Sustainability Management Office (SMO) is tasked with addressing the compliance risks related to the governance for sustainability.

The enterprise-wide risk governance framework, which includes risk culture, risk appetite, risk limits and corresponding capital or liquidity needs, supported by internal control functions, are used to manage climate-related risks and opportunities.

However, the group's system of internal control, which includes internal financial controls, is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

At cluster level, in line with Santam's annual strategy review cycle, the Enterprise Risk Management team conducts an analysis of the group's top inherent risks. Research, review and analyses, one-on-one interviews, risk indicators, surveys, loss-event management as well as group workshops and interviews with the executive committee, management and various operational teams are techniques applied to gather the necessary information. The process includes "deep dives" and discussion of new and emerging risks. A number of external risk reports are reviewed to identify and assess any relevant risks.

Physical risk:

In November 2019 Santam launched its first thought leadership report. The Santam Short-Term Insurance Barometer (Barometer) is the result of a survey that polled more than 400 respondents, including intermediaries, corporates, commercial entities and consumers.

The report explored the prevailing perceptions on a broad range of challenges that must be carefully navigated for future sustainability. The survey enabled Santam to gain valuable insight into how the various markets view the most prominent risks, how well actual exposures are managed, and the gaps that insurers must address. Combining

this with expert insights from Santam, the report provides a holistic view of the insurance sector today and what lies ahead.

Santam's aim is to take the collective "temperature" of consumers, intermediaries and corporates annually and to draw seminal conclusions which will highlight the contribution the insurance industry brings to the country, besides protecting the assets of consumers.

By highlighting trends and insights, Santam hopes to convince more people to ensure they are adequately covered. In so doing, the Barometer will play a role in minimising the impact of extreme weather events, accidents and crime on the economy.

Transitional risk:

The South African Greenhouse Gas (GHG) Reporting Regulations were effected into law in April 2017 with the purpose to introduce a single national reporting system for greenhouse gas emissions. In order to comply Sanlam and Santam assessed all its facilities to determine if it needs to register with the DEA, using a specific template of the National Atmospheric Emissions Inventory system (NAEIS).

C2.2a

(C2.2a) Which risk types are considered in your organization's climate-related risk assessments?

| | Relevance & inclusion | Please explain |
|---------------------|---------------------------|---|
| Current regulation | Relevant, always included | <p>South Africa's current climate-related regulation such as carbon taxes, national greenhouse gas reporting regulations and climate change bill to enable a transition to a low carbon economy will have an impact on Sanlam's business operations.</p> <p>Sanlam and Santam have therefor assessed all its facilities to determine if it needs to register with the DEA, using a specific template of the National Atmospheric Emissions Inventory system (NAEIS).</p> |
| Emerging regulation | Relevant, always included | <p>The Sanlam Group Sustainability Management Office monitors and assesses emerging regulation and will proactively implement any requirements from government or other reporting bodies, and respond where necessary.</p> <p>Emerging regulatory risks such as increased water and energy tariffs are considered by all divisions.</p> <p>For example, the increased water tariffs in the Cape Town region as a regulatory measure aims to affect behavior change in encouraging business and industry to reduce their water consumption.</p> <p>Both the Sanlam and Santam head offices are located in Cape Town,</p> |

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| | | <p>therefore facilities management assess these risks.</p> <p>The Group's Energy Forum consider emerging regulatory risks when setting specific targets for environmental performance that include energy, water and waste.</p> |
| Technology | Relevant, always included | <p>New technologies are assessed and sometimes piloted in operations to determine feasibility.</p> <p>SPF hosted its second annual Innovation Day in 2019, where the cluster immerses itself in the latest thinking from global experts and partners like Google, Facebook and Plug and Play. SPF also showcases digital developments at Sanlam, which form the foundation of the Group's future competitive advantage – whether in sales, client experience, operational efficiency or analytics.</p> <p>Sanlam Sky launched a WhatsApp channel that operates 24/7. It offers digital services and interactive voice response. For clients this is the most comfortable and convenient communication platform. The channel is cost-effective as data for WhatsApp is cheaper than airtime. Clients in remote areas can access all services cost effectively, engage more frequently and have an overall improved client experience.</p> <p>In order to offer convenience to clients, speeds up sales and processes and reduce paperwork, E-sign capability was designed in-house and introduced to allow a client to sign documents electronically in a secure and authenticated way, removing the need for an intermediary to visit a client just to obtain a signature.</p> |
| Legal | Relevant, always included | <p>Climate-related litigation claims could stem from non-compliance with the proposed carbon tax, national greenhouse gas reporting regulations and the climate change bill and could include monetary fines and/or prison sentences for those responsible of such oversight at Sanlam.</p> <p>Compliance risks are identified and assessed as part of the compliance management processes.</p> <p>Sanlam also has a Group Office function that consists of key individuals who represent a wide range of business functions. The Group Compliance office engages with regulatory bodies, shareholders, Government and Business partners on key issues impacting the business, including climate-related issues in order to manage and mitigate possible litigation claims.</p> |
| Market | Relevant, always included | <p>Environmental issues such as climate change represent specific risks and opportunities for the insurance sector.</p> |

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| | | <p>Sanlam has a responsible investment policy where sustainability is embedded into core investment processes with broadened and extended investment horizons.</p> <p>The Sanlam Investment Group (SIG), through its Socially Responsible Investment (SRI) funds, provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.</p> <p>It therefore assesses the risk of climate change, water shortages, land degradation, pollution and other environmental, social and governance (ESG) issues as part of its decision-making process to better understand the potential for companies to deliver their cash flows into the future.</p> <p>Expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects, such as renewable energy.</p> |
| Reputation | Relevant, always included | <p>Climate change can and will alter consumer behavior and choice of service provider, according to their determination of being a climate-responsible organisation.</p> <p>In 2010, Sanlam performed a market analysis that identified environmental issues as one of the key drivers affecting business going forward in South Africa.</p> <p>Although Sanlam is a 'low-impact' business, it is imperative, from a business perspective, to address environmental and climate change issues in order to manage reputational risk while maintaining competitive advantage and market share.</p> <p>As such Sanlam decided to make all sponsorship events carbon neutral.</p> <p>Sanlam is annually hosting two premier, carbon neutral events, namely the Sanlam Benchmark Symposium and Sanlam Cape Town Marathon (SCTM).</p> <p>The SCTM is also the only IAAF climate-neutral marathon in Africa. Our approach was first to reduce our usage and then to offset what we were unable to reduce.</p> <p>During 2019 the SCTM offset its emissions by purchasing carbon credits to the value of 3 362 tCO_{2e}. The Carbon Credits were purchased from Wonderbag 2 450 tCO_{2e} and Wind Energy India 912 tCO_{2e}.</p> |

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| | | <p>The SCTM won the 2017 Association of International Marathons and Distance Races Green Award for excellence in environmental practice.</p> <p>This was mainly due to the SCTM #RunGreen campaign, which involved ongoing communication about initiatives such as “chuck zones” along the route where runners could dispose of litter.</p> |
| <p>Acute physical</p> | <p>Relevant, always included</p> | <p>Santam recognises that physical risks relating to extreme weather events are increasing in intensity and frequency which poses serious risks to the stability and quality of human society and the global economy.</p> <p>The insurance sector plays three roles in society, namely risk manager, investor and risk carrier. The short-term insurance sector’s role, in particular, is to pool risk and ensure consumers and businesses are left in the same financial position they were in before the incident that resulted in an insurance claim occurred.</p> <p>Sanlam and Santam are founding members of the UNEP FI Principles for Sustainable Insurance (PSI) subscribing to the 4 sustainable insurance principles:</p> <ul style="list-style-type: none"> – Principle 1: Embed in decision-making ESG issues relevant to insurance business. – Principle 2: Work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions. – Principle 3: Work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues. – Principle 4: Demonstrate accountability and transparency by regularly disclosing publicly progress in implementing the Principles. <p>During 2017 fires and storms in South Africa caused damage amounting to billions. Santam subsequently improved its risk survey and underwriting capacity, and tightened the focus on risk selection.</p> <p>After the 2017 Knysna fires Santam hosted the “Knysna fires learning forum” workshops in 2017/8. This brought together a group of wildfire and disaster experts to discuss the catastrophic event with the intent to learn from the experience and to help ensure that such a grave urban wildfire event never happens again.</p> <p>This led to a collaborative research between Santam, the University of Stellenbosch and CSIR, supported by the Western Cape Disaster Management Centre. The research led to the “Knysna fires of 2017: learning from the disaster report, which was published in June 2019.</p> |

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| | | <p>The report acknowledges the impact of climate change and its role in increasing extreme weather events.</p> <p>Following fires in St Francis Bay in August 2019, Santam engaged with the local municipality on practical ways to reduce fire risk, like installing fire drencher systems at homes and clearing alien vegetation.</p> <p>Santam also sponsored the Disaster Management Institute of South Africa Conference in September 2019.</p> |
| <p>Chronic physical</p> | <p>Relevant, always included</p> | <p>Sanlam acknowledges that water scarcity is one of the greatest risks to the global economy. As one of the 30 most water-stressed countries in the world, this is particularly relevant in South Africa during 2017 with the Western Cape experiencing the worst drought recorded in history with dam levels at their lowest ever. Without drastic measures to further drive down consumption, Cape Town was set to experience critical water shortages and the possibility of taps being turned off – a scenario known as Day Zero.</p> <p>This will have a devastating impact on business as both the Sanlam and Santam head offices are located in Cape Town.</p> <p>Santam therefore built a water chamber next to Glacier building on Carl Cronje Drive to facilitate rainwater harvesting. The water from the chamber is pumped via a filtration system into the storage tanks to feed the chillers.</p> <p>Sanlam introduced air cooling in its data centre; drawing cool air in from outside to cool the data centre which results in reduced water and energy consumption. This resulted in water savings of 10 000 litres per day during 2019. Sanlam still uses water for cooling, but from the borehole that was drilled in 2017 to supply water for the cooling towers in emergencies.</p> <p>Since 2007, Sanlam has partnered with WWF-SA on various freshwater and marine projects aimed at conserving South Africa’s water systems, including ground water management.</p> <p>The scope of the partnership with WWF-SA includes: strategic advice, joint research, support into water issues affecting the business and society. Since 2012, the partnership also included a focus on influencing greater awareness of water issues in Sanlam’s business practices. This has led to a deeper understanding of water risks to drive better insurance and investment practices.</p> <p>In 2019 a revised water risk filter developed by the WWF-SA and Sanlam, was relaunched. The tool assesses the water risk to different</p> |

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| | | <p>economic activities in different river basins and tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. To date over 60 000 facilities and farms worldwide have been assessed using this tool, with more than 16 000 in South Africa.</p> <p>A corporate water risk index was developed to help South African investors assess whether JSE Top 40 listed companies carry higher or lower water risks compared to their competitors.</p> |
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C-FS2.2b

(C-FS2.2b) Do you assess your portfolio's exposure to climate-related risks and opportunities?

| | We assess the portfolio's exposure | Please explain |
|---|------------------------------------|---|
| Investing (Asset manager) | Yes | At Sanlam Investments climate related risks are assessed as part of the overall ESG risk of the companies we invest in. This is done through the subscription of ESG research conducted by an external ratings provider. These findings are factored into the investment process. |
| Investing (Asset owner) | Yes | Where Sanlam-managed portfolios are concerned, climate-related issues are considered as part of the overall ESG policy for Sanlam Corporate. |
| Insurance underwriting (Insurance company) | Yes | Santam has a Climate Change Position Statement that describes our approach to climate related risks and opportunities. Climate-related issues relating to insurance are integrated in the Santam Group FutureFit strategy through ESG focus areas. |
| Other products and services, please specify | Not applicable | Not Applicable |

C-FS2.2c

(C-FS2.2c) Describe how you assess your portfolio's exposure to climate-related risks and opportunities.

| | Portfolio coverage | Assessment type | Description |
|---------------------------|----------------------|-----------------|---|
| Investing (Asset manager) | All of the portfolio | Qualitative | Sanlam Investments uses all public information to assess ESG risk for all investments. Portfolio assessment of climate related risks can be done on |

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| | | | request. However, this process does not include a quantitative analysis of carbon emission at this stage. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated. |
| Investing (Asset owner) | Minority of the portfolio | Qualitative | Sanlam Corporate has embedded ESG risk assessment though our investment policy statement. Where multi-managed portfolios are concerned, the buying of securities is outsourced to external service providers who may or may not incorporate climate-related issues in their policy framework. SC assesses their process and ESG integration, which feeds into our risk assessment in our manager selection process. |
| Insurance underwriting (Insurance company) | All of the portfolio | Qualitative | <p>Santam is a signatory of the UN Environment's Finance Initiative's Principles for Sustainable Insurance and ClimateWise and follows their guiding principles in all underwriting.</p> <p>To reduce the risk for the Group and clients, Santam engages with government, municipalities, universities and other stakeholders to initiate projects to better understand and manage these risks.</p> <p>One programme is the P4RR (Partnership for Risk and Resilience Programme) which has the objective to strengthen the institutional and development capacity of South African metros in order to address climate-related issues.</p> <p>Santam as underwriter is exposed to catastrophic events such as floods and fire. It therefore partnered with climate risk experts to explore climate risk as part of Santam Group's Future Fit strategy review. The Group's climate risk exploration process was supported by a number of climate change experts from the African Development Initiative (ACDI) and the Climate Science Analyst Group (CSAG) from the University of Cape Town, as well as Global Carbon Exchange (GCX) to help the Group better understand the complex topic of climate change and to address climate risk management in a responsible manner. These workshops were attended by representatives from across the Group's business as well as climate related experts from business risk management and city governance. The workshop explored the Santam Group's current climate responses, the emerging</p> |

| | | | |
|--|--|--|---|
| | | | landscape of climate risk as it relates to short-term insurance, climate governance affecting our business and stakeholders in the short, medium and long term. |
|--|--|--|---|

C-FS2.2d

(C-FS2.2d) Do you assess your portfolio's exposure to water-related risks and opportunities?

| | We assess the portfolio's exposure | Portfolio coverage | Please explain |
|---|------------------------------------|----------------------|--|
| Investing (Asset manager) | Yes | All of the portfolio | At Sanlam Investments water risks are assessed as part of the overall ESG assessment of a company, if deemed material to the sector. |
| Investing (Asset owner) | No, we don't assess this | | Sanlam Corporate has multi-managed portfolios and most external asset managers may not have an explicit investment policy in respect of water risks. |
| Insurance underwriting (Insurance company) | Yes | All of the portfolio | Santam as underwriter is exposed to catastrophic events such as floods and fire. The Group is working on understanding climate-related risks (physical and transitional) in accordance with the recommendations of the Task Force for Climate-Related Financial Disclosure (TCFD) as these risks affect the underwriting and investment sides of business. |
| Other products and services, please specify | Not applicable | | Not Applicable. |

C-FS2.2e

(C-FS2.2e) Do you assess your portfolio's exposure to forests-related risks and opportunities?

| | We assess the portfolio's exposure | Portfolio coverage | Please explain |
|---------------------------|------------------------------------|----------------------|--|
| Investing (Asset manager) | Yes | All of the portfolio | At Sanlam Investments forests-related risks are assessed as part of the overall ESG assessment of a company, if deemed material to the sector. |
| Investing (Asset owner) | No, we don't assess this | | Sanlam Corporate has multi-managed portfolios and most external asset managers may not have an explicit investment policy in respect of forests-related risks. |

| | | | |
|---|----------------|----------------------|--|
| Insurance underwriting (Insurance company) | Yes | All of the portfolio | Santam as underwriter is exposed to catastrophic events such as floods, fire and forests-related risks. Climate risk, including catastrophe events and extreme weather is included in the Group risk register. Following fires in St Francis Bay in August 2019, Santam engaged with the local municipality on practical ways to reduce fire risk, like installing fire drencher systems at homes and clearing alien vegetation. |
| Other products and services, please specify | Not applicable | | Not Applicable. |

C-FS2.2f

(C-FS2.2f) Do you request climate-related information from your clients/investees as part of your due diligence and/or risk assessment practices?

| | We request climate-related information | Please explain |
|---|--|---|
| Investing (Asset manager) | Yes, for some | Sanlam Investments uses all public information to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated. |
| Investing (Asset owner) | Not applicable | Sanlam Corporate makes use of multi-managed portfolios where the buying of securities is outsourced to external service providers who may or may not incorporate climate-related issues in their policy framework. SC assesses their process and ESG integration, which feeds into our risk assessment in our manager selection process. |
| Insurance underwriting (Insurance company) | Yes | In 2019 Santam was approached by the Prudential Authority to enquire about the Group's climate-related action and considering the TCFD recommendation. In response Santam requested climate-related information from its subsidiaries. Santam also requests climate-related information from business units and subsidiaries on an annual basis for the Group's ClimateWise response. |
| Other products and services, please specify | Not applicable | Not Applicable. |

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Risk 1

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Current regulation

Enhanced emissions-reporting obligations

Primary potential financial impact

Increased indirect (operating) costs

Climate risk type mapped to traditional financial services industry risk classification

Reputational risk

Company-specific description

The SA Department of Environmental Affairs (DEA) gazetted regulations for mandatory reporting of greenhouse gas emissions under the National Environmental Management: Air Quality Act, 2004 (Act 39 of 2004). The purpose of the regulations is to introduce a single national reporting system for greenhouse gas emissions.

The South African Revenue Service (SARS) will be the main implementing administrative authority on the tax liability assessment.

The Forestry and Fisheries unit within the DEA, (DEFF) will assess the data submitted, which will form the tax base. The Department of Energy (DOE) will supply the energy combustion data. All information will feed into the National Atmospheric Emissions Inventory System (NAEIS). Companies will self-assess and submit their emissions to SARS and if found to be incorrect, could be penalized.

Both the Carbon Tax Act and the Customs and Excise Amendment Act came into effect on 1 June 2019. In terms of the Customs Rules the filing requirement and the first carbon tax payment were due by 31 July 2020. Due to Covid-19, to provide additional time for companies to timeously license with SARS, complete and file the first return, as well as provide cash flow relief in the short-term, and to allow for the utilization of carbon

offsets as administered by the Department of Mineral Resources and Energy (DME), the filing and payment date was delayed by three months to 31 October 2020.

In order to report to the DEA an organization has to assess its company-wide energy generation capacity. The threshold for registration is 10MW thermal. So, for example, if a company has fifteen small boilers with a capacity of 700 kW each, the cumulative capacity is 10,5MW, which will require the company to register and report on these activities.

It is important to keep in mind that those businesses which have identified themselves as not liable for carbon tax during the first phase will still be required to submit environmental levy accounts to the DEA regardless of whether any carbon tax payment is due.

In order to assess the carbon tax accurately, reporting of GHG emissions will be required together with verification of the reported South African emissions. This will place a financial compliance burden on both Sanlam and Santam, while non-compliance could be met with penalties. Further, emission reporting could lead to more stringent licence to operate criteria, e.g. for inclusion in the FTSE/JSE Responsible Investment Index.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, an estimated range

Potential financial impact figure (currency)

Potential financial impact figure – minimum (currency)

0

Potential financial impact figure – maximum (currency)

5 000 000

Explanation of financial impact figure

It is estimated that penalties for non-compliance to submit GHG inventories and data would be capped at R5 000 000 for a first offence. However, there is a low risk of penalties imposed on Sanlam or Santam as current resources would be able to cope with the emissions reporting obligation.

Cost of response to risk

600 000

Description of response and explanation of cost calculation

The Group Sustainability Management Office of Sanlam will proactively implement any requirements from government or other reporting bodies, and respond where necessary.

Sanlam and Santam have therefor assessed all its South African facilities to determine whether its associated emission activities qualify for or exceed the 10MW thermal threshold to see if it needs to register with the DEA, using a specific template of the National Atmospheric Emissions Inventory system (NAEIS). Sanlam determined that it did not meet the threshold and therefore will not be liable for carbon tax during the first phase.

However, to ensure there is no reputational fallout Sanlam and Santam annually appoint external consultants at a cost of R600 000 to compile and verify the Group's carbon footprint as well as publicly disclose it.

Sanlam also developed and implemented an environmental dashboard to increase the efficiency in carbon reporting while monitoring progress.

Comment

Identifier

Risk 2

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased insurance claims liability

Climate risk type mapped to traditional financial services industry risk classification

Systemic risk

Company-specific description

Catastrophe events such as large-scale fires, floods and earthquakes can financially ruin businesses, families or individuals; but smaller events can also do harm. Recurring natural disasters like hail storms continually damage critical public infrastructure, housing and the means of production.

Individuals, businesses and governments can take measures to mitigate risks, but cannot entirely prevent it. The insurance sector takes on this exposure by insuring

against these risks.

The insurance sector plays three roles in society: risk manager, investor and risk carrier. The general insurance sector's role is to pool risk and ensure consumers and businesses remain in the same financial position they were in before the incident that resulted in an insurance claim.

Today most of the developing world in particular Africa continues to face ESG pressures and environmental catastrophes are increasing. Cities will continue to deal with water shortages and climate change as inhibitors for the development of optimum conditions for future generations.

With Sanlam and Santam operating in 33 emerging markets in Africa, these conditions impact the Group, its clients and the communities within which it operates.

Customer needs are no longer served by traditional approaches. A huge risk protection gap exists - the gap between economic losses from natural catastrophe and insured losses.

The insurance industry has laid the foundation for supporting a sustainable society in which people are aligned and incentivised to adopt sustainable practices. The UNEP FI Principles for Sustainable Insurance (PSI) build on this foundation with the aim to close the protection gap and support the transformation to a sustainable economy.

Sanlam and Santam are founding members of the initiative and subscribe to the 4 sustainable insurance principles:

- Principle 1: Embed in decision-making ESG issues relevant to insurance business.
- Principle 2: Work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.
- Principle 3: Work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.
- Principle 4: Demonstrate accountability and transparency by regularly disclosing publicly progress in implementing the Principles.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

200 000 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risk and opportunities associated with ESG issues.

According to Swiss Re the costs of natural disasters in 2018 was USD 155 billion while the insurance protection gap for Africa was USD 1 billion.

After the high volume of catastrophe events and commercial fires in 2017, the reinsurance premium rates increased. Santam subsequently improved its risk survey and underwriting capacity, and tightened the focus on risk selection. The aim was to contain and manage exposures better and improve risk management practices. This resulted in an immediate and significant savings of at least R200 million on known avoided fire claims in South Africa as the total catastrophe claims reduced from R2079 million in 2017 to R114 million in 2018 and R334 million in 2019. Catastrophe claims during 2019 included the Betty's Bay fires, Newcastle hail storm and flooding in Kwazulu-Natal.

Cost of response to risk

9 000 000

Description of response and explanation of cost calculation

Often the risks insured are beyond direct control – due to events such as hailstorms, floods and fires. To reduce the risk for the Group and clients, Santam engages with government, municipalities, universities and other stakeholders to initiate projects to better understand and manage these risks.

The objective of P4RR (Partnership for Risk and Resilience Programme) is to strengthen the institutional and development capacity of local municipalities to reduce poverty through providing support to local government infrastructure, economic development, and governance.

Santam partners with the Department of Cooperative Governance, the South African Local Government Association, and local district municipalities to support and promote infrastructure maintenance and resilience to mitigate disaster-related risks.

Municipalities are selected based on vulnerability levels related to government requirements as well as potential impact on Santam in terms of fire, flood and storm surge perils.

During 2019, Santam invested R9 million in municipalities to better respond to the risk of fires and floods. The P4RR programme supports 46 municipalities and is on track to

support 53 municipalities by 2020.

Santam partnered with SASRIA in the Cape Winelands District Municipality to reduce social risks. It also sponsored the Disaster Management Institute of South Africa Conference in September 2019.

Following fires in St Francis Bay in August 2019, Santam engaged with the local municipality on practical ways to reduce fire risk, like installing fire drencher systems at homes and clearing alien vegetation.

Comment

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Downstream

Risk type & Primary climate-related risk driver

Acute physical

Increased severity and frequency of extreme weather events such as cyclones and floods

Primary potential financial impact

Increased insurance claims liability

Climate risk type mapped to traditional financial services industry risk classification

Systemic risk

Company-specific description

According to the 2019 WEF Global Risk report environmental risks have become more prominent in recent years. Five risks in the environmental category have been ranked higher for impact and likelihood in the past 10 years. These risks are:

- extreme weather events;
- natural disasters;
- failure of climate change mitigation and adaptation;
- man-made environmental disasters; and
- biodiversity loss and ecosystem collapse.

- Extreme weather events and natural disasters can cause more damage in emerging markets where city infrastructure is underdeveloped and in poor condition.
- Changing climate makes it difficult for insurers to develop models to assess the risk of catastrophic events and price insurance products appropriately.
- As extreme weather events become more common, insurance related costs will rise. This compels insurers to consider how they cover such risks, and how they price the

coverage. Insurers will need improved models and data, and some will forge new partnerships to obtain them.

These trends can lead to some areas being uninsurable. This is driving greater engagement between insurers, policyholders, local authorities and intermediaries to mitigate risk proactively.

Insurers can play a critical role in reducing the socio-economic impact of severe weather events. However, low insurance penetration, especially in developing markets, has seen the protection gap widening over time. This reduces the risk-bearing impact of insurance and increases the burden on governments and taxpayers. Insurers will have to look at ways of addressing penetration proactively, including raising awareness around the role they can play in risk transfer and risk management.

Sanlam and Santam operate in 33 emerging markets across Africa that could be affected by extreme weather events. Climate change will therefore affect the Group's business through liability claims, impacts on certain investment portfolios and changing market dynamics.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

High

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1 000 000 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

During 2019 Santam's paid out gross claims of R18,9 billion.
A 5% increase in claims could result in additional R1 billion paid to clients.

Cost of response to risk

63 000 000

Description of response and explanation of cost calculation

In November 2019 Santam launched its first thought leadership report. The Santam Short-Term Insurance Barometer (Barometer) is the result of a survey that polled more

than 400 respondents, including intermediaries, corporates, commercial entities and consumers.

The report explored the prevailing perceptions on a broad range of challenges that must be carefully navigated for future sustainability. The survey enabled Santam to gain valuable insight into how the various markets view the most prominent risks, how well actual exposures are managed, and the gaps that insurers must address. Combining this with expert insights from Santam, the report provides a holistic view of the insurance sector today and what lies ahead.

Santam's aim is to take the collective "temperature" of consumers, intermediaries and corporates annually and to draw seminal conclusions which will highlight the contribution the insurance industry brings to the country, besides protecting the assets of consumers.

By highlighting trends and insights, Santam hopes to convince more people to ensure they are adequately covered. In so doing, the Barometer will play a role in minimising the impact of extreme weather events, accidents and crime on the economy.

In April 2019, the greater Durban area was harshly affected by a storm that caused loss of life and damage to properties. Rainfall figures provided by the South African Weather Service estimated an average of between 80 mm and 140 mm for the 36-hour period. To put this into perspective, flood warnings are issued when 50 mm is predicted to fall in a day.

Santam received claims from the Dolphin Coast in the north and as far as Port Edward in the south. In Parker's Valley on the south coast, the combination of a river bursting its banks and water streaming down a hillside caused a few houses to flood almost to ceiling height.

Santam mobilised a team of catastrophe event first responder assessors to waste no time in looking for reasons to pay claims, rather than reasons not to. The team assessed an average of 10 claims per day. Santam's estimated claims cost from the storm was R63 million.

Comment

Identifier

Risk 4

Where in the value chain does the risk driver occur?

Direct operations

Risk type & Primary climate-related risk driver

Chronic physical
Water stress

Primary potential financial impact

Decreased revenues due to reduced production capacity

Climate risk type mapped to traditional financial services industry risk classification

Systemic risk

Company-specific description

Water scarcity is one of the greatest risks to the global economy. This is particularly relevant in South Africa, which is facing an ongoing drought situation, compounded by a rainfall climate of great variability. At present usage rates, demand for freshwater will exceed supply by 2025, placing severe pressure on freshwater ecosystems.

In particular, the Western Cape recently experienced the worst drought recorded in history with dam levels at their lowest ever. Without drastic measures to further drive down consumption, Cape Town was set to experience critical water shortages and the possibility of taps being turned off – a scenario known as Day Zero. This would have had a devastating impact on business as both the Sanlam and Santam head offices are located in Cape Town.

Sanlam appreciates that its business activities have broad social and environmental consequences that affect a wide range of stakeholders, not just policyholders and shareholders. Although a non-water-intensive business, it recognizes its responsibility to preserve water and reduce consumption in light of the systematic risks associated with water crises and the resultant impact on the economies in which it functions.

Since 2007, Sanlam has partnered with WWF-SA on various freshwater and marine projects aimed at conserving South Africa's water systems, including ground water management. The partnership's vision is for government, civil society and the private sector to work together to build a future in which healthy, freshwater ecosystems underpin the sustainable development of South Africa and enhance the quality of life of all its people.

Supporting these projects is integrally related to Sanlam's goal of promoting long-term wealth creation and developing solutions to alleviate a water crisis. The scope of the partnership with WWF-SA includes: strategic advice, joint research, support into water issues affecting the business and society. Since 2012, the partnership also included a focus on influencing greater awareness of water issues in Sanlam's business practices. This has led to a deeper understanding of water risks to drive better insurance and investment practices. As one of the 30 most water-stressed countries in the world, this is particularly relevant in South Africa.

Time horizon

Short-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

140 000 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Temporary office closure due to water shortages or Day Zero will impact on continued operations, employees and customers resulting in loss of income. Other costs relate to the repair of damaged equipment.

A one week shut down of country wide operations could result in loss of profits of approximately R140 million based on current normalised headline earnings.

Cost of response to risk

58 500 000

Description of response and explanation of cost calculation

Sanlam's commitment of R58,5 million in the WWF-SA partnership have been channelled towards robust conservation and to increase awareness of the challenges facing South Africa's water systems.

During 2019 Sanlam invested R8,5 million in water security through the WWF-SA Water Balance programme, which in the George catchment area helped improve the health of the area and its communities. Sanlam's co-funding unlocked over R2,5 million in government funding for the programme, which provided jobs, facilitated alien clearing and rehabilitated dangerous dongas. The project freed up water in the river on which communities depend.

In 2019 a revised water risk filter was relaunched which was developed by the WWF-SA and Sanlam as a water risk tool relevant to South African business that enables companies or individuals to assess the water risk to different economic activities in different river basins. The assessment tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. To date over 60 000 facilities and farms worldwide have been assessed using this tool, with more than 16 000 in South Africa.

A corporate water risk index was developed to help South African investors assess

whether JSE Top 40 listed companies carry higher or lower water risks compared to their competitors.

The Journey of Water Campaign is a three-day walk which connects urban water users to their water sources, which are often remote. In this way, the campaign helps to raise awareness around responsible and sustainable water stewardship.

In partnership with the Sanlam Foundation, WWF-SA created an aqua camps booklet aimed at educating children and raising awareness at schools on water conservation. The booklet will be distributed to Blue Ladder Schools first, then nationwide. This is timely as the country prepares for a possibly prolonged water crisis.

Operationally, air cooling was introduced to reduce reliance on water in the data centre. Cool air is drawn in from outside to cool the data centre which also results in reduced energy consumption. In summer, air cooling is mainly done in the evenings, but in winter it is done during the daytime as well. This resulted in water savings of 10 000 litres per day during 2019. Sanlam still uses water for cooling, but from the borehole that was drilled in 2017 to supply water for the cooling towers in emergencies.

Comment

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Energy source

Primary climate-related opportunity driver

Use of new technologies

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

Increases in electricity tariffs or anticipated increases in energy taxes or levies are likely to substantially increase the operational costs in South Africa.

For both Sanlam and Santam, Scope 2 emissions constitute more than 50% of its total carbon footprint while energy consumption constitutes one of the largest operational considerations throughout South Africa.

Through responsible property management and proven energy savings Sanlam and Santam can unlock large operational cost savings and benefit from potential tax allowances for energy-efficient equipment and renewable energy technologies.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

525 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Financial impact relates to the energy costs savings as well as the tax allowances that can be claimed on the equipment installed.

Eskom subsidies or rebates, when available, help to defray the capital costs of energy efficiency technology and equipment.

The energy efficiency initiatives installed during 2019 reduced Sanlam and Santam's electricity consumption by approximately 520 MWhs with cost savings of approximately R525 000 per annum.

Cost to realize opportunity

2 045 000

Strategy to realize opportunity and explanation of cost calculation

In order to reduce the environmental impact of business operations Sanlam has developed environmental efficiency targets for the period to 2020, with 2014 as the base year.

The Group Energy Forum incorporates an external company to oversee the accurate measurement of performance and to facilitate a monthly review of all data and actions taken, with the aim of identifying and responding to environmental priorities.

Resource consumption is managed by Sanlam's Facilities Management. Sanlam installed a web-based energy management system to measure real-time consumption per building, in specific sections such as HVAC, data centres and lights.

During 2019 the Group spent capital of approx. R2 045 000 to replace the Sanlam head office emergency lighting and Santam's remaining T8 parking lights as well as the T5 staircase and floor lighting with LED lights to save on energy consumption and maintenance.

Sanlam also replaced the steam humidity in the Data center with a water spray system. By using spray nozzles for humidification savings on the replacement cost for the bottles as well as the electricity to heat the water to steam can be achieved.

Further, the cooling valves in the Sanlam main building chiller water system was replaced to improve the controls and efficiency of the air conditioning in the building. Variable speed drives were installed on the AHUs to improve controls and the compressor in the main plant room was removed to reduce energy consumption.

Comment

Identifier

Opp2

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of climate adaptation, resilience and insurance risk solutions

Primary potential financial impact

Increased revenues resulting from increased demand for products and services

Company-specific description

If it wants to survive another 100 years, then Sanlam has to adapt to the changing environment and it needs to do more than only rolling out products and services; it needs to understand what the level of risk on the ground is.

Sanlam recognises that climate change presents an important business and global risk that could impact the stability and quality of human society, thereby eroding the financial

resilience and prosperity of clients and the societies in which it operate. This also represents specific opportunities for the insurance sector.

The Group is therefore embarking on a mind shift away from the conventional way of doing insurance by embedding ESG into thinking thereby improving strategy for both the life and general insurance business resulting in a valuable source of new ideas with improved outcomes.

Sanlam understands that sustainable business requires a sustainable environment and therefore continuously investigates how best to bring socio-economic and environmental factors into investment decisions, while increasing its share of investments in environmentally-responsible markets where feasible.

The Sanlam Investment Group (SIG) provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.

This is guided by a responsible investment policy where sustainability is embedded into core investment processes with broadened and extended investment horizons.

The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects, such as renewable energy.

Time horizon

Medium-term

Likelihood

Very likely

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

68 000 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

According to the Global Sustainable Investment Alliance, Global Sustainable Investment Review (2019), the total amount of funds invested in sustainable, responsible and impact investment (SRI) at the start of 2018 was USD30,7 trillion, growing from USD22,9 trillion in 2016 - a 34 percent increase in two years.

At December 2019 the Sanlam Investment Group had invested R7,9 billion in renewable energy and climate-related funds.

The Climate Investor One (CIO) fund has \$850 million available for green energy projects in emerging markets, in particular Africa.

Sanlam's opportunity relates to the profits made by the fund. The closure of the CIO fund in 2019 generated one-off income of R68 million.

Cost to realize opportunity

12 265 000 000

Strategy to realize opportunity and explanation of cost calculation

The Sanlam Investment Group (SIG) together with FMO, the Dutch development bank, provided seed capital of R5.3 billion to establish Climate Investor One (CIO) - a green renewable energy fund

- The fund is designed to combat the detrimental effects of climate change
- A truly global initiative designed to fast-track renewable energy projects in emerging markets
- This award winning blended finance initiative is widely regarded as highly innovative
- The fund combines 3 investment funds into 1 facility to finance renewable energy projects at different stages of the project lifecycle (from idea development to construction through to refinancing) with the ability to recycle the capital.

With the support of broad public and private sector commitment, CIO mobilised commercial funds to reach US\$850 million (R12,265 billion) by June 2019 – 30% above target.

Climate Investor One is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.

CIO therefore gives SIG's clients the opportunity to invest in a fund that has a positive impact on the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet the long-term cash-flow needs of clients.

Sanlam Capital Markets (SCM), a division of SIG, is committed to making a meaningful contribution towards a resilient society in South Africa. It currently has committed in excess of R2,5 billion in debt and equity funding to nine renewable energy projects.

Comment

Identifier

Opp3

Where in the value chain does the opportunity occur?

Downstream

Opportunity type

Resilience

Primary climate-related opportunity driver

New products and services related to ensuring resiliency

Primary potential financial impact

Increased revenues through access to new and emerging markets

Company-specific description

The world is facing increasing ESG challenges. The changing risk landscape is leading to diverse, interconnected and complex risk that also present new opportunities.

It is prudent for the insurance industry to adjust the range of risk factors considered in managing its business to maintain viability.

Risk pooling is integral to the efficient functioning of markets, economies and society. By managing the risk pool, it ensures proactive and sustainable risk management.

Santam's corporate social investment strategy is directed primarily at investing in social and environmental programmes for building resilience in communities. It recognises that developing emerging farmers is key to ensuring food security, transformation and creating income-generating opportunities.

Agricultural production has drastically increased in recent years, and studies predict that aggregate agricultural consumption worldwide will increase by 69% from 2010 to 2050.

In order to contribute to a resilient society, Santam developed and implemented an emerging market strategy through appropriate channels in the business to support growth and diversification to reach the insured and uninsured markets in Africa.

Time horizon

Short-term

Likelihood

Likely

Magnitude of impact

Medium-low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

44 300 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

General insurance companies have three main sources of revenue: premiums, investment income on insurance funds from insurance activities, and investment returns on shareholder investments. Insurance income is generated by upfront premiums.

The gross written premiums for crop insurance in 2019 was R886 million – up 22% from 2018.

A conservative 5% increase in crop insurance sold could increase premium income by R44.3 million.

Santam Agriculture had a difficult year with high claims due to hail and drought conditions. The business was able to pay gross claims of more than R800 million, assisting and protecting farmers from financial loss and bankruptcy. Claims and acquisition costs exceeded premium income, with the difference (R87 million) effectively part of Santam's contribution to sustain the economy and food security.

Cost to realize opportunity

15 000 000

Strategy to realize opportunity and explanation of cost calculation

In 2019, Santam invested R15 million in CSI projects, with the majority allocated to environmental and development programmes such as the Consumer Financial Education (CFE) that offer consumer education to targeted black farmers. Other focus areas relate to community risk awareness, increased capacity for disaster response and relief as well as addressing fire related high-risk hotspots.

In the agricultural sector, subsidisation of small-scale farmers by governments, NGOs and others, makes crop insurance affordable and accessible to previously uninsured farmers.

As a member of SAIA, Santam Agri participated in creating a public-private partnership to provide crop insurance solutions to emerging farmers.

Santam Agri specialists support and work closely with underwriting and claims teams in the SEM markets. They jointly underwrite, monitor and conduct loss assessments. They also conduct training and capacity building programmes. This collaboration and practical knowledge exchange ensure that a pool of local experts is retained in these markets.

Santam also employs a full-time agricultural meteorologist who forecasts seasonal climate variability to identify extreme weather events that may impact crops. In addition, training and advice is provided to farmers on adaptive farming methods given the anticipated climate conditions.

Santam sponsors the annual national agriculture silage competition that contributes towards the promotion of good silage practices. The competition is meant to assist

farmers to adapt to climate-related risks such as drought. Silage is the production of animal feed using compacted maize, forage sorghum and oats. Climate change is altering weather patterns, water distribution and availability leading to ecosystem disruption and extreme weather events. This is expected to have an impact on agriculture. Therefore, good silage practice allows for the safe storage of animal feed thus providing a buffer to extreme weather events such as extended droughts.

Crop insurance to farmers acts as a hedge against climate, environmental and other risks. Financial settlements for weather damage not only make it possible for growers to continue their livelihoods, but also help stabilise the region's food supply.

Comment

Identifier

Opp4

Where in the value chain does the opportunity occur?

Direct operations

Opportunity type

Resource efficiency

Primary climate-related opportunity driver

Use of more efficient production and distribution processes

Primary potential financial impact

Reduced indirect (operating) costs

Company-specific description

In addition to competing for natural resources, organisations are being called to action on environmental issues by stakeholder groups.

Sanlam understands that economic and social prosperity cannot be created without safeguarding the natural resources on which businesses and people rely. Companies that proactively manage their environmental risks and opportunities will be in a stronger position to survive a transitioning economy while at the same time benefit from reputational opportunities.

Sanlam is a service organization and a “low-impact” business and by managing the resources consumed and the associated environmental impacts, will be recognised as a responsible and caring corporate citizen in South Africa in addition to achieving cost savings.

Time horizon

Short-term

Likelihood

More likely than not

Magnitude of impact

Low

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

1 500 000

Potential financial impact figure – minimum (currency)

Potential financial impact figure – maximum (currency)

Explanation of financial impact figure

Using 10 million pages of paper less during the year, together with cost savings in air travel and hotel stays resulted in cost savings of approximately R1,5 million.

Cost to realize opportunity

0

Strategy to realize opportunity and explanation of cost calculation

In order to manage and enhance Sanlam's reputation as a responsible and caring corporate citizen, it has greenhouse gas emissions targets and sustainability targets linked to paper consumption, electricity, water, travel, waste and recycling while recording and tracking at least 80% of Scope 3 emissions.

The IT industry impacts the environment through equipment manufacturing processes, operation of equipment, solutions design and disposal of electronic devices.

Sanlam uses computing technologies that are energy-efficient and have minimal adverse impact on the environment as directed by its green IT policy. The policy sets out responsibilities for Sanlam Group Technology Information (GTI), clusters and GTI service providers and vendors and focus on three main areas of impact:

- Composition and disposal of IT equipment
- Data centre energy and water use
- End user efficiencies

Upon retirement, all GTI-managed assets are placed on tender to companies certified by the e-Waste Association of South Africa (eWASA) and destruction certificates are obtained for all equipment scrapped.

About 80% of end-of-life desktops and laptops – which are no longer supported by vendors – are resold to employees. Purchase agreements with employees contain advice and guidelines for responsible disposal of retired equipment.

By introducing more advanced equipment through infrastructure lifecycle renewals and by driving a virtualised computing environment which typically realises a 4:1 energy savings ratio compared to standalone servers, Sanlam avoids increased use of energy while still servicing a growing demand for computing infrastructure.

Energy consumption is further optimised by implementing a system that automatically switches off or revert dormant or idle personal computers to sleep mode for almost 4 500 computers.

Wasteful printing is contained by means of a print management solution that locks printing and has default duplex page settings. From September 2018 to September 2019 more than 10 million pages have been “saved” by these settings.

Sanlam’s 86 video conferencing (VC) facilities across the Sanlam Group reduce the need for travel. On average 1 500 VC calls are made per month which resulted in a 22% decline in business travel by air and hotel stays during 2019.

Green IT improvements seldom receive specific funding, and are mostly realised through self-funding initiatives or as by-products on lifecycle renewal and strategic GTI projects.

Comment

C3. Business Strategy

C3.1

(C3.1) Have climate-related risks and opportunities influenced your organization’s strategy and/or financial planning?

Yes, and we have developed a low-carbon transition plan

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform its strategy?

No, but we anticipate using qualitative and/or quantitative analysis in the next two years

C3.1c

(C3.1c) Why does your organization not use climate-related scenario analysis to inform its strategy?

While Sanlam does consider climate change scenarios, especially in consideration of its responsible investment policy, formal climate-related scenario analyses are a relatively new lens through which to inform business strategy.

Sanlam is in the process of investigating how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations in the near future. The use of climate-related scenario analysis tools will be investigated. The outcomes of the investigation will include quantifications of material transitional climate change risks, enabling Sanlam to articulate the impacts on the business, strategy and financial planning.

Sanlam Investments is participating in Sanlam Group’s investigations on how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations. These will include considerations of climate change risks on owned assets.

Sanlam has also been doing internal climate risk work with the aim to align with the TCFD recommendations, and explore climate-related scenarios. This work is still ongoing.

C3.1d

(C3.1d) Describe where and how climate-related risks and opportunities have influenced your strategy.

| | Have climate-related risks and opportunities influenced your strategy in this area? | Description of influence |
|-----------------------|---|---|
| Products and services | Yes | <p>Climate-related issues integrated into business strategy are reflected in that Sanlam implemented responsible investment guidelines over the short, medium and long term.</p> <p>Sanlam’s Credit Risk Framework incorporates ESG principles since 2013 as well as a responsible lending policy for hedge funds.</p> <p>In December 2015, the Sanlam Investments management fixed interest team obtained approval from the Sanlam Central Credit committee to incorporate ESG factors into the credit approval process. These policies will ensure that ESG principles are considered when making lending decisions.</p> <p>Sanlam Investments recognises renewable energy projects as financially attractive business opportunities and is committed to developing actively managed funds that bring about social, environmental and economic change through active engagement in South Africa.</p> <p>The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects - an asset class that delivers long-term assets to meet the long-</p> |

| | | |
|--|------------|---|
| | | <p>term cash-flow needs of clients.</p> <p>The insurance industry has laid the foundation for supporting a sustainable society in which people are aligned and incentivised to adopt sustainable practices. Sanlam and Santam are founding members of the UNEP FI Principles for Sustainable Insurance (PSI) and subscribe to the 4 sustainable insurance principles.</p> |
| <p>Supply chain and/or value chain</p> | <p>Yes</p> | <p>According to the 2019 WEF Global Risk report environmental risks have become more prominent in recent years. Five risks in the environmental category have been ranked higher for impact and likelihood in the past 10 years. These risks are:</p> <ul style="list-style-type: none"> • extreme weather events; • natural disasters; • failure of climate change mitigation and adaptation; • man-made environmental disasters; and • biodiversity loss and ecosystem collapse. <p>As extreme weather events become more common, insurance related costs will rise and some areas could become uninsurable. This compels insurers to consider how they cover such risks, and how they price the coverage. Insurers will need improved models and data, which are driving greater engagement between insurers, policyholders, local authorities and intermediaries to mitigate risk proactively in the short, medium and long term.</p> <p>With this in mind Santam in November 2019 launched the Santam Short-Term Insurance Barometer (Barometer) which is the result of a survey that polled more than 400 respondents regarding the prevailing perceptions on a broad range of challenges that must be carefully navigated for future sustainability. The survey enabled Santam to gain valuable insight into how the various markets view the most prominent risks, how well actual exposures are managed, and the gaps that insurers must address.</p> <p>Santam’s aim is to take the collective “temperature” of consumers, intermediaries and corporates annually and to highlight trends and insights to minimise the impact of extreme weather events on the economy and claims.</p> <p>Santam has over the last few years expanded its disaster risk management tactics to a more holistic shared risk management method in line with Sustainable Insurance</p> |

| | | |
|------------------------------|------------|--|
| | | <p>principles.</p> <p>The Partnerships for Risk and Resilience Programme (P4RR) initiative is one of four focus areas of Santam’s ESG framework.</p> <p>P4RR helps municipalities develop disaster resilience through a range of pragmatic preventive measures. Done well, this can be a substantial win-win situation that reduces the likelihood of flood or fire reaching catastrophic proportions, thereby leading to fewer losses and, ultimately, fewer claims.</p> <p>P4RR identifies and reduces systemic risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas.</p> |
| <p>Investment in R&D</p> | <p>Yes</p> | <p>Sanlam recognised severe weather/climate change as one of the top 10 strategic Group risks for the past two years. The business is now undertaking a series of initiatives, such as the development of a Group Climate Position Statement, to assess and articulate climate-related risks to Sanlam’s owned assets. This includes investments in stocks, bonds and shares. The Climate Position Statement should be adopted by 2021.</p> <p>Santam and the Emthunzini Community Trust is supporting local authorities respond to climate change as required by the Department of Environmental Affairs draft climate adaptation strategy. Part of Santam’s supporting efforts is the roll out of the Green Book to local municipalities. The Council for Scientific and Industrial Research (CSIR) introduced the Green Book at the Risk Protection Gap Lab hosted by Santam in 2019. It is considered an important support in understanding risk exposure and assisting municipalities to address their risk exposures, including climate risk. Attendees at the Lab felt the Green Book can play a significant role to address the Risk Protection Gap in South Africa.</p> <p>The Green Book is an open-access online planning support tool that provides scientific evidence in support of local government’s pursuit in the planning and design of climate-resilient, hazards-resistant settlements. The Green Book is an information-dense resource offered to South African local government to better understand their risk and</p> |

| | | |
|------------|-----|--|
| | | vulnerabilities concerning population growth, climate change, and exposure to natural hazards and the vulnerability of critical resources. In addition to this, the Green Book also provides appropriate adaptation measures that can be implemented in cities and towns, so that South African settlements can minimise the impact of climate hazards on communities and infrastructure, while also contributing to developmental goals. |
| Operations | Yes | <p>Business strategy influenced by climate change over the short term is reflected in Sanlam and Santam's commitments to environmental targets to reduce their office buildings' scope 1 and scope 2 emissions intensity by 10% per employee by 2020, from a 2014 base year. Apart from greenhouse emission targets, Sanlam will also have environmental sustainability targets linked to electricity, water, paper, travel, waste and recycling. This means committing to recording and tracking at least 80% of scope 3 emissions.</p> <p>The targets and how it will be achieved are as follows:</p> <ul style="list-style-type: none"> • Greenhouse gas emissions: 10% reduction in tonne per full time employee (FTE) – Measures for energy efficiency, travelling and paper will bring down levels of carbon emissions. • Electricity: 10% reduction (kWh/m² of office space) – Implementation of energy reduction projects are completed or underway. • Municipal water: 10% reduction (kl/m² of office space) – Water conservation interventions per the Water Balance programme are underway and water savings awareness created. • Paper: 10% reduction (kg/FTE) – Office paper consumption will be reduced through technology and behaviour changes. • Business travel: 10% reduction in air, road travel (km/FTE) and hotel nights/FTE – Enforcement of the updated travel policy, with more stringent lead times to booking business trips and promoting the efficient use of the trip by arranging multiple appointments at a time. |

C3.1e

(C3.1e) Describe where and how climate-related risks and opportunities have influenced your financial planning.

| | Financial planning elements that have been influenced | Description of influence |
|-------|---|--|
| Row 1 | Revenues Indirect costs Capital expenditures Capital allocation Acquisitions and divestments Access to capital Assets | <p>Access to capital climate-related opportunities influencing financial planning:</p> <p>The Sanlam Investment Group (SIG) together with FMO, the Dutch development bank, provided seed capital of R5.3 billion to establish the Climate Investor One (CIO) - a green renewable energy fund</p> <ul style="list-style-type: none"> > The fund is designed to combat the detrimental effects of climate change > A truly global initiative designed to fast-track renewable energy projects in emerging markets > This award winning blended finance initiative is widely regarded as highly innovative > The fund combines 3 investment funds into 1 facility to finance renewable energy projects at different stages of the project lifecycle (from idea development to construction through to refinancing) with the ability to recycle the capital. <p>With the support of broad public and private sector commitment, CIO mobilised commercial funds to reach US\$850 million (R12,265 million) by June 2019 – 30% above target.</p> <p>Climate Investor One is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.</p> <p>CIO therefore gives SIG's clients the opportunity to invest in a fund that has a positive impact on the environment, while benefiting from the unique profile of an asset class that delivers long-term assets to meet the long-term cash-flow needs of clients.</p> <p>Sanlam's opportunity relates to the profits made by the fund. The closure of the Climate Investor One Fund in 2019 generated one-off income of R68 million.</p> <p>Short term impact on financial planning relates to the R2 million capital required to spend on assets to replace the Sanlam head office emergency lighting and Santam's remaining T8 parking lights as well as the T5 staircase and floor lighting with LED lights to save on energy consumption and maintenance.</p> <p>Sanlam also replaced the steam humidity in the Data center with a water spray system. By using spray nozzles for humidification savings</p> |

| | |
|--|---|
| | <p>on the replacement cost for the bottles as well as the electricity to heat the water to steam can be achieved.</p> <p>Further, the cooling valves in the Sanlam main building chiller water system was replaced to improve the controls and efficiency of the air conditioning in the building. Variable speed drives were installed on the AHUs to improve controls and the compressor in the main plant room was removed to reduce energy consumption.</p> |
|--|---|

C3.1f

(C3.1f) Provide any additional information on how climate-related risks and opportunities have influenced your strategy and financial planning (optional).

C-FS3.2

(C-FS3.2) Are climate-related issues considered in the policy framework of your organization?

Yes, climate-related issues are integrated into our general policy framework that relates to our financing activities

C-FS3.2a

(C-FS3.2a) In which policies are climate-related issues integrated?

| | Type of policy | Portfolio coverage of policy | Description |
|---------------------------|---|------------------------------|--|
| Investing (Asset manager) | Credit policy Underwriting policy Sustainable/Responsible Investment Policy Investment policy/strategy | All of the portfolio | <p>The Sanlam Investment Group (SIG), in line with the objectives of the UN Principles for Responsible Investment and CRISA, incorporates ESG issues into their decision-making and ownership practices.</p> <p>Climate related risks are assessed as part of the overall ESG risk of the companies we invest in.</p> <p>Sanlam's Credit Risk Framework incorporates ESG principles since 2013 as well as a responsible lending policy for hedge funds.</p> <p>In December 2015, the Sanlam Investments management fixed interest team obtained approval from the Sanlam</p> |

| | | | |
|---|---|----------------------|--|
| | | | Central Credit committee to incorporate ESG factors into the credit approval process. These policies will ensure that ESG principles are considered when making lending decisions. |
| Investing (Asset owner) | Credit policy Risk policy Sustainable/Responsible Investment Policy Investment policy/strategy | All of the portfolio | Sanlam Corporate, in line with the objectives of the UN Principles for Responsible Investment and CRISA, incorporates ESG issues into their decision-making and ownership practices. Climate related risks are assessed as part of the overall ESG risk of the funds we invest in. |
| Insurance underwriting (Insurance company) | Risk policy Investment policy/strategy Insurance underwriting policy | All of the portfolio | Santam has a Climate Change Position Statement which describes how climate-related issues are integrated in policies as well as the Santam Group FutureFit strategy. Sanlam and Santam are founding members of the UNEP FI Principles for Sustainable Insurance (PSI) subscribing to the 4 sustainable insurance principles: – Principle 1: Embed in decision-making ESG issues relevant to insurance business. – Principle 2: Work together with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions. – Principle 3: Work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues. – Principle 4: Demonstrate accountability and transparency by regularly disclosing publicly progress in implementing the Principles. Santam has over the last few years expanded its disaster risk management tactics to a more holistic shared risk management method in line with Sustainable Insurance principles. |

| | | | |
|---|--|--|---|
| | | | <p>The Partnerships for Risk and Resilience Programme (P4RR) initiative is one of four focus areas of Santam’s ESG framework.</p> <p>P4RR helps municipalities develop disaster resilience through a range of pragmatic preventive measures. Done well, this can be a substantial win-win situation that reduces the likelihood of flood or fire reaching catastrophic proportions, thereby leading to fewer losses and, ultimately, fewer claims.</p> <p>P4RR identifies and reduces systemic risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone, high-risk areas.</p> |
| Other products and services, please specify | | | Not Applicable. |

C-FS3.3

(C-FS3.3) Are climate-related issues factored into your external asset manager selection process?

Yes, for some assets managed externally

C-FS3.3a

(C-FS3.3a) How are climate-related issues factored into your external asset manager selection process?

| | Process for factoring climate-related issues into external asset management selection | Comment |
|-------|---|--|
| Row 1 | Review asset manager's climate-related policies | <p>Where multi-managed portfolios are concerned, the buying of securities is outsourced to external service providers who may or may not incorporate climate-related issues in their policy framework. Sanlam Corporate typically assesses their process and ESG integration, which feeds into our risk assessment in our manager selection process.</p> <p>Where Sanlam-managed portfolios are concerned, climate-related issues are considered as part of the Sanlam ESG policy.</p> |

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Intensity target

C4.1b

(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).

Target reference number

Int 1

Year target was set

2015

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 1+2 (location-based)

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2014

Intensity figure in base year (metric tons CO₂e per unit of activity)

5,91

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

10

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

5,319

% change anticipated in absolute Scope 1+2 emissions

7,28

% change anticipated in absolute Scope 3 emissions

0

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

4,85

% of target achieved [auto-calculated]

179,3570219966

Target status in reporting year

Achieved

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)

As per CDP2019:

The target relates to company-wide Scope 1 & 2 (location-based) emissions only. Sanlam and Santam have exceeded the target and will continue to reduce office buildings' Scope 1 and Scope 2 emissions through energy efficiency initiatives.

Target reference number

Int 2

Year target was set

2015

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 3: Purchased goods & services

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2014

Intensity figure in base year (metric tons CO₂e per unit of activity)

0,0977

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

10

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0,08793

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

7,28

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

0,0725

% of target achieved [auto-calculated]

257,9324462641

Target status in reporting year

Achieved

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)

As per CDP2019:

The target relates to company-wide emissions from Scope 3 – paper only.

Sanlam and Santam will continue to reduce office paper consumption through technology and behaviour changes.

Target reference number

Int 3

Year target was set

2015

Target coverage

Company-wide

Scope(s) (or Scope 3 category)

Scope 3: Business travel

Intensity metric

Metric tons CO₂e per unit FTE employee

Base year

2014

Intensity figure in base year (metric tons CO₂e per unit of activity)

0,8351

% of total base year emissions in selected Scope(s) (or Scope 3 category) covered by this intensity figure

100

Target year

2020

Targeted reduction from base year (%)

10

Intensity figure in target year (metric tons CO₂e per unit of activity) [auto-calculated]

0,75159

% change anticipated in absolute Scope 1+2 emissions

0

% change anticipated in absolute Scope 3 emissions

7,28

Intensity figure in reporting year (metric tons CO₂e per unit of activity)

1,16

% of target achieved [auto-calculated]

-389,0552029697

Target status in reporting year

Underway

Is this a science-based target?

No, but we anticipate setting one in the next 2 years

Please explain (including target coverage)

As per CDP2019:

Target relates to company-wide emissions from Scope 3 – business travel only.

Air and road travel as well as overnight accommodation will be reduced by using video- and tele-conferencing where appropriate instead of travelling.

C4.2

(C4.2) Did you have any other climate-related targets that were active in the reporting year?

No other climate-related targets

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.

Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO₂e savings.

| | Number of initiatives | Total estimated annual CO ₂ e savings in metric tonnes CO ₂ e (only for rows marked *) |
|---------------------------|-----------------------|--|
| Under investigation | 1 | |
| To be implemented* | 2 | 2 245,36 |
| Implementation commenced* | 0 | 0 |
| Implemented* | 5 | 539,89 |
| Not to be implemented | 0 | |

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative category & Initiative type

Energy efficiency in buildings
Lighting

Estimated annual CO₂e savings (metric tonnes CO₂e)

101,92

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

108 000

Investment required (unit currency – as specified in C0.4)

390 000

Payback period

1-3 years

Estimated lifetime of the initiative

6-10 years

Comment

Replace emergency lighting with LED light fittings at the Sanlam head office to save on energy consumption and maintenance.

Initiative category & Initiative type

Energy efficiency in buildings

Lighting

Estimated annual CO2e savings (metric tonnes CO2e)

29,22

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

34 000

Investment required (unit currency – as specified in C0.4)

151 600

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

Replace remaining T8 parking lights as well as the T5 staircase and floor lighting in the Santam Admin building with LED lights to save on energy consumption and maintenance.

Initiative category & Initiative type

Energy efficiency in buildings

Maintenance program

Estimated annual CO2e savings (metric tonnes CO2e)

39,76

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

49 700

Investment required (unit currency – as specified in C0.4)

60 600

Payback period

1-3 years

Estimated lifetime of the initiative

6-10 years

Comment

Replace the steam humidity in the Sanlam Data center with a water spray system. By using spray nozzles for humidification savings on the replacement cost for the bottles as well as the electricity to heat the water to steam can be achieved.

Initiative category & Initiative type

Energy efficiency in buildings
Heating, Ventilation and Air Conditioning (HVAC)

Estimated annual CO2e savings (metric tonnes CO2e)

301,6

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

250 000

Investment required (unit currency – as specified in C0.4)

950 000

Payback period

1-3 years

Estimated lifetime of the initiative

16-20 years

Comment

Replace the cooling valves in the Sanlam main building chiller water system to improve the controls and efficiency of the air conditioning in the building.

Initiative category & Initiative type

Energy efficiency in buildings
Motors and drives

Estimated annual CO2e savings (metric tonnes CO2e)

67,39

Scope(s)

Scope 2 (location-based)

Voluntary/Mandatory

Voluntary

Annual monetary savings (unit currency – as specified in C0.4)

83 000

Investment required (unit currency – as specified in C0.4)

490 000

Payback period

4-10 years

Estimated lifetime of the initiative

6-10 years

Comment

Install variable speed drives on Sanlam's AHUs to improve controls as well as remove the compressor in the main plant room to reduce energy consumption.

C4.3c**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

| Method | Comment |
|---|--|
| Dedicated budget for energy efficiency | Projects are considered against feasibility and ROI measures that in the first instance need to make financial and business sense. However, Sanlam's resource consumption and efficiency is managed primarily by Facilities Management who report to the Finance unit, but have a co-operative relationship with the Sustainability unit. This co-operation identified the need for a dedicated budget for energy efficiency to reduce energy consumption and associated carbon emissions. |
| Partnering with governments on technology development | Sanlam and Santam make use of the Government's Section 12I tax allowance incentive as well as the Eskom Demand Side Management (DSM) subsidies and rebates where available to help defray the capital costs of equipment. |
| Employee engagement | Sanlam and Santam continually encourage staff to reduce their footprint and consider the environment. |

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation

Group of products

Description of product/Group of products

Santam's subsidiaries Emerald and Mirabilis provide insurance cover for renewable energy projects.

Are these low-carbon product(s) or do they enable avoided emissions?

Low-carbon product

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions

Estimating and Reporting the Comparative Emissions Impacts of Products (WRI)

% revenue from low carbon product(s) in the reporting year

2

% of total portfolio value

Asset classes/ product types

Comment

Mirabilis insure a number of rooftop solar installation projects throughout South Africa, and selected projects across the rest of Africa. They underwrite a number of larger projects which produce power from renewable sources namely Nxuba Wind Farm, Oyster Bay Wind Farm, and Garob Wind Farm in South Africa; as well as Jiji Hydropower and Mulembwe Hydropower in Burundi, Kafue Gorge Hydropower in Zambia, Bhotekoshi Hydropower in Nepal, and Solar Park Freetown in Sierra Leone.

Emerald provide insurance cover for various renewable energy projects such as the Ngodwana biomass energy plant, Dorper Wind Farm, Droogfontein Solar Power, Jeffreys Bay Wind Farm, Droogfontein Solar power, and further renewable covers to Amstilite RF (Pty) Ltd, Main Street 957 RF (Pty) Ltd, Amstilinx RF (Pty) Ltd, Ramizone RF (Pty) Ltd, Bokamoso Energy (Pty) Ltd.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start

janvier 1, 2014

Base year end

décembre 31, 2014

Base year emissions (metric tons CO₂e)

137,84

Comment

Scope 2 (location-based)

Base year start

janvier 1, 2014

Base year end

décembre 31, 2014

Base year emissions (metric tons CO₂e)

46 116,66

Comment

Scope 2 (market-based)

Base year start

janvier 1, 2014

Base year end

décembre 31, 2014

Base year emissions (metric tons CO₂e)

46 116,66

Comment

No instruments purchased during 2014.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate emissions.

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

C6. Emissions data

C6.1

(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)

2 390,52

Comment

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We are reporting a Scope 2, market-based figure

Comment

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

41 352,9

Scope 2, market-based (if applicable)

41 352,9

Comment

No contractual instruments purchased.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

Yes

C6.4a

(C6.4a) Provide details of the sources of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure.

Source

Facilities falling outside the Group Sustainability Management Framework.

Relevance of Scope 1 emissions from this source

Emissions are not relevant

Relevance of location-based Scope 2 emissions from this source

Emissions are not relevant

Relevance of market-based Scope 2 emissions from this source (if applicable)

Emissions are not relevant

Explain why this source is excluded

Sanlam's carbon footprint incorporates the 6 key regional South African locations subject to its Sustainability Management Framework, as well as the 5 regional offices of Santam. These facilities constitute about 70% of the physical footprint. Facilities and offices outside the regional 11 Sanlam and Santam offices are not material and therefore not included.

C6.5

(C6.5) Account for your organization's gross global Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

652,84

Emissions calculation methodology

Consumption of office and policy paper

Emission factors: Mondi Rotatrim Paper Profile and Sappi Typek Paper Profile - released August 2019 and May 2019 respectively indicating electricity usage and CO2 emissions per tonne of paper.

Tonnes of paper purchased provided by the service providers were used to calculate emissions according to the GHG Protocol using the provided emission factors.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Capital goods

Evaluation status

Relevant, not yet calculated

Please explain

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status

Relevant, calculated

Metric tonnes CO2e

4 011,23

Emissions calculation methodology

Losses from Transmission & Distribution

Kilowatt-hours purchased from Eskom were used to calculate emissions according to the GHG Protocol using Eskom's 2019 emission factors for Transmission and Distribution losses.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Upstream transportation and distribution

Evaluation status

Relevant, calculated

Metric tonnes CO2e

816,3

Emissions calculation methodology

Courier services - tonne.kilometres provided by courier service providers were used to calculate emissions according to the GHG Protocol using Defra's 2019 freighting goods emission factors.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

509,2

Emissions calculation methodology

Waste to landfill, recycled & composted

Tonnes of waste to landfill and tonnes of food and municipal waste recycled and composted were used to calculate emissions according to the GHG Protocol using Defra's 2019 emission factors for municipal waste.

Emission factor for waste was sourced from Friedrich and Trois (2013). The specific factor used is for "landfill sites without gas collection" and includes carbon storage – 100 years.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

11 332,12

Emissions calculation methodology

Business travel in rental cars, commercial airlines, hotel accommodation, travel claims and travel by shuttle, chauffeur and bus.

Car rental - kilometres travelled, car engine size and type of fuel used provided by service provider. Defra's 2019 emission factors for business travel - land used.

Air travel - flight information provided by service provider, including class of travel,

departure dates and destination of each leg. Carbon Calculated determined the distance travelled. Defra's 2019 emission factors for business travel - air used.

Hotel accommodation - bednights provided by service provider. Defra's 2019 emission factors for hotel stay used.

Travel claims - claims for kilometres travelled in an unknown vehicle - Defra's 2019 emission factors for business travel - land used.

Travel by shuttle, chauffeur and bus - kilometres travelled in an unknown vehicles - Defra's 2019 emission factors for business travel - land used.

Data for business travel was extrapolated to reflect 69% of FTEs.

Emissions were calculated according to the GHG Protocol.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Employee commuting

Evaluation status

Relevant, calculated

Metric tonnes CO2e

16 949,31

Emissions calculation methodology

An employee commuting survey carried out by Sanlam and Santam in 2018 revealed an average 1.82550 and 2.02179 tCO2e per employee for annual commuting respectively. This is multiplied by number of employees covered in the report – 9 010.

Kilometres travelled according to the mode of transport was used to calculate emissions according to the GHG Protocol using Defra's 2019 emission factors. 12 public holidays were included in the calculation.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Upstream leased assets

Evaluation status

Relevant, not yet calculated

Please explain

Downstream transportation and distribution

Evaluation status

Not relevant, explanation provided

Please explain

Sanlam and Santam are financial services and insurance providers and hence, do not produce any goods requiring transportation and distribution.

Courier services are accounted for under upstream transportation and distribution.

Processing of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Sanlam and Santam are financial services and insurance providers and its sold products do not need third-party processing that generate GHG emissions.

Use of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Sanlam and Santam are financial services and insurance providers and its sold products do not consume energy when used to generate GHG emissions.

End of life treatment of sold products

Evaluation status

Not relevant, explanation provided

Please explain

Sanlam and Santam are financial services and insurance providers and hence, do not produce sold products that need to be treated at end of life.

Policy paper used is already accounted for under purchased goods and services.

Downstream leased assets

Evaluation status

Relevant, calculated

Metric tonnes CO₂e

809,55

Emissions calculation methodology

Electricity consumption of tenants that occupy a portion of the Sanlam Head Office Kilowatt-hours purchased from Eskom were used to calculate emissions according to Eskom's 2019 emissions factor.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

Please explain

Franchises

Evaluation status

Relevant, not yet calculated

Please explain

Information on franchises is not available.

Other (upstream)

Evaluation status

Please explain

Other (downstream)

Evaluation status

Please explain

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO₂e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure

0,0000058473

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

43 743,42

Metric denominator

unit total revenue

Metric denominator: Unit total

7 481 000 000

Scope 2 figure used

Location-based

% change from previous year

40,3

Direction of change

Increased

Reason for change

A 14,56% increase in Scope 1 & 2 emissions mainly as a result of an increased emissions factor for purchased electricity as well as a change in disclosure of leased vehicles, offset by energy efficiency initiatives such as installing LED lights and variable speed drives on AHUs and replacing cooling valves of the chiller water system to improve air conditioning efficiency reducing electricity consumption by 1,41%, together with a 18,35% decrease in revenue earned, resulted in an increase in the intensity figure for revenue.

Intensity figure

0,2613

Metric numerator (Gross global combined Scope 1 and 2 emissions, metric tons CO₂e)

43 743,42

Metric denominator

square meter

Metric denominator: Unit total

167 427

Scope 2 figure used

Location-based

% change from previous year

16,48

Direction of change

Increased

Reason for change

A 14,56% increase in Scope 1 & 2 emissions mainly as a result of an increased emissions factor for purchased electricity as well as a change in disclosure of leased vehicles, offset by energy efficiency initiatives such as installing LED lights and variable speed drives on AHUs and replacing cooling valves of the chiller water system to improve air conditioning efficiency reducing electricity consumption by 1,41%, together with a 1,66% decrease in square meters occupied by facilities, resulted in an increase in the intensity figure per square meter.

C7. Emissions breakdowns

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Increased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined), and for each of them specify how your emissions compare to the previous year.

| | Change in emissions (metric tons CO2e) | Direction of change | Emissions value (percentage) | Please explain calculation |
|--|--|---------------------|------------------------------|--|
| Change in renewable energy consumption | 0 | | 0 | The Sanlam Group has not generated any renewable energy during the reporting year. |
| Other emissions reduction activities | 539,89 | | 1,41 | Energy efficiency initiatives such as replacing Sanlam HO's emergency lighting and Santam's parking, staircase and floor lighting with LED lights, together with Sanlam's replacement of cooling valves in the main building chiller water system and installing variable speed drives on AHUs to improve efficiency of the air conditioning resulted in reduced electricity consumption and carbon emissions by 539,89 tCO2e. Total Scope 1 & 2 emissions for 2018 were 38 185,35 tCO2e. We therefore arrived at 1,41% through $(539,89/38\ 185,35) * 100 = 1,41\%$. |
| Divestment | | | | |
| Acquisitions | | | | |
| Mergers | | | | |
| Change in output | | | | |
| Change in methodology | 5 987,51 | | 15,68 | Santam's ABSA fleet was historically reported as Scope 3 however, they are |

| | | | | |
|---|--------|--|------|--|
| | | | | <p>long-term leases and under Santam's operational control, hence they have been moved to Scope 1 in FY19. SIM Funeral (Sanlam) car fleet in Kwazulu Natal was included for the first time in Scope 1.</p> <p>The emissions factor for purchased electricity from Eskom (Scope 2) increased from 0,95 in 2018 to 1,04 kg CO₂e per kWh in 2019.</p> <p>Total Scope 1 & 2 emissions for 2018 were 38 185,35 tCO₂e. We therefore arrived at 15,68% through $(5987,51/38\ 185,35) * 100 = 15,68\%$.</p> |
| Change in boundary | | | | |
| Change in physical operating conditions | 110,46 | | 0,29 | <p>Load shedding during the reporting year resulted in an increase in consumption of diesel in generators.</p> <p>Total Scope 1 & 2 emissions for 2018 were 38 185,35 tCO₂e. We therefore arrived at 0,29% through $(110,46/38\ 185,35) * 100 = 0,29\%$.</p> |
| Unidentified | | | | |
| Other | | | | |

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

| | Indicate whether your organization undertook this energy-related activity in the reporting year |
|--|---|
| Consumption of fuel (excluding feedstocks) | Yes |
| Consumption of purchased or acquired electricity | Yes |
| Consumption of purchased or acquired heat | No |
| Consumption of purchased or acquired steam | No |
| Consumption of purchased or acquired cooling | No |
| Generation of electricity, heat, steam, or cooling | No |

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

| | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total (renewable and non-renewable) MWh |
|--|----------------------------|----------------------------|--------------------------------|---|
| Consumption of fuel (excluding feedstock) | HHV (higher heating value) | 0 | 9 507,71 | 9 507,71 |
| Consumption of purchased or acquired electricity | | 0 | 39 762,4 | 39 762,4 |
| Total energy consumption | | 0 | 49 270,11 | 49 270,11 |

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

Description

Other, please specify

Annual water consumption at the 11 regional offices of Sanlam and Santam

Metric value

174 612

Metric numerator

Total kilolitre consumption

Metric denominator (intensity metric only)**% change from previous year**

4,29

Direction of change

Increased

Please explain

At Sanlam Sky a leak was detected underground, which was fixed. The number of students that visited the Training and Development Building from all over the country also increased dramatically, leading to more water usage. Post the drought in 2018 most buildings continued with water savings.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

| | Verification/assurance status |
|--|--|
| Scope 1 | Third-party verification or assurance process in place |
| Scope 2 (location-based or market-based) | Third-party verification or assurance process in place |
| Scope 3 | Third-party verification or assurance process in place |

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 emissions, and attach the relevant statements.

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/ section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 2 emissions and attach the relevant statements.

Scope 2 approach

Scope 2 location-based

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/ section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.1c

(C10.1c) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope 3 category

Scope 3: Purchased goods and services

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Fuel and energy-related activities (not included in Scopes 1 or 2)

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Upstream transportation and distribution

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Waste generated in operations

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Business travel

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

76

Scope 3 category

Scope 3: Employee commuting

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

Scope 3 category

Scope 3: Downstream leased assets

Verification or assurance cycle in place

Annual process

Status in the current reporting year

Complete

Type of verification or assurance

Limited assurance

Attach the statement

 Sanlam_GHG_Verification_Statement_2019.pdf

Page/section reference

Pages 1-3

Relevant standard

ISO14064-3

Proportion of reported emissions verified (%)

100

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?

Yes

C10.2a

(C10.2a) Which data points within your CDP disclosure have been verified, and which verification standards were used?

 Sanlam_GHG_Verification_Statement_2019.pdf

| Disclosure module verification relates to | Data verified | Verification standard | Please explain |
|---|--------------------|-----------------------|---|
| C8. Energy | Energy consumption | ISO 14064-3 | Electricity consumed in MWhs during the period 1 January 2019 to 31 December 2019 in the following buildings: |

| | | | |
|------------------------|--|-------------|--|
| | | | Sanlam: Head Office, Houghton/Sky, Sanlam Investment Management, Alice Lane, Glacier and Sanlynn. Santam: Head office, Auckland Park, Garsfontein, Alice Lane and Glacier. 100% of data verified annually. |
| C9. Additional metrics | Other, please specify Water consumption | ISO 14064-3 | Water consumption in kl during the period 1 January 2019 to 31 December 2019 in the following buildings: Sanlam: Head Office, Houghton/Sky, Sanlam Investment Management, Alice Lane, Glacier and Sanlynn. Santam: Head office, Auckland Park, Garsfontein, Alice Lane and Glacier. 100% of data verified annually. |

C11. Carbon pricing

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?

Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase

Credit purchase

Project type

Energy efficiency: households

Project identification

Wonderbag Project

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)

2 450

Number of credits (metric tonnes CO2e): Risk adjusted volume

2 450

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

Credit origination or credit purchase

Credit purchase

Project type

Wind

Project identification

Wind Energy India

Verified to which standard

VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO₂e)

912

Number of credits (metric tonnes CO₂e): Risk adjusted volume

912

Credits cancelled

Yes

Purpose, e.g. compliance

Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?

No, and we do not currently anticipate doing so in the next two years

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?

Yes, our suppliers

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement

Information collection (understanding supplier behavior)

Details of engagement

Collect climate change and carbon information at least annually from suppliers

% of suppliers by number

1

% total procurement spend (direct and indirect)

1

% of supplier-related Scope 3 emissions as reported in C6.5

35,6

Rationale for the coverage of your engagement

Environmental analysis of suppliers is incorporated into Sanlam's Procurement Policy, in which suppliers can be asked to provide proof of their own environmental policies, quantified environmental impact and initiatives to reduce their environmental impact, inclusive of actions to reduce their greenhouse gas emissions. Focus is placed on the environmental awareness of the goods purchased.

Sanlam has committed to recording and tracking at least 80% of its Scope 3 emissions as well as setting other environment sustainability targets linked to electricity, water, travel, waste and investments.

Impact of engagement, including measures of success

Emissions from the consumption of office and policy paper decreased as a result of introducing E-sign that allows a client to sign documents electronically in a secure and authenticated way, removing the need for an intermediary to visit a client just to obtain a signature. E-sign offers convenience to clients, speeds up sales and processes and reduces paper consumption.

Wasteful printing is contained by means of a print management solution that locks printing and has default duplex page settings. From September 2018 to September 2019 more than 10 million pages have been "saved" by these settings.

Sanlam also engaged with travel agent's to obtain data to calculate scope 3 emissions from travel (flights, car rental, travel claims and accommodation bookings). Emissions from business travel decreased by 20,85% as a result of a target for reducing travel by 10% per FTE.

Comment

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers

Trade associations

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

| Focus of legislation | Corporate position | Details of engagement | Proposed legislative solution |
|--------------------------|--------------------|---|---|
| Adaptation or resilience | Support | The Sanlam/WWF Water Partnership includes a strong advocacy role on all water legislature issues in South Africa. | Improved water efficiency, quality security and allocation, benefitting all South African citizens. |

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Association for Savings and Investments (ASISA)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

ASISA provides a platform for regulated collaboration in the investment industry as South African legislation prohibits collaborative efforts, which makes it challenging to implement the UN principle that recommends companies work together to enhance their ability to implement the other principles. ASISA conducts research and raise awareness regarding the UN-PRI's environmental and social components of the ESG framework. Under ASISA's guidance, a local Code for Responsible Investing (CRISA) has been formulated.

How have you influenced, or are you attempting to influence their position?

Sanlam and the Sanlam Investment Group (SIG) are signatories to the United Nations Principles for Responsible Investment (UN PRI), which commits Sanlam to start considering social and environmental criteria in investment analysis and the decision-making processes, accompanied by annual reporting. SIG and Santam are signatories to the CRISA code and Sanlam members are active on all of the ASISA standing committees and working groups. Sanlam's corporate memberships also serve to connect Sanlam to the views of key groups of stakeholders and provide a valuable two-

way communication opportunity to share learnings and to influence views, behaviours and actions.

Trade association

South African Insurance Association (SAIA)

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The South African Insurance Association (SAIA) is the representative body of the short-term insurance industry. SAIA recognizes the role that industry should fulfil in wider sustainability issues such as a risk management in a changing natural and built environment, including climate change and disaster management, as well as economic and societal issues such as the energy and water crisis in South Africa. SAIA reports that climate change poses a material financial challenge to insurers and threatens both insurability and affordability. If insurers fail to adequately address climate risk it will impact on the sustainability of the sector. Changing the way insurers understand, communicate and act on climate risks can incentivize clients and policymakers to reduce their exposure to these risks and so contribute to mitigation and the promotion of resilient economies.

How have you influenced, or are you attempting to influence their position?

Santam is an active participant in various SAIA committees. Through these committees Santam shares the findings from the environmental scanning process which considers the macro and micro factors that impact the general insurance operating environment. Santam sits on the Board of both the PSI and ClimateWise. All relevant and pertinent information gathered from these committees are shared with SAIA either through the various committees or via the leadership.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

The Sanlam Sustainability Management Office takes direct responsibility for Sanlam's partnership with WWF and involves bi-monthly meetings and updates on all aspects of the project, including advocacy. If there were to be any difference of strategy, this would be shared with the Social, Ethics and Sustainability Committee of the Sanlam Board and decisions made accordingly.

Similarly, any strategy direction of ASISA will be monitored by Sanlam Investments and if divergent, will be taken to SIG Board level and then the Social, Ethics and Sustainability Committee of the Sanlam Board for review.

The Social Ethics and Sustainability Committee, consists of key individuals who represent a wide range of business functions, many of which roll up into a Group Office function. The Group Compliance office engages with regulatory bodies, representing Sanlam position on policy related debates and forums. Various business unit key representatives, including the Company Secretariat, regularly engage with Regulator, Shareholders, Government and Business partners on key policy issues impacting the business, including climate change (where applicable).

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication

In mainstream reports

Status

Complete

Attach the document

 Sanlam_Integrated_Report_2019.pdf

Page/Section reference

Sanlam Integrated Report 2019 - pg. 2 -158

Content elements

Governance
 Strategy
 Risks & opportunities

Comment

Publication

In voluntary sustainability report

Status

Complete

Attach the document

 Sanlam Creating Resilience 2019.pdf

Page/Section reference

Sanlam Creating Resilience 2019 - pg. 1-22

Content elements

Emissions figures
Emission targets
Other metrics

Comment

Publication

In mainstream reports

Status

Complete

Attach the document

 Santam Integrated Report 2019.pdf

Page/Section reference

Santam Integrated Report 2019 - pages 2 - 140

Content elements

Governance
Strategy
Risks & opportunities

Comment

Publication

In voluntary communications

Status

Complete

Attach the document

 Santam_climate-change-positioning-statement.pdf

Page/Section reference

Climate Change Position Statement - p1-2

Content elements

Strategy

Comment

C-FS12.5

(C-FS12.5) Are you a signatory of any climate-related collaborative industry frameworks, initiatives and/or commitments?

| | Industry collaboration | Comment |
|---------------------|---|--|
| Reporting framework | Principles for Responsible Investment (PRI) UNEP FI Principles for Sustainable Insurance | Sanlam and the Sanlam Investment Group (SIG) are signatories to the United Nations Principles for Responsible Investment (UN PRI), which commits Sanlam to start considering social and environmental criteria in investment analysis and the decision-making processes, accompanied by annual reporting. |
| Industry initiative | Principles for Responsible Investment (PRI) UNEP FI Principles for Sustainable Insurance ClimateWise Principles | Santam is an active participant in various South African Insurance Association (SAIA) committees. Through these committees Santam shares the findings from the environmental scanning process which considers the macro and micro factors that impact the general insurance operating environment. Santam sits on the Board of both the PSI and ClimateWise. All relevant and pertinent information gathered from these committees are shared with SAIA either through the various committees or via the leadership. |
| Commitment | ClimateWise Principles Other, please specify C40 Cities Community of Practice | Santam sits on the Board of both the PSI and ClimateWise. C40 Cities Community of Practice focuses on addressing climate-related issues in South African metros. |

C14. Portfolio Impact

C-FS14.1

(C-FS14.1) Do you conduct analysis to understand how your portfolio impacts the climate? (Scope 3 portfolio impact)

| | We conduct analysis on our portfolio's impact on the climate | Comment |
|---------------------------|--|---------|
| Investing (Asset manager) | No | |
| Investing (Asset owner) | No | |

| | | |
|---|----------------|--|
| Insurance underwriting (Insurance company) | No | |
| Other products and services, please specify | Not applicable | |

C-FS14.1c

(C-FS14.1c) Why do you not conduct analysis to understand how your portfolio impacts the climate? (Scope 3 Category 15 “Investments” emissions or alternative carbon footprinting and/or exposure metrics)

At Sanlam Investments all equity and debt investments are governed by a Responsible Investment Policy. As a result, investment processes incorporates ESG principles, including climate change. Climate related risks are assessed through a subscription to ESG research conducted by an external ratings provider using public information and the findings are factored into the investment process.

An assessment of climate related risks can be done on request. However, this process does not include a quantitative analysis of carbon emissions at this stage.

C-FS14.3

(C-FS14.3) Are you taking actions to align your portfolio to a well below 2-degree world?

| | We are taking actions to align our portfolio to a well below 2-degree world | Please explain |
|---------------------------|---|---|
| Investing (Asset manager) | Yes | <p>Global responses required to meet the Paris Agreement’s goal of reducing average temperatures to below 1.5 °C will require drastic changes to local and international energy infrastructure, as well as the infrastructure required to meet climate adaptation goals.</p> <p>Sanlam Investments are therefore developing and/or expanding its low emission goods and services: increasing revenue through access to new and emerging markets (e.g. partnerships with governments, development banks). It is continuing and/or developing environmental/climate change investment funds such as its partnership with the Development Bank of the Netherlands in the Climate Investor One Development Fund and Construction Equity Fund vehicles which have proved particularly successful in 2019, in which \$US 850 million has been mobilised for investments in renewable energy projects.</p> |

| | | |
|---|--|---|
| Investing (Asset owner) | No, but we plan to do so in the next two years | Sanlam Corporate will continue to participate in the Sanlam Group's initiatives to assess and articulate climate-related risks and opportunities to the group's owned assets (such as investments in stocks, bonds, shares) to align to a well below 2-degree world. |
| Insurance underwriting (Insurance company) | Yes | <p>Global responses required to meet the Paris Agreement's goal of reducing average temperatures to below 1.5 °C will require drastic changes to local and international energy infrastructure, as well as the infrastructure required to meet climate adaptation goals.</p> <p>Santam identified various opportunities to develop climate adaptation and insurance risk solutions to address physical climate risks.</p> <p>As such Santam's subsidiaries Emerald and Mirabilis provide insurance cover for renewable energy projects.</p> |
| Other products and services, please specify | Not applicable | |

C-FS14.3a

(C-FS14.3a) Do you assess if your clients/investees' business strategies are aligned to a well below 2-degree world?

| | We assess alignment | Please explain |
|--|---------------------|--|
| Investing (Asset manager) | Yes, for all | <p>Climate Investor One (CIO) fund is a green renewable energy fund. The fund is designed to combat the detrimental effects of climate change which fast-track only renewable energy projects in emerging markets.</p> <p>It finances renewable energy projects at different stages of the project lifecycle (from idea development to construction through to refinancing).</p> <p>CIO is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.</p> <p>CIO therefore gives SIG's clients the opportunity to invest in a fund that has a positive impact on the environment.</p> |
| Insurance underwriting (Insurance company) | Yes, for some | <p>Mirabilis insure a number of rooftop solar installation projects throughout South Africa, and selected projects across the rest of Africa. They underwrite a number of larger projects which produce power from renewable sources namely Nxuba Wind Farm, Oyster Bay Wind Farm, and Garob Wind Farm in South Africa; as well as Jiji Hydropower and Mulembwe Hydropower in Burundi, Kafue</p> |

| | | |
|--|--|---|
| | | <p>Gorge Hydropower in Zambia, Bhotekoshi Hydropower in Nepal, and Solar Park Freetown in Sierra Leone.</p> <p>Emerald provide insurance cover for various renewable energy projects such as the Ngodwana biomass energy plant, Dorper Wind Farm, Droogfontein Solar Power, Jeffreys Bay Wind Farm, Droogfontein Solar power, and further renewable covers to Amstilite RF (Pty) Ltd, Main Street 957 RF (Pty) Ltd, Amstilinx RF (Pty) Ltd, Ramizone RF (Pty) Ltd, Bokamoso Energy (Pty) Ltd.</p> |
|--|--|---|

C-FS14.3b

(C-FS14.3b) Do you encourage your clients/investees to set a science-based target?

| | We encourage clients/investees to set a science-based target | Please explain |
|--|--|--|
| Investing (Asset manager) | Yes, for some | The CIO Fund is a green renewable energy fund. |
| Insurance underwriting (Insurance company) | Yes, for some | Santam's subsidiaries Emerald and Mirabilis provide insurance cover for renewable energy projects. |

C15. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C15.1

(C15.1) Provide details for the person that has signed off (approved) your CDP climate change response.

| | Job title | Corresponding job category |
|-------|-------------------------------|------------------------------------|
| Row 1 | Sanlam - Head: Sustainability | Environment/Sustainability manager |

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

| | I am submitting to | Public or Non-Public Submission |
|-----------------------------|---------------------------|--|
| I am submitting my response | | Public |

Please confirm below