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23

# Climate Change Position Statement

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# Shaping our future with confidence



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In an era where climate change poses unprecedented challenges and opportunities, the Sanlam group is committed to embedding these considerations into the core of our business strategy and operations. As the largest non-banking financial services sector, operating in Africa, Malaysia and India and specialising in insurance and assets management, we are acutely aware of the risks and opportunities that climate change presents.

Our response is not just about adapting to the changing climate, but also about shaping a sustainable future. We recognise the increasing frequency of extreme weather events as a direct consequence of climate change and acknowledge our vulnerability to these impacts. Therefore, we are dedicated to a strategic approach that not only ensures our resilience, but also contributes to a broader, collective effort towards mitigating climate change effects.

Through collaboration and partnership, we aim to facilitate a transition to a low-carbon world that is both just and equitable. This position statement outlines our vision and commitment to climate action, an effort integral to our business sustainability and vital for our investors and partners in the environmental, social and governance (ESG) space.

## Background

Sanlam is a premier non-banking financial services group, with a substantial presence across the African continent and operations extending to India and Malaysia. We provide a diverse array of solutions in 31 countries, positioning ourselves as one of the world's foremost globally active insurance and asset management groups. Our aim is to empower generations to be financially confident, secure and prosperous.

Climate change is a complex challenge that affects not only the environment, but also livelihoods, biodiversity, and sustainable economic growth. At Sanlam we are committed to tackling this challenge. Our approach to the threats posed by climate change aligns with the ideals of a just and equitable transition<sup>(1)</sup> to sustainable energy. We adopt a comprehensive strategy that not only seeks to mitigate the environmental effects of climate change, but also addresses the social and economic inequalities that may emerge as a result. By taking this multi-dimensional approach, we aim to contribute positively to both the planet and its people.

## Purpose

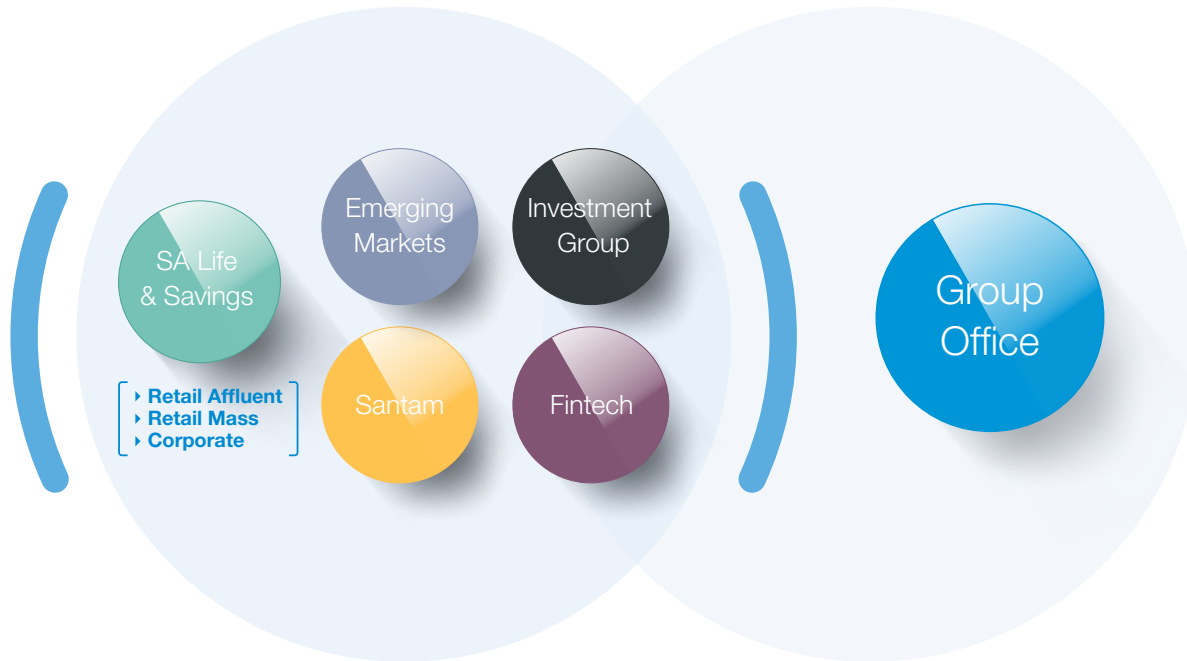
This document outlines Sanlam's approach to integrating climate change resilience into our strategic and operational activities. It clearly defines the main pillars and supportive actions of our climate change position. Our goal is to ensure that our business is well-equipped to handle both the immediate and long-term risks linked to climate change, including physical impacts and transitional challenges. By doing so, we aim to strengthen our business against these evolving risks.

**Note:** this document should be read with the following: the Sanlam sustainability integration and disclosure framework; and Sanlam's position on fossil fuel investment and underwriting.

<sup>(1)</sup> A just and equitable energy transition refers to the shift from fossil fuel-based energy systems to low-carbon, sustainable alternatives in a manner that is fair, inclusive and respects the rights and wellbeing of all individuals and communities. It recognises that the transition to a clean energy future should not perpetuate or exacerbate existing social, economic and environmental inequalities, but rather address them through deliberate and inclusive strategies.

# Scope

The commitments and processes outlined in this document are applicable to all businesses and subsidiaries under Sanlam's majority ownership, except where specific exceptions are stated.



## Governance of climate change

The Sanlam Board and group executive team are responsible for overseeing and ensuring compliance with the commitments outlined in this statement. The Board sub-committee for social, ethics and sustainability will regularly establish and review our commitments and targets to maintain our adherence to our stated position statements.



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# Our approach to climate change integration

Sanlam's core business activities are concentrated on the African continent, a region exceptionally susceptible to the adverse impacts of climate change. These impacts present considerable challenges to local communities, economies, and ecosystems. As the premier insurance and asset management company operating within this context, we acknowledge our duty to proactively address climate change issues. This commitment aligns with our dedication to justice and equity principles.

Our climate change response is encapsulated in a comprehensive framework. This framework articulates an integrated approach that encompasses both adaptation and mitigation strategies. It places a strong emphasis on supporting communities that are most vulnerable to climate change, while also championing sustainable investment practices. Our response is guided by the following foundational principles:

- **Inclusive stakeholder engagement:** We actively engage in inclusive stakeholder engagement, encompassing a wide array of viewpoints from local communities, governmental bodies, non-governmental organisations, and experts in climate science and policy. This approach ensures that their contributions are integral to the development of our strategies, which are tailored to be contextually relevant and culturally sensitive. Our aim is to reflect the diverse needs and aspirations of all parties affected.
- **Risk assessment and climate resilience:** We conduct thorough risk assessments to meticulously identify and evaluate climate-related vulnerabilities and opportunities across our operations, investment portfolio, and the communities we support. In response to these assessments, we devise bespoke risk management strategies. These strategies are primarily focused on enhancing the resilience of our assets and investments, as well as the security of those we insure, particularly in regions that face heightened climate risks. Our approach ensures a proactive and comprehensive response to the evolving challenges and potential opportunities presented by climate change.
- **Sustainable climate transition investments:** Under our Legacy Investment Range and through our 50% shareholding in the Climate Fund Managers, a partnership with the Dutch Entrepreneurial Development Bank, we are strategically expanding our sustainable investment portfolio. This expansion focuses on sectors such as renewable energy, green infrastructure, and sustainable agriculture. These investments are pivotal to supporting climate adaptation and mitigation initiatives across the continent, demonstrating our commitment to sustainable development and environmental stewardship.
- **Financial inclusion:** We are dedicated to promoting financial inclusion by providing climate smart insurance and investment solutions that are both accessible and affordable for individuals and the most vulnerable communities. These offerings are key in assisting them to effectively manage risks associated with climate change. By tailoring our products to meet the needs of these under-represented groups, we play a pivotal role in strengthening their financial resilience against the myriad impacts of climate change.

- **Access to climate-resilient infrastructure:** Through our Partnership for Risk and Resilience (P4RR) initiative, working alongside municipalities, we are committed to investing in climate-resilient infrastructure projects. These projects are crucial in augmenting the capacity of communities to adapt to the evolving challenges posed by climate change. Our focus areas include the development of renewable energy sources, water management systems, and disaster preparedness programmes. This strategic partnership aims to fortify community resilience and readiness in the face of changing climatic conditions.

## Stakeholder engagement and accountability

We actively engage with the companies in which we invest and to whom we provide insurance services, with the aim of encouraging them to enhance their climate-related practices and transparency. This engagement includes conducting dialogues with company management, exercising our voting rights on climate-related resolutions responsibly, and supporting shareholder initiatives that champion sustainable practices. Our approach is centred on fostering a collaborative environment that motivates these companies to adopt more sustainable and environmentally conscious strategies.

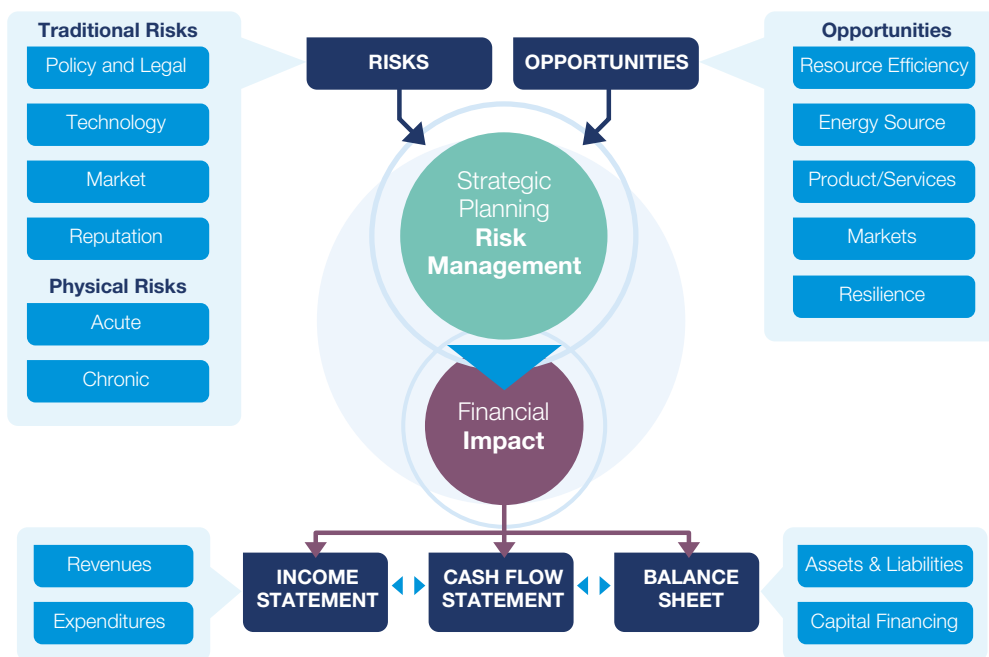
*Our response includes the following:*

- **Disclosure and reporting:** We advocate for companies to adhere to the guidelines set by the Task Force on Climate-related Financial Disclosures (TCFD) by disclosing climate-relevant information. This commitment to transparency enables us to make well-informed decisions, taking into account the climate risks and opportunities that are integral to our investments and insurance responsibilities.
- **Collaboration:** In terms of collaboration, we actively partner with fellow investors, insurers, industry bodies, and policymakers to champion practices and policies that are mindful of the climate. We are firm believers in the power of collaborative endeavours, recognising that they not only enhance the impact of individual actions, but also contribute to wider systemic change. Through these partnerships, we aim to promote a more climate-conscious approach within the investment and insurance sectors.



# How we manage the physical and transitional risks and opportunities of climate change

We have embraced the recommendations of the TCFD as our principal method for integrating climate change considerations and assessing related risks. The adoption of TCFD guidelines enables us to uniformly evaluate the climate-related risks and opportunities across a variety of business processes and products. We regard the integration of TCFD into our governance, strategy and risk management, and the establishment of metrics and targets not as static processes, but as a continual and progressive journey towards enhancing our maturity in these areas.



Our annual sustainability report transparently discloses our performance in relation to the TCFD recommendations. In our interactions with clients, both in insurance and investment sectors, we actively encourage them to embrace the TCFD framework for reporting their climate-related risks and opportunities. As an increasing number of our clients adopt the TCFD guidelines, it enables us to align our understanding of climate risks, thereby enhancing collaborative efforts in our strategic response to these challenges.

# Our position on financing the just and equitable transition

Climate change transition finance is essential for facilitating a just and equitable energy transition, particularly in African countries. However, there is a substantial gap in the current investment inflows. According to a KMPG report (released at CoP28 in Dubai), Africa needs approximately US\$277 billion annually until 2030 to meet the Paris Agreement targets. In contrast, the continent currently receives only about US\$29,5 billion in annual climate finance. This significant shortfall underscores the urgent need for increased investment to support Africa's climate adaptation and mitigation efforts.

At Sanlam, we are acutely aware of the burgeoning challenge in financing the transition towards a low-carbon economy, particularly on the African continent. This understanding is reflected in our internal assessment of climate change risks and opportunities. Our proactive response to this challenge is demonstrated through various strategic initiatives, as further detailed in our report.

▸ **The Climate Fund Managers (CFM)** The CFM plays a pivotal role in addressing the climate change crisis by managing dedicated funds, each focusing on specific areas of climate change mitigation and adaptation. Our mission is to lead the way in financing the low-carbon transition in a manner that is equitable and enhances the resilience and adaptive capacity of communities. CFM has successfully operationalised the Climate Investor One (CI1) and Climate Investor Two (CI2) funds. CI1, a cutting-edge blended finance facility, focuses on the development, construction, and operation of renewable energy projects in emerging markets. CI2, following the successful fundraising of CI1, targets a mix of public and private sector financing for infrastructure projects in emerging markets, with an added focus on water, sanitation, and oceanic infrastructure. These funds bridge geographical divides by connecting investors seeking superior returns with emerging market opportunities for investment in climate-resilient infrastructure.

▸ **Sanlam Sustainable Infrastructure Fund (SIF)** The SIF is committed to financing a wide range of essential social infrastructure projects. Our key focus areas encompass:

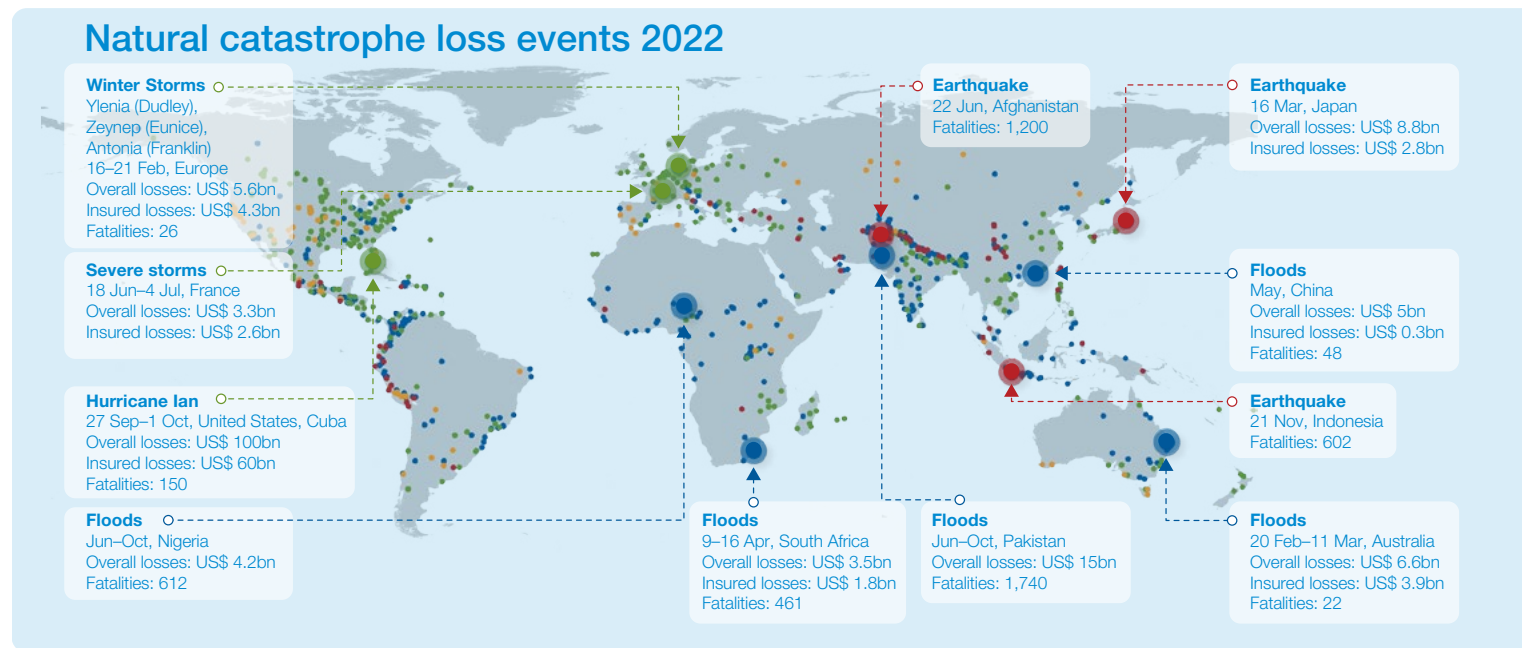
- Renewable energy, including wind, solar, and hydro;
- Conventional energy, specifically natural gas;
- Transport and logistics, covering ports, roads, and railways;
- ICT, spanning telecom and digital technologies;
- Water management; and
- Waste management.

The projects funded by SIF are instrumental in bolstering climate change resilience and enhancing adaptive capacity. Our ongoing dedication to strategically funding social infrastructure aligns with our goal of promoting a just transition. This is achieved as an increasing number of people gain access to sustainable, low-carbon infrastructure solutions and funding of strategic social infrastructure as a response to climate change.

# Our approach to partnerships for climate risk and resilience

Our business activities in insurance, investment, and asset management are predominantly focused in Africa, a continent highly vulnerable to climate change impacts. This vulnerability is intensified by the limited adaptive capacity of African national and local government institutions to frequent climate events.

## Relevant natural loss events worldwide



Our partnership with municipalities through the P4RR<sup>(3)</sup> enables direct investment in adaptation systems, reducing the impact of extreme weather on infrastructure and communities. Additionally, we have partnered with entities like the Council for Scientific and Industrial Research and the Department of Environmental Affairs, through our subsidiary Santam, to implement phase II of the Green Book<sup>(4)</sup>. This phase aims to rollout the Green Book in the most at-risk municipalities, filling gaps in research and development and enhancing the capacity of officials and departments to manage climate change adaptation.

Since its 2012 inception, P4RR has reached 82 municipalities, benefiting over 12,5 million people.

This initiative exemplifies our commitment to supporting vulnerable groups in building resilience against climate change induced extreme weather events. The primary goal of P4RR is proactive risk reduction and the building of adaptive capacity in municipalities and local communities, with interventions that enhance societal resilience to disasters by strengthening the institutional capacity of disaster management and firefighting in municipalities and major cities.

The P4RR programme includes a variety of interventions, such as disaster early warning, climate change adaptation assessment, capacity building, risk reduction, and response and recovery. We also collaborate with civil society organisations for post-disaster relief. In summary, P4RR demonstrates our commitment to climate action that extends beyond our direct business interests, impacting a broad range of stakeholders and beneficiaries.

- Geophysical events** (Earthquake, tsunami, volcanic activity)
- Meteorological events** (Tropical storm, extratropical storm, convective storm, local storm)
- Hydrological events** (Flood, mass movement)
- Climatological events** (Extreme temperature, drought, wildfire)

- Significant catastrophes** (based on the number of fatalities, overall and insured losses)
- All loss events** (based on property damage and/or fatalities)

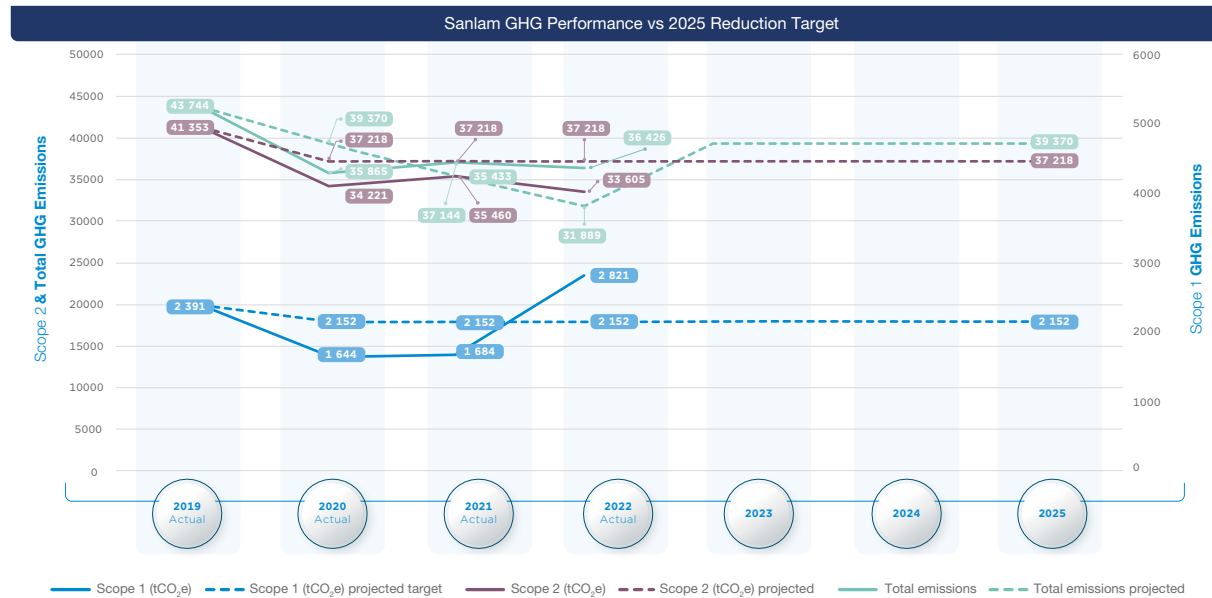
<sup>(3)</sup> P4RR is currently implemented in South Africa with the aim of extending the programme to most of the jurisdictions where we have direct presence (<https://www.santam.co.za/campaign-pages/p4rr/>).

<sup>(4)</sup> The Green Book is a multi-disciplinary, open-access tool that supports South African municipalities with adapting to current and future impacts of climate change.

# Leading by example through operations GHG emissions management

Developing an operational GHG reduction strategy is crucial for organisations because it provides evidence of their commitment to minimising their carbon footprint and contributes to mitigating climate change. Our approach is anchored in the following principles:

**1 Establish baseline and set targets:** We have conducted a comprehensive GHG inventory to identify the primary sources and quantify GHG emissions. This has allowed us to determine a baseline against which future progress can be measured. We have set a reduction target of 10% for Scope 1 and 2 GHG emissions against 2019 values, to be achieved by 2025 (see table and graph below).



	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023	2024	2025
Scope 1 (CO <sub>2</sub> e)	2 391	1 644	1 684	2 821			2 152
Scope 2 (CO <sub>2</sub> e)	41 353	34 221	35 460	33 605			37 218
<b>Total</b>	<b>43 744</b>	<b>35 865</b>	<b>37 144</b>	<b>36 426</b>			<b>39 370</b>
Year on year performance against 2019 target		-18%	4%	-2%			-10%

Note: Covid year

**2 Identify reduction opportunities:** We are committed to continually identifying areas within our operations for reducing GHG emissions. A significant portion of our GHG emissions profile comes from energy consumption and investments, classified as Scope 2 and Scope 3 emissions. By concentrating on reducing energy usage and addressing emissions from our investments, we anticipate a notable reduction in our overall

carbon footprint. This focus is essential for visibly improving our environmental impact and aligning with sustainable operational objectives.

**3 Energy efficiency and renewable energy:** We are actively implementing energy efficiency measures to reduce our energy consumption and the associated emissions. These measures include upgrading building systems, optimising the performance of equipment, and encouraging energy conservation practices among our staff and stakeholders. In addition to these initiatives, we are also integrating renewable energy sources into our operations. This shift towards renewables aims to decrease our dependence on energy generated from fossil fuels, particularly in our buildings, thereby contributing to a more sustainable and environmentally friendly operational model.

**4 Employee engagement and awareness:** To enhance our GHG reduction efforts, we actively engage our employees by raising awareness about environmental issues, providing targeted training, and fostering a culture of sustainability within our organisation. This approach is designed to encourage behavioural changes among our staff, promoting energy-saving practices across the board. Additionally, we offer incentives for employee involvement in emission-reduction initiatives, ensuring that our team members are motivated

and empowered to contribute to our sustainability goals effectively.

**5 Monitoring and reporting:** We have developed a comprehensive monitoring and reporting system to diligently track our progress in reducing GHG emissions. This system involves regular measurement and thorough analysis of emission data, enabling us to identify trends, assess the impact of our reduction measures, and ensure adherence to our reporting obligations and commitments. Through this structured approach, we can maintain a clear view of our progress towards meeting our GHG reduction targets and continually refine our strategies for greater environmental efficiency.

The management and reduction of GHG emissions is of paramount importance and is a key aspect of our sustainability and environmental stewardship strategy. Effective GHG management aids us in reducing our carbon footprint, contributing to global efforts against climate change. By focusing on reducing emissions, we not only demonstrate our commitment to environmental responsibility, but also enhance our operational efficiency and sustainability. This approach aligns with broader global initiatives and expectations for responsible corporate conduct, particularly in sectors directly impacting the environment.



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## Employee and community engagement approach

Our climate change response strategy is centred around both mitigating the impacts of climate change and enhancing the adaptive capacity of our employees and communities. The key to successful implementation lies in integrating employee and community engagement into these strategies. When employees and communities are actively engaged, they are more likely to support and contribute to our organisational goals, including those related to climate change. In collaboration with our partners, such as The World Wide Fund for Nature South Africa (WWF SA), we adopt a focused approach to engage and mobilise collective efforts in this area.

### ▸ **Communication and education:**

We are committed to raising awareness among our employees and communities about the impacts of climate change and the significance of our group's response. Utilising various communication methods, we disseminate information, data, and narratives to highlight the urgency of the issue. Furthermore, we host online educational webinars and training sessions, equipping our employees with comprehensive knowledge about climate change, its implications for our business, and the essential roles they can play in our collective climate action efforts.

### ▸ **Cross-functional teams:**

We have established a dedicated group committee comprised of cross-functional teams to spearhead our climate change response. This committee brings together employees from various business clusters, ensuring a range of diverse perspectives are integrated into the development and execution of our climate strategy. This collaborative approach guarantees a comprehensive and inclusive response to climate challenges.

### ▸ **Measurable goals and reporting:**

We have rolled out a group-wide sustainability strategic dashboard, which includes tracking of our GHG emission reduction targets. These targets are consistently measured and monitored through our group-wide energy and water efficiency forum, which convenes monthly. This systematic approach ensures ongoing oversight and progress tracking towards our sustainability objectives.

