

SANTAM LIMITED AND SUBSIDIARIES' (SANTAM)

CLIMATE CHANGE POSITION STATEMENT

INTRODUCTION

Santam's purpose is to provide risk solutions for our clients. With more than 103 years of history in the insurance industry, Santam has played a valuable role in the economic and social development of South Africa. In continuing with our brand promise of insurance good and proper, we are committed to help build resilient societies and contribute towards reducing the risk protection gap.¹

Climate change is a complex and evolving phenomenon that poses material risk to the security and safety of our clients, society, and the global economy. The consequences of climate change are already evident in more extreme weather events. The World Economic Forum (WEF) 2021 Global Risk Report confirmed that disasters triggered by natural hazards are becoming more intense and frequent due to climate change.² The potential increased scale and frequency of severe weather events and disasters will directly impact the insurance industry. Santam is committed to understanding the risk that climate change poses to its business and stakeholders. In collaboration with our stakeholders and research partners, we will continue to refine our climate change response with the aim of better understanding and managing climate-related risks.

THE SANTAM GROUP IN A CHANGING CLIMATE

Santam is South Africa's leading general insurer and the largest on the African continent by premium size. We recognise the urgency required to address climate change and the complexity this brings. Our position towards climate change is founded on scientific research. In this regard, we acknowledge the Paris Agreement's long-term ambition, to limit the global temperature rise below 2°C, and preferably to 1.5°C, compared to pre-industrial levels. In the Working Group I contribution to the Sixth Assessment Report released in 2021, the Intergovernmental Panel on Climate Change (IPCC) unequivocally confirmed that human influences are responsible for the increase in global temperature and that the intensity and frequency of extreme events, such as heat waves, droughts and floods, will increase.² Thus, there is a need to increase efforts and measures to limit global warming and its anticipated impacts. Santam recognises that climate change requires a systemic response and a global collaboration effort.

Climate change impacts our organisation in several ways. From a business perspective Santam is facing long- and short-term climate change impacts. Long-term changes are slow-onset phenomena such as rising sea levels, desertification and melting glaciers. Short- to medium-term changes, such as an increase in the frequency and severity of extreme weather events (droughts, floods, wildfires), pose immediate risks to the business in the form of loss exposure. Beyond losses from physical damage, climate trends and shocks can cause economic disruptions

¹ The Risk Protection Gap is defined as the difference between total economic losses and insured losses. It measures the extent to which losses are not covered by insurance.

² https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf

affecting the overall business environment. In combination, these factors are likely to increase claims for property damage, business interruption and crop failure.

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

OUR STRATEGIC APPROACH

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

The group's approach to addressing climate change-related risks and opportunities focuses on partnerships with various stakeholders to understand these risks, share knowledge, and enhance community risk resilience in support of mandated governmental authorities. Through our membership with ClimateWise, CDP (formerly Carbon Disclosure Project) and the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP FI PSI), we continue to work on understanding the climate-related risks facing our clients and society. The group's effort to understand and manage climate-related risks includes identifying physical, transition, and legal risks that will affect our business.

Our approach to Coal

Global policy commitments are increasingly being focused on achieving net-zero carbon dioxide emissions by 2050,³ which will largely be achieved through transitioning from fossil fuels to a low-carbon economy. South Africa is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. The South African government has also committed to exploring pathways towards contributing its fair share to the global effort to move towards limiting the global temperature increase to 1.5°C by 2050, within the context of a just transition and with support from the international community.⁴

³ The term net emissions refer to the balance between the GHGs produced and those removed from the atmosphere through sinks including land, forests and technology interventions. Net zero carbon dioxide emissions will be required by 2050, while net zero GHG emissions will need to be achieved by around 2070, to limit global average temperature increase to 1.5°C.

⁴<https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/South%20Africa%20First/South%20Africa%20update%20first%20NDC%20September%202021.pdf>

In the light of the increasing global trend of divesting from fossil fuels, Santam acknowledges that it operates in a South African market that is still heavily reliant on coal for power generation. The Group supports the transition from divesting from coal to a low carbon economy but understands that this transition needs to be just and that it considers the impact on the economy. In practice, just transition involves the consideration of the needs of groups of workers, communities, consumers and citizens who are vulnerable to the effects of the low carbon transition.

Santam will work with different stakeholders and clients to understand and support a just transition from coal to a low carbon economy. The Group also supports the development of transition policies which are imperative to ensure that the low carbon development pathway does not exacerbate existing economic fragility but contributes to climate change mitigation and climate justice goals.

Improving climate transparency

Santam utilises the TCFD recommendations as a framework to respond to climate-related risks and opportunities. To this end, Santam has declared its support for the TCFD recommendations, joining more than 1 800 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures. We have voluntarily chosen to align ourselves with global best practices, including TCFD, in order to understand and improve our response to climate-related risks and opportunities. Over time, we look to improve our response in both our own operations and in our underwriting guidelines. This will help the group with its response to climate realities and contribute to resilient communities and a just transition to a low-carbon economy.

Further, through our membership with ClimateWise, CDP and UNEP FI PSI, we continue to disclose the climate-related risks as well the efforts to reduce environmental effects.

Working with policymakers

We work with government agencies, private institutions, industry associations, and non-profit organisations to broaden our understanding of transition opportunities. As part of this, we participate in the BSR™ Value Chain risk to resilience collaborative initiative, the South African Insurance Association Climate Change forum, serve on the Lewis Foundation-funded financial sector Environmental, Social, and Governance (ESG) and climate risk analytics project advisory committee, and participate in the South Africa-UK Partnering for Accelerated Climate Transitions (UK PACT) project on aligning South Africa's climate-related financial disclosure with global best practice.

Partnering to reduce risk and build resilience

Santam believes the response to climate change requires a holistic strategy that leads to understanding and measuring climate risk and which works with its clients and stakeholders to enhance resilience to these risks. Through its flagship social initiative programme known as Partnership for Risk and Resilience (P4RR), the company is working with selected district and metropolitan municipalities across the country to manage flood and fire risks. The objective of P4RR is to utilise partnerships to support capacity building of municipalities to enable them to

reduce risks proactively and to effectively respond and manage incidents that may occur. Ultimately, these initiatives and efforts contribute to building resilience to climate-induced disaster risks and to the broader objective of climate change adaptation. We do this by providing firefighting and disaster management equipment, training of community members, disaster management and fire services personnel, assisting with development of disaster management plans, early warning initiatives, providing disaster relief, education, and awareness programmes.

Through the P4RR programme, we partnered with the Council for Scientific and Industrial Research (CSIR) to pilot the Green Book in municipalities that were most vulnerable to climate risks. The Green Book provides a practical online planning tool to support the adaptation of South African settlements to the impacts of climatic changes and severe events. It provides evidence of current and future climate risks and vulnerability for every local municipality in South Africa (including settlements) in the form of climate-change projections, multidimensional vulnerability indicators, population-growth projections, and climate hazard and impact modelling. Through this initiative, selected district municipalities are supported to develop or enhance their climate change response strategies.

Narrow the risk protection gap and enabling low-carbon transition

The group invests in a Santam Resilient Investment Fund (SRI), which targets investments in companies that address environmental, social or governance needs, specifically those that reduce long-term systemic risks to Santam's business. The SRI fund invests in opportunities that address ESG issues, including renewable energy projects. The fund deploys capital with the intention of generating social and environmental impact alongside a competitive financial return.

Through Emerald Risk Transfer (corporate property underwriter) and Mirabilis Engineering Underwriting Managers (engineering underwriter), we offer insurance solutions for solar, wind and hydroelectric power generation to promote the use of renewable energy.

Reducing environmental impact

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

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

Governance and reporting

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

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

For more information about Santam's climate action, see our latest [ClimateWise](#) and 2021 [TCFD report](#).