Sanlam

Live with confidence

23

Sustainability integration and disclosure framework

Financial Planning | Retirement | Insurance | Health | Investments | Wealth | Credit

Contents

Interactive PDF digital navigation

Home/ contents | Back | Forward

Indicates where further information can be found online.

This page reference icon is applied throughout the report to improve usability and show the integration between relevant elements of this report.

Our sustainability approach

Sustainability is an integral component of our business strategy and processes, ensuring the creation of long-term value for customers, capital providers, society, the economy and the planet. Our current efforts are directed towards developing a sustainable business model that not only generates and sustains positive outcomes, but also actively reduces negative impacts on our stakeholders and the environment.

Financial strength and resilience

To remain competitive and resilient, we provide diversified insurance and asset management solutions, and operate in multiple countries and regional emerging markets in Africa and Asia.

We create long-term sustainable value for our shareholders, employees and customers. Our primary strategic target is maintaining a strong return on group equity value (RoGEV)[1] above a hurdle rate related to the cost of capital.

We follow a robust and prudent capital allocation methodology with strong internal controls to ensure that we can achieve our strategic target under different shock scenarios.

Financial inclusion

Our strategic objective, among others, is to advance financial inclusion[2]. Financial inclusion is critical in the economic development of a country and in building inclusive economic sectors, especially for previously marginalised communities.

We have the most extensive business footprint on the African continent, with a direct presence in 28 African countries. Our presence in many African countries where insurance penetration and access to financial products is low places us in a prime position to advance financial inclusion.

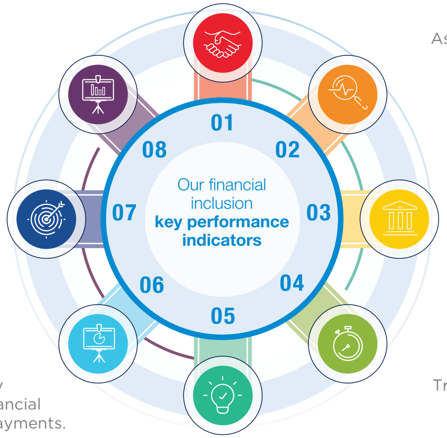
For Sanlam, financial inclusion means providing unserved and underserved people in all our markets with access to appropriate and affordable financial solutions, which meet their needs for wealth creation and protection.

Reduction in unserved and underserved
The percentage decrease in the number of individuals or households that were previously unserved but now have access to formal financial services.

Insurance Coverage
The percentage increase in individuals covered by insurance products providing financial security during unforeseen events.

Entrepreneurship Support
Assess the number of new businesses started or existing businesses expanded as a result of increased access to credit and financial support.

Digital Payment Adoption
Track the percentage increase in the use of digital payment methods, promoting financial inclusion and economic participation.



Financial Literacy Improvement
Evaluate the level of financial literacy or knowledge gained by individuals who have participated in financial education programmes.

Digital Financial Inclusion
The increase in the number of previously underserved individuals using digital financial services like mobile banking or digital payments.

Loan Disbursement
Track the value or number of loans disbursed to previously underserved individuals, indicating improved access to credit.

Job Creation
Assess the number of new jobs created in the community due to increased economic activity resulting from improved access to financial products.

(1) *While RoGEV primarily measures shareholder value, it also indirectly reflects our success in creating value for our other material stakeholders given the direct long-term relationship between shareholder and other stakeholder value creation.*

(2) *Financial inclusion is the availability and equality of opportunity whereby individuals and businesses can access appropriate, affordable and timely financial products and services.*

Our sustainability approach continued

In the development of our products, we endeavour to guarantee that individuals are provided with:

- Access to suitable, cost-effective, and superior-quality financial services; and
- Assurance that the cost of utilising our financial products remains attainable and does not escalate to prohibitive levels over time.

Our strategic approach to financial inclusion leverages partnerships in the fintech and mobile telecommunication sectors. These partnerships enable us to continuously reduce the cost of acquiring and maintaining our products for the benefit of our clients.

Investing for good in people and climate

Strategic investments in essential social infrastructure, encompassing water distribution systems, renewable energy, agricultural development, and affordable housing, yield substantial additional societal advantages[3]. Social infrastructure is crucial for eradicating poverty, building sustainable communities and fuelling economic growth. With global projections forecasting a marked increase in the demand for fresh water, energy, and food in the near future, driven by population growth, greater mobility, economic progress, international trade, urban expansion, diversifying diets, cultural and technological advancements, and the challenges of climate change, the case for these investments becomes even more compelling.

Our strategic objectives of creating wealth, investing in job creation and reducing inequalities cannot ignore the realities of many communities with no access to clean and reliable fresh water, low carbon-intensive energy and access to nutritional food. We are deploying innovative investment vehicles to mitigate and adapt to climate change and increase access to clean and reliable energy, access to safe drinking water and sustainable agriculture.

Building and partnering for growth and resilience

Creating a sustainable and financially strong organisation with a positive societal impact requires strong partnerships. Our strategy is to partner with leading organisations in the fintech and mobile communication sectors to impact society continuously and positively. We seek to adopt best practices in responding to climate change mitigation and adaptation, and support and fund a just and equitable energy transition[4] to a low-carbon world.

Retaining customer trust and reputation

As a leading, non-banking financial services organisation with a trusted reputation built over Sanlam's 105-year history, we have empowered generations to be financially confident, secure and prosperous. We focus on maintaining that trust and reputation with our clients.

The social, ethics and sustainability committee (SES) of the Board monitors our performance against client interests and fair treatment. We know that operating in a country with strong financial and customer protection regulation supports and builds clients' trust; for instance, in South Africa, the prudential and market conduct oversight supervision ensures that these oversight standards are applied across all our businesses and geographies.

[3] Social infrastructure investment allocates financial resources and services towards infrastructure projects that ensure people can participate in productive social and economic activities. This includes social services such as public education, policing and healthcare.

[4] A just and equitable transition is aimed at ensuring fairness and inclusivity in the shift towards a more sustainable future, particularly in the context of climate change and transitioning away from fossil fuels. The focus is on protecting the rights and livelihoods of those potentially adversely affected, such as workers in traditional energy sectors and dependent communities, while fostering economic diversification, job creation in sustainable industries and social equity.

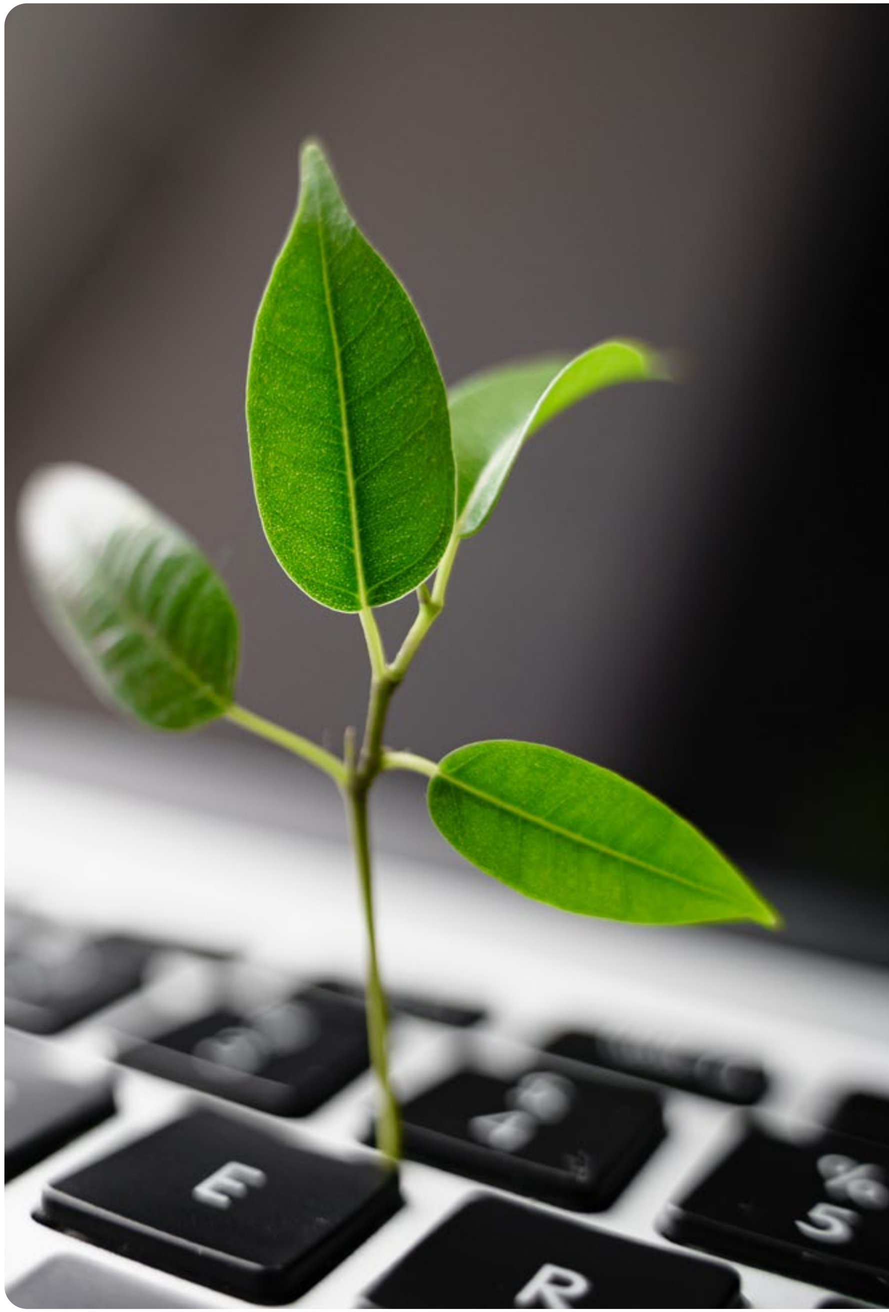
Purpose and scope of sustainability integration and disclosures

Purpose

The document details how Sanlam integrates and discloses sustainability-related risks and opportunities. It also outlines our approach to investment and underwriting in material sectors, our referral process and how we manage our voting rights.

Scope

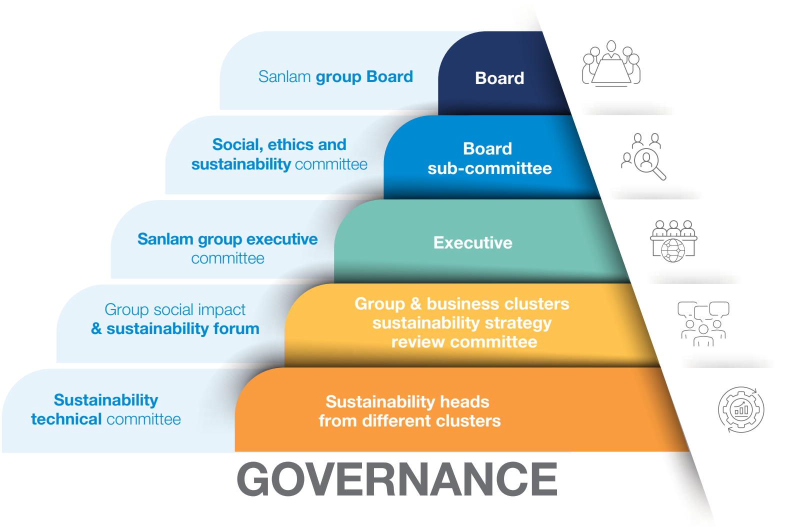
Unless specified in any sections of this document, the set of commitments and processes described here apply to, and on behalf of, all businesses and subsidiaries in which Sanlam holds a majority shareholding (as shown below).



Sustainability governance

Governance

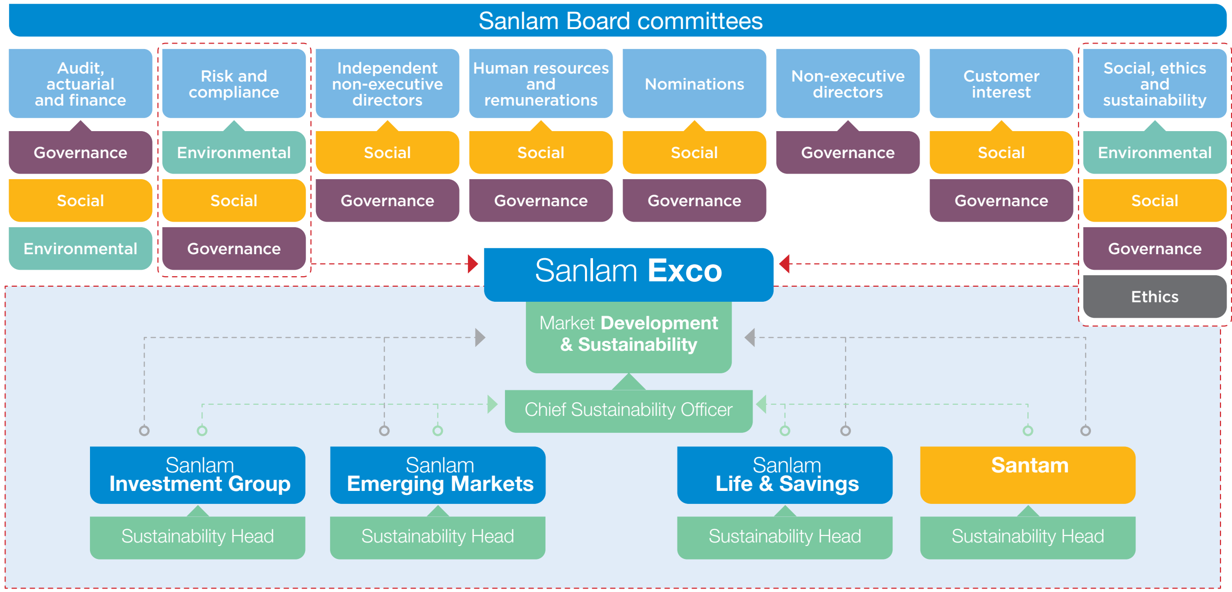
Sanlam's sustainability governance approach integrates strategic and operational levels to ensure greater alignment. The Board has an ultimate oversight role, cascaded and translated into strategic and operational activities. Our sustainability governance approach is depicted below:



The role of the Board

Sanlam is committed to promoting sound sustainability governance practices. The Sanlam Life Insurance Limited Board (the Board) is accountable for ensuring that Sanlam and its subsidiaries are responsible corporate citizens. This commits us to consider financial aspects in the context of the impact our operations have on stakeholders, society and the environment.

The Board has eight committees with sustainability aspects as part of their mandate. Cross-membership of committees allows the Board to drive an integrated approach to these. The Board has also mandated the SES, constituted as a statutory committee, to lead in providing oversight of environmental, social and governance (ESG) aspects.



The SES committee performs its duties in terms of Regulation 43 of the Companies Act (as amended), the requirements outlined in King IV™, the JSE Listings Requirements, the Insurance Act and the Prudential Governance and Operational Standards for Insurers and Insurance Groups.

The SES committee consists of four independent non-executive directors and one executive. The chair is an independent non-executive. The committee has standing invitee members of management, who are the:

- Group Chief Executive
- Group Financial Director
- Group Executive: Market Development and Sustainability
- Chief Sustainability Officer
- Head of the Sanlam Foundation

Invitees:

- Sustainability heads in business clusters
- Head Group Risk and Actuary
- Head Investor Relations

The SES committee ensures that ESG aspects are continuously integrated into business operations and processes.

Given the changes in global and local sustainability regulations, the sustainability integration process in our business operations and processes evolves continuously.

Sustainability governance continued

Group social impact and sustainability forum

The Sanlam group social impact and sustainability forum (SISF), established by the group executive committee (group exco), is a management committee tasked with executing and operationalising the group's sustainability strategies.

The committee is a non-statutory, advisory and monitoring committee mandated by group exco to co-ordinate the implementation of the sustainability strategy across the business.

The committee is also responsible for ensuring that Sanlam's sustainability activities and programmes are implemented consistently across the group.

The committee's mandate extends to all Sanlam subsidiaries and includes operational oversight and monitoring of the execution of sustainability activities. The SISF is responsible for overseeing the implementation of:

- The group sustainability approach and approving the yearly sustainability work plan;
- Strategically defining and continuously developing the group's sustainability ambitions;
- Providing regular sustainability risks and opportunities feedback to group exco and the SES committee;
- Defining and prioritising sustainability best practice interventions;
- Monitoring the implementation of the six principles set out in the United Nations Principles for Responsible Investment relating to ESG;
- Ensuring Sanlam's sustainability strategy aligns with and contributes to achieving the organisation's sustainable development goals (SDGs);
- Reviewing and recommending sustainability policies for consideration by group exco and the SES committee; and
- Engaging in thought leadership with stakeholders.

Sustainability tactical committees

Strong governance structures are key to managing the seamless integration of sustainability across our businesses. All Sanlam sustainability heads at the cluster level are members of the sustainability tactical committee (STC):

- Sanlam Life and Savings (SLS)
- Sanlam Emerging Markets (SEM)
- Sanlam Investment Group (SIG)
- Santam

The mandate of the STC includes:

- **Sustainable investment and insurance:** Develop and implement strategies for promoting sustainable insurance. This involves developing guidelines for clusters to screen investments and underwriting activities for their social and environmental impacts and integrating sustainability considerations into insurance and investment decisions.
- **Risk assessment and management:** Evaluate and manage social and environmental risks associated with the company's activities which include investments, insurance, loans and other financial products. This involves assessing potential regulatory changes, climate-related risks and reputational risks related to sustainability.
- **Stakeholder engagement:** Develop strategies to engage with clients, investors, regulators and other stakeholders to understand their sustainability expectations and needs. Communicate the company's sustainability efforts and initiatives to these stakeholders.
- **Data collection and reporting:** Gather and analyse data related to the company's social and environmental performance, such as carbon emissions, energy consumption and community engagement. Prepare sustainability reports and disclosures for stakeholders.
- **Employee education and engagement:** Educate employees about sustainability practices. Encourage employee participation in sustainability initiatives in the company and in our interactions with clients.
- **Policy advocacy:** Advocate for policies and regulations that promote sustainable finance and responsible business practices. This involves participating in industry groups and engaging with policymakers.
- **Partnerships and collaborations:** Collaborate with other industry peers and associations, NGOs and government bodies to share best practices, drive industry standards and support collective sustainability efforts.
- **Continuous improvement:** Regularly review and update the company's sustainability strategies based on changing industry trends, regulatory developments and emerging best practices.

Sustainability positions

Our positions on:

Board diversity

Sanlam regards diversity in all its forms as a business imperative to grow the business sustainably and meaningfully. We are intentional about Board diversity in our company and subsidiaries. To us, diversity transcends race and includes:

- **Gender diversity:** Ensuring balanced representation of women and men on the Board.
- **Ethnic and racial diversity:** Individuals from different racial and ethnic backgrounds bring a range of cultural perspectives and experiences.
- **Age diversity:** Having directors of different ages brings a mix of generational viewpoints.
- **Professional and industry diversity:** Company directors with a range of professional expertise and experiences make well-informed decisions across different aspects of the group's operations.
- **Geographical diversity:** Directors from different regions or countries incorporate diverse global perspectives in strategic decision-making.
- **Background diversity:** Directors representing different educational backgrounds, socioeconomic statuses and life experiences provide a broader range of viewpoints.
- **Skill diversity:** Individuals with diverse skill sets, such as financial, legal, technological and marketing expertise cover a wide array of Board responsibilities.

Board diversity enriches and deepens the quality of our discussions, leading to more constructive debates that serve the collective interests of company stakeholders. Such diversity has a beneficial ripple effect on the economies, societies, and environments of the countries we operate in, underpinning our commitment to positive impact and inclusive growth.

Human rights, racial equity and civil rights audits

We believe business can only thrive in societies where human rights are protected and respected. As a Pan-African financial services group with an emerging markets footprint in India, Malaysia and selected developed markets, the foundation of our human rights position is the International Bill of Human Rights. This consists of the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, the International Covenant on Economic, Social and Cultural Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work.

We acknowledge the possibility of operating in regions where international human rights declarations may not be fully embraced. In spite of this, our unwavering policy is to maintain the highest standard of human rights across all jurisdictions, superseding local laws if they fall short of these global norms.

Sanlam is committed to upholding and promoting human rights for all stakeholders through constructive engagement and positive influence. We actively participate in industry forums, advocating for responsible business practices and ethical conduct that align with local contexts. Additionally, we collaborate with government bodies, non-governmental organisations, and industry peers to engage in meaningful dialogue and share best practices. This collaborative approach aims to foster an environment that supports the enhancement of human rights standards.

Climate change

Climate change significantly affects livelihoods, biodiversity, and the pursuit of sustainable economic development. In response to these challenges, Sanlam adopts a strategy that is in harmony with the ideals of a just and equitable energy transition. Our comprehensive approach not only addresses the environmental consequences of climate change but also tackles the social and economic inequalities that emerge as a result of these environmental changes.

Our response includes the following:

- **Climate risk assessment and disclosure:** We conduct thorough climate risk assessments to understand the potential impacts of climate change on our insurance and investment portfolios and operations. We disclose climate-related risks and opportunities in line with the Task Force on Climate-related Financial Disclosures recommendations to investors, regulators and the public to foster transparency and informed decision-making.
- **Balanced investment strategies:** We align our impact investments with just and equitable transition principles by balancing our investments in fossil fuel-related assets and industries by accelerating our investments in sustainable and low-carbon alternatives. We support and invest in renewable energy, clean technologies and sustainable infrastructure.
- **Product innovation:** We develop insurance products that address the risks associated with climate change, such as extreme weather events and other environmental disruptions. We encourage the adoption of climate-friendly technologies and practices through incentives and discounts.
- **Inclusive access:** We ensure that insurance and financial products are accessible to vulnerable and marginalised communities that are disproportionately affected by climate change. We offer affordable options for climate-related coverage to help protect low-income individuals and communities.
- **Engagement and advocacy:** We engage with policymakers and advocate for policies that promote a just and equitable transition, climate resilience, emission reduction and sustainable finance. We collaborate with industry peers to collectively address systemic climate risks.
- **Climate education and awareness:** We educate employees, clients and the public about the risks and opportunities associated with climate change, fostering a broader understanding of the issue.
- **Community investment:** We invest in community resilience projects that enhance climate adaptation, such as infrastructure improvements, disaster preparedness initiatives and sustainable agriculture practices.
- **Partnerships:** We collaborate with NGOs, research institutions and local organisations to support climate-related research, data collection and community engagement.
- **Ethical investment guidelines:** We have clear ethical investment guidelines that align with sustainable and responsible practices, considering environmental and social factors.
- **Employee engagement:** We involve employees in climate initiatives, encouraging them to contribute innovative ideas and participate in volunteer efforts related to climate action.

Sustainability positions continued

Sustainable investment

Sustainable investment, also known as responsible or socially responsible investment, is an approach that evaluates an investment's potential financial returns alongside its impact on ESG factors. This form of investment seeks to yield positive financial outcomes while simultaneously contributing to sustainable and ethical objectives. Such considerations significantly shape our stance:

- **ESG integration:** We incorporate ESG factors into the investment analysis and decision-making process. We assess companies based on their ESG performance alongside traditional financial metrics.
- **Impact investing:** We seek to generate positive social or environmental impact alongside financial returns. Investments are chosen based on their potential to create measurable positive outcomes.
- **Sustainable investing:** We aim to invest in companies proactively managing ESG risks and opportunities. This approach considers long-term resilience and sustainability.
- **Ethical governance:** We ensure that companies we invest in uphold high standards of governance and adhere to ethical principles, including transparency and accountability.
- **Diversity and inclusion:** We leverage our investments to engage companies on diversity and inclusion in their workforce and leadership, recognising the value of varied perspectives.
- **Community and social impact:** We support investments that positively impact local communities by contributing to economic development, job creation and social infrastructure improvements.
- **Stakeholder engagement:** We engage with companies in our portfolio to encourage transparency, ethical behaviour and responsible business practices. We participate in shareholder initiatives that promote positive change in corporate policies and procedures.
- **Engagement and active ownership:** We engage with companies to encourage them to improve their ESG practices. This involves voting on shareholder resolutions, advocating for policy changes, or participating in dialogue with company management.

The Board is ultimately responsible for ensuring Sanlam's balance sheet funds are invested responsibly. The execution of sustainable investment principles is through the following investment committees:

- **Estate**
- **ALCO**
- **Linked**
- **Seed Capital**

Financing and underwriting of fossil fuel

- The principles of a just and equitable energy transition significantly guide our approach to managing the risks and opportunities involved in insuring and investing in the fossil fuel sector. Our decisions regarding whether to insure or invest in a fossil fuel company are informed not solely by climate change risks. We also take into account the specific circumstances of each country and client's operating context. This includes considering the broader implications for economic development and the unique just transition plans, which encompass factors like:
  - The social and economic impacts of transitioning away from fossil fuels;
  - The development and implementation of sustainable and alternative energy sources; and
  - Ensuring that communities and workers affected by the transition are supported and that the shift to greener energy is equitable and inclusive. This comprehensive approach ensures that our decisions align with both our commitment to environmental sustainability and our responsibility to support economic stability and social equity in the regions where we operate.

For investment and insurance in any fossil fuel company, we conduct ESG due diligence to inform our investment decision. We aim to ensure our investment portfolio is resilient to the physical and transitional risks.

Climate change lobbying

We hold the conviction that effective action against climate change necessitates a collaborative approach involving multiple stakeholders and the formation of partnerships. To this end, we actively engage and participate in industry forums that bring together government bodies and civil society organisations to address climate change issues and facilitate a just transition towards a low-carbon economy. Our approach to lobbying and advocacy is grounded in the following principles:

- **Equity and justice:** We prioritise solutions that consider the disproportionate impacts of climate change on vulnerable communities and ensure that policies promote social, economic and environmental justice.
- **Collaboration and engagement:** We work collaboratively with diverse stakeholders, including governments, businesses, NGOs and local communities, to develop holistic solutions that address the complexity of climate change.
- **Sustainable development:** We advocate for policies integrating climate action with broader SDGs, considering economic, social and environmental aspects.
- **Natural solutions:** We support initiatives that protect and restore ecosystems, such as reforestation and sustainable land use practices, which are crucial in sequestering carbon and preserving biodiversity.
- **Global co-operation:** We encourage international collaboration and diplomacy to ensure that global climate agreements are effective and equitable and based on the principle of common but differentiated responsibilities.
- **Economic transformation:** We advocate for policies that facilitate a just and equitable transition to a low-carbon economy, including support for workers and communities affected by the shift away from fossil fuels.
- **Public awareness and education:** We lobby for investments in climate education and communication campaigns to increase public awareness and to build support for climate action and resilience.

Active engagement, referral process and sustainability disclosures

Sustainability material matters

Our operating context plays a pivotal role in shaping our sustainability material matters. These are the critical issues within the sustainability sphere that have a significant impact on our business operations, performance, reputation, and stakeholder interests, spanning across generations. In our process of integrating sustainability into our business, we consider the following aspects as material:

- **Climate resilience and risk management:** Given the vulnerability of many of our countries to climate-related risks such as extreme weather events, droughts and flooding, addressing climate resilience is crucial. This includes assessing climate risks in insurance underwriting and investment decisions, and providing innovative insurance products for climate-related risks.
- **Financial inclusion and access:** Ensuring access to financial services for underserved communities and rural areas is a crucial sustainability concern for our business. Developing inclusive financial products, such as micro-insurance and micro-loans, can help promote economic development and reduce inequality.
- **Biodiversity and ecosystem services:** We recognise that many economies on the African continent depend on natural resources and biodiversity. Incorporating biodiversity considerations into risk assessments and investment decisions can help protect ecosystems, support local livelihoods and ensure long-term sustainability.
- **Environmental pollution:** Addressing pollution to protect ecosystems, human health and contribute to a healthier planet.
- **Community development and empowerment:** Supporting local communities through initiatives that enhance education, health and livelihood opportunities can contribute to social development and improve the wellbeing of people in our regions.
- **Ethical business practices:** Upholding ethical business conduct, promoting transparency, and preventing corruption are critical for building trust and maintaining a good reputation, especially on the African continent.
- **Health and wellbeing:** Providing insurance products that address healthcare needs, especially in regions with limited healthcare services, can improve public health outcomes.
- **Data privacy and cybersecurity:** Ensuring the security of our customers' data and promoting cybersecurity measures are essential for maintaining customer trust and protecting sensitive information.
- **Sustainable investment:** Promoting sustainable finance practices by considering ESG factors in investment decisions can support responsible economic growth and long-term value creation.
- **Innovation for economic growth:** Investing in innovative financial solutions and technologies tailored to the African context can drive economic growth and financial inclusion.
- **Stakeholder engagement and transparency:** Engaging with local communities, governments, regulators and NGOs to understand their needs, concerns and aspirations is crucial for effective sustainability management.
- **Responsible supply chain management:** Ensuring suppliers adhere to ethical and sustainable practices can help mitigate risks associated with social and environmental impacts in the supply chain.
- **Education and financial literacy:** Initiatives aimed at improving financial literacy and education can empower individuals to make informed financial decisions and contribute to economic stability.

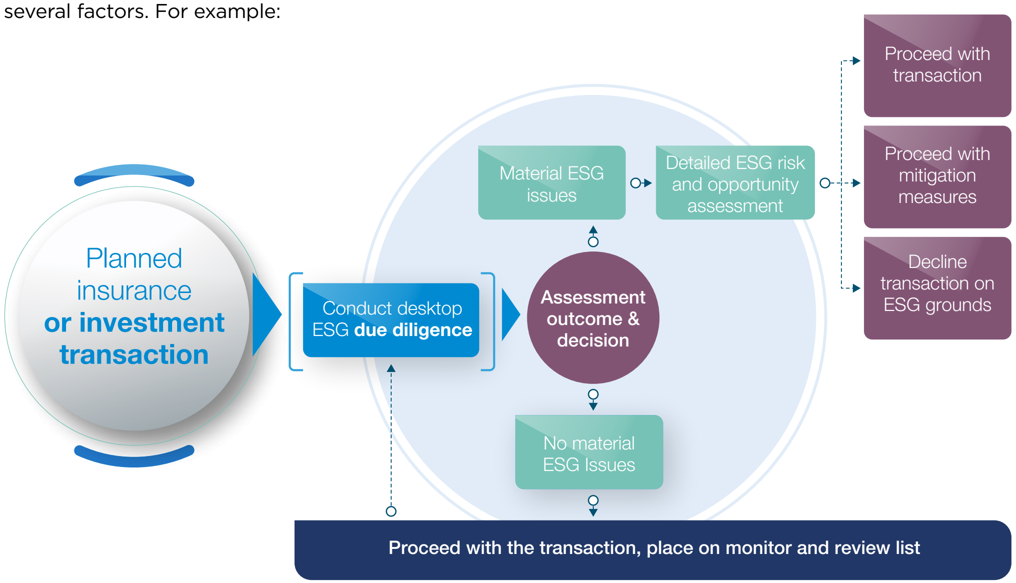
Referral process

The Sanlam Sustainability Referral Process is designed to pinpoint potential sustainability risks and opportunities within investment and insurance transactions. This involves a meticulous screening of companies on an individual transaction basis, followed by a referral for a comprehensive sustainability assessment (as detailed in the referral process outlined below). It is important to note that this process is not meant to be punitive or to enforce blanket exclusions. Instead, it adopts a proactive strategy that integrates data analysis, stakeholder engagement, and an understanding of the impact context to inform sound investment and insurance decisions.

Sanlam's approach to assessing a transaction or placing conditions on the business depends on several factors. For example:

- Sanlam is a primary insurer or investor who directly engages with the client to allow for greater engagement.
- If the transaction is part of a consortium, or Sanlam has a minority share of the risk, it may limit its ability to obtain further information or engage proactively.

The implementation of the referral process across all Sanlam entities is a continuous and evolving endeavour. We will be monitoring the progression of this implementation closely, using relevant Key Performance Indicators (KPIs) to measure its effectiveness. The outcomes and advancements of this process will be communicated annually in the group's sustainability report, ensuring transparency and accountability in our sustainability disclosures.



Active engagement, referral process and sustainability disclosures continued

Active engagement

Principles

Our engagement strategy is focused on advocating for sustainable and responsible practices in insurance and investment. The objective of our engagement activities is to identify ESG risks and opportunities that could impact an investment's return. We aim to encourage companies, bond issuers, and other stakeholders to take positive steps towards practices that could lead to improved and more sustainable returns.

We employ an active ownership approach in our investment strategy, which forms a core part of our sustainability integration approach. This involves systematic engagement with the companies we invest in. The primary goal of Sanlam through these interactions is to enhance the management of material ESG risks and issues, thereby contributing to the overall sustainability and ethical performance of these entities.

Sanlam's principal engagement approach is primarily focused on comprehending ESG risks and opportunities. This understanding is facilitated through a scoring assessment method that informs our stance. At the beginning of each engagement, clear objectives are established. These objectives are geared towards assisting companies in addressing ESG risks and implementing definitive strategies in several key areas:

- **Enhanced governance and management oversight:** Strengthening the governance structures and management's focus on sustainability issues.
- **Increased disclosure:** Encouraging additional transparency, particularly regarding ESG-related policies, processes, and programmes.
- **Setting ESG-related targets and disclosing KPIs:** Aiding companies in establishing specific ESG goals and making their KPIs public.
- **Assurance, audit, and/or verification:** Supporting the verification of companies' approaches, including their policies, KPIs, and targets, through assurance or audit processes.
- **Adoption of or adherence to international standards:** Encouraging alignment with global best practices, standards, and frameworks in the field of sustainability.

Through these objectives, Sanlam aims to elevate the awareness of ESG risks and opportunities that could significantly impact businesses. We strive to gain a deeper understanding of how companies are managing these risks and opportunities. By acting as a supportive partner to our invested companies, we aim to foster improvements in their non-financial performance.

Voting process

For equity investments managed by asset managers on behalf of Sanlam, Sanlam reserves the right to exercise its vote in accordance with its sustainability governance guidelines.

Voting decisions will be influenced by sustainability considerations and concerns dictated by our sustainability material aspects. Sanlam will issue directives to asset managers to guide their voting during the annual general meetings of invested companies.

Risk dialogues

Sustainability risk engagement dialogues with our clients are an integral aspect of our risk mitigation. The more we are aligned with our clients on the underwritten investment risks, the more effective our position is to implement risk mitigating actions.

These dialogues aim to address and better understand the identified risks and the mitigation measures in place. This will allow us to perform our sustainability reviews annually as we update our risk matrices internally.

Material sector guidelines

Sustainability guidelines on agriculture, fisheries and forestry

Sanlam's approach to underwriting and investing in the agricultural, fisheries, and forestry sectors, focuses on promoting sustainable practices in operational and eco-efficiency elements like waste, water, and energy management, reflects a commitment to responsible and ESG-conscious business practices. Let's break down the key components of this approach:

- **Recognition of sector importance:** Sanlam acknowledges the vital role that this sector plays in society and biodiversity. Agriculture, fisheries, and forestry are essential for providing food, raw materials, and environmental services, making them critical components of the global economy and ecosystems.
- **Identification of risks and opportunities:** Sanlam recognises that the sector carries various risks and opportunities, especially in terms of ESG factors. Continuously raising awareness of the potential environmental and social impacts associated with this sector, such as deforestation, overfishing, or water pollution, will have positive impact on society and the environment.
- **ESG risk mitigation:** Sanlam understands that many of these ESG-related risks can be mitigated or avoided through specific measures. This is a proactive approach to risk management, which involves assessing and addressing ESG risks in the underwriting and investment processes.
- **Promotion of sustainable practices:** One of the core principles of our approach is the promotion of sustainable practices within the agricultural, fisheries, and forestry sectors. This involves encouraging and supporting clients and partners in adopting environmentally and socially responsible operations.
- **Focus on operational and eco-efficiency:** We emphasise operational and eco-efficiency elements, such as waste, water, and energy management, to ensure reduction in resource consumption and minimising environmental impact. This aligns with broader efforts to increase efficiency and reduce the ecological footprint of these industries.
- **Integration of ESG in decision-making:** By emphasising ESG factors in underwriting and investment decisions, we acknowledge that sustainability considerations are integral to our business strategy. This aligns with the growing awareness of the financial benefits of incorporating ESG criteria into investment decisions.

Overall, our approach reflects a commitment to responsible investing and insurance practices that aim to create positive environmental and social impacts while managing risks effectively. It also aligns with the broader global trend towards sustainability and ESG integration in financial services and business operations.

External standards and sources

Our risk screening approach for agriculture, fisheries, and forestry sectors is meticulously structured, incorporating a range of global and local standards and frameworks. This comprehensive method ensures sustainability and responsible practices across different industries:

- **Marine Stewardship Council:** Focuses on sustainable fishing practices.
- **Roundtable on Sustainable Palm Oil:** Addresses sustainable palm oil production.
- **Forestry Stewardship Council:** Ensures responsible forest management.
- **Aquaculture Stewardship Council:** Dedicated to sustainable aquaculture.
- **Greenpeace International Black List (Fisheries):** Identifies unsustainable fishing practices.
- **Global Reporting Initiative (GRI) Food Sector Disclosures:** Framework for measuring and reporting ESG performance in the food sector.
- **UN Food and Agriculture Organization (FAO) Guidelines:** Provides principles for sustainable food production and agriculture.
- **International Human Rights Standards for Farm Workers:** Protects rights and wellbeing of farm workers.

Further enhancing the framework we also consider the following:

- **ISO 14001-Environmental Management Systems:** Helps companies manage their environmental responsibilities.
- **Sustainable Agriculture Initiative (SAI) Platform:** Guidelines for sustainable farming practices.
- **Fair Trade Certification:** Ensures ethical practices in trade.
- **Forest Stewardship Council Chain of Custody Certification:** Traces products from forests through the supply chain.
- **Rainforest Alliance Certification:** Focuses on biodiversity conservation and sustainable livelihoods.
- **MSC Chain of Custody Standard:** Ensures traceability of MSC-certified seafood.
- **Carbon Disclosure Project (CDP) Frameworks:** Important for disclosing environmental impact.
- **ILO Conventions:** Sets international labour standards.
- **Global Good Agricultural Practice:** Standards for safe and sustainable agricultural production.
- **FAO Blue Growth Initiative:** Promotes sustainable growth in aquatic and marine sectors.

This approach ensures our assessments are thorough, covering ESG risks, and are tailored to the unique challenges and contexts of each sector.

Screening and assessment criteria

Our screening assessment considers company-specific operating context and sector and country-specific ESG risk databases to screen companies in this sector.

The following ESG risk categories are evaluated:

Risks related to agricultural practices:

- **Application of monoculture techniques:** Leads to soil degradation, pest and disease vulnerability, reduced biodiversity, and increased susceptibility to climate change impacts.
- **Conversion of food crops to energy crops:** Can cause food scarcity, higher food prices, and disrupt local and global food supply chains.
- **Inappropriate use of pesticides, fertilisers, insecticides, or other chemicals (including neonicotinoids):** Results in environmental pollution, harm to wildlife, ecosystem disruption, and potential health risks to humans.
- **Site clearing using fire or located on marginal, fragile soils:** Contributes to deforestation, loss of biodiversity, carbon emissions, soil erosion, and environmental degradation.
- **Water resource depletion and pollution:** Intensive farming practices lead to significant water usage and pollution, affecting aquatic life and downstream water users.
- **Soil erosion and degradation:** Overgrazing, deforestation, and lack of crop rotation can lead to soil erosion and loss of soil fertility.
- **Impact on local biodiversity:** Agriculture can lead to habitat destruction and fragmentation, negatively impacting local wildlife and plant species.
- **Climate change contribution:** Agriculture is a significant source of greenhouse gas emissions, particularly methane and nitrous oxide.
- **Genetic erosion:** Over-reliance on a few crop varieties can lead to a loss of genetic diversity, making crops more susceptible to diseases and pests.

Material sector guidelines continued

- **Social and economic impacts:** Issues like unfair labour practices, displacement of communities, and impacts on small-scale farmers are critical.
- **Food safety and health risks:** Use of GMOs, hormones, and additives raises concerns about food safety and health implications.

Risks related to forestry practices:

- **Deforestation of primary forests:** Leads to biodiversity loss, climate change impacts due to carbon release, and disruption of ecosystems.
- **Illegal logging activity or unsustainable harvesting/use of rare species:** Results in depletion of forest resources, legal and economic consequences, and endangerment of rare species.
- **Soil erosion and degradation:** Tree removal without reforestation contributes to soil erosion, water pollution, and loss of fertile land.
- **Impact on indigenous and local communities:** Can displace communities, causing loss of livelihoods and cultural erosion.
- **Reduction in carbon sequestration:** Decreases the forest's capacity to absorb atmospheric CO_2, exacerbating climate change.
- **Disruption of water cycles:** Alters local and global water cycles, affecting rainfall patterns and increasing flood or drought risks.
- **Loss of ecosystem services:** Reduces the benefits forests offer beyond timber, like habitat provision, recreation, and air and water purification.

Risks related to fishing practices:

- **Overfishing and depletion of fish stocks:** Intensive fishing practices can lead to the depletion of fish populations, threatening the sustainability of fisheries and the balance of marine ecosystems.
- **Bycatch and discards:** Non-target species (including juvenile fish and endangered species) caught during fishing operations can significantly impact biodiversity and ecosystem health.
- **Illegal, unreported, and unregulated (IUU) fishing:** This undermines efforts to manage fisheries sustainably, depletes fish stocks, and can have negative impacts on legal fishers and local communities.
- **Habitat destruction:** Practices like bottom trawling can damage seabed habitats, affecting the breeding grounds of many marine species and leading to long-term ecological consequences.
- **Impact on marine biodiversity:** The removal or reduction of certain species through fishing can disrupt the marine food web and affect the overall health of marine ecosystems.
- **Climate change impacts:** Changes in ocean temperature, acidification, and sea-level rise can alter fish migration patterns, spawning times, and habitat suitability, affecting fish populations and fisheries.
- **Pollution and contamination:** Pollution from chemicals, plastics, and other waste in the oceans can accumulate in marine life, affecting their health and that of the consumers.
- **Socioeconomic risks:** The decline in fish stocks can lead to loss of livelihoods for fishing communities, affecting their economic stability and cultural heritage.
- **Conflict over fishing rights:** Competition for dwindling resources can lead to conflicts between different fishing communities or countries.
- **Regulatory and management challenges:** Ineffective or poorly enforced fisheries management can exacerbate overfishing and other unsustainable practices.
- **Aquaculture risks:** Fish farming practices can have environmental impacts, such as water pollution and spread of diseases to wild fish populations.
- **Consumer health risks:** Consumption of fish contaminated with pollutants or harmful algal blooms can pose health risks.
- **Supply chain and market fluctuations:** Variability in fish stocks and changing market demands can lead to unstable supply and income for fisheries.

The agriculture, fisheries, and forestry sectors, while crucial for the global economy and food supply, also present several social, community, and workforce risks. Sanlam recognises that these risks need to be carefully managed to ensure sustainable practices and the wellbeing of those involved in these industries.

Agriculture:

- **Labour rights violations:** Including unfair wages, child labour, and unsafe working conditions.
- **Health risks from chemical exposure:** Pesticides and other chemicals can pose significant health risks to workers.
- **Displacement of indigenous peoples and local communities:** Large-scale agricultural projects can lead to land grabs and displacement.
- **Rural poverty and inequality:** Poor economic returns can perpetuate poverty and inequality in rural areas.
- **Lack of access to education and healthcare:** In rural areas, these essential services can be limited, affecting families involved in agriculture.
- **Gender inequality:** Women often face unequal access to resources and decision-making in agricultural settings.

Fisheries:

- **Safety risks at sea:** Fishing is one of the most dangerous occupations due to harsh and unpredictable marine environments.
- **Exploitative labour practices:** Including forced labour and human trafficking, particularly in unregulated fisheries.
- **Community displacement:** Coastal development for industrial fisheries can displace local fishing communities.
- **Loss of traditional livelihoods:** Overfishing and environmental degradation can erode traditional fishing practices.
- **Health risks from overexposure and accidents:** Continuous exposure to sun, sea, and potential accidents pose health risks.
- **Economic instability:** Fluctuations in fish stocks can lead to unstable incomes for fishing communities.

Forestry:

- **Unsafe working conditions:** Forestry work can be hazardous, with risks of injury from machinery and falling trees.
- **Displacement and land rights issues:** Expanding forestry operations can infringe on the land rights of indigenous peoples and local communities.
- **Economic dependency:** Communities may become economically dependent on forestry, leading to vulnerabilities if the industry declines.
- **Loss of traditional knowledge and practices:** Industrial forestry can overshadow indigenous and local forest management practices.
- **Health risks from pesticides and machinery:** Exposure to chemicals and accidents involving heavy machinery can pose health risks.
- **Social and community disruption:** Large-scale forestry can disrupt social structures and community cohesion.

Addressing these risks requires a concerted effort from governments, industry players, and communities to implement sustainable practices, respect labour rights, and ensure the long-term wellbeing of workers and local populations.

Material sector guidelines continued

Sustainability guidelines on power generation

Sanlam's commitment to clean, reliable, and sustainable energy generation is crucial, especially considering the severe challenges of energy security in many countries, which significantly impact economic growth and human development. As an insurer involved in underwriting, investment, and asset management, Sanlam's operation scope encompasses various energy generation activities, each with unique planning requirements to mitigate social and environmental risks.

These activities include:

- **Hydropower:** While a renewable energy source, hydropower projects need careful assessment for their potential impact on water resources, ecosystems, and local communities, including issues related to river flow alteration, habitat disruption, and displacement of people.
- **Natural gas:** As a cleaner fossil fuel alternative, natural gas projects require attention to minimise emissions, ensure safe extraction and transportation processes, and mitigate any potential impacts on local environments and communities.
- **Coal:** Given its significant environmental footprint, coal-based projects demand rigorous screening. This includes assessing the impact on air quality, greenhouse gas emissions, and the transition strategies towards cleaner energy sources, as well as managing the social implications of mining activities.

Sanlam's screening approach is governed by principles of a just energy transition, acknowledging the need to balance environmental imperatives with economic and social considerations. This approach is tailored to the specific contexts of different countries and companies. Key aspects of this approach include:

- **Environmental sustainability:** Assessing and minimising the ecological footprint of energy projects.
- **Social responsibility:** Ensuring that energy projects do not adversely affect local communities and that any negative impacts are appropriately mitigated.
- **Economic viability:** Considering the long-term economic sustainability of energy projects, including their alignment with global and regional trends towards cleaner energy.
- **Compliance with local and international standards:** Adhering to relevant ESG standards and regulations.
- **Support for energy transition:** Facilitating the shift from fossil fuels to renewable energy sources in a manner that is equitable and considers the economic realities of different regions.

Sanlam's role in these projects, through underwriting, investment, and asset management, places it in a position to influence and promote sustainable practices in the energy sector, contributing to broader goals of sustainable development and responsible stewardship of the environment.

External standards and sources

Sanlam's screening approach for the power generation sector is informed by an extensive set of guidelines and reports, ensuring a harmonious balance between environmental sustainability, social equity, and economic feasibility. These guidelines include additional relevant frameworks:

- **ILO guidelines for a just transition towards environmentally sustainable economies and societies for all[5]:** Emphasising social justice in the transition to sustainable practices, these guidelines advocate for inclusive and fair treatment of all stakeholders, especially in labour practices and rights.
- **World Commission on Dams Report:** This report provides a comprehensive evaluation of the development effectiveness of large dams, offering benchmarks and tools for assessing their environmental, social, and economic impacts.
- **International hydropower association sustainability protocol:** A set of guidelines assessing the sustainability of hydropower projects, covering environmental, social, technical, and economic considerations for responsible development.
- **International human rights standards:** Detailed in Sanlam's ESG guidelines on human rights, these standards are critical in ensuring power generation projects respect and uphold human rights, including indigenous peoples' rights, workers' rights, community impacts, and equitable resource access.
- **International Energy Agency (IEA) Policies:** These policies provide a comprehensive framework for energy security, economic growth, and environmental sustainability, guiding both renewable and non-renewable energy development.
- **The Equator Principles:** A risk management framework for determining, assessing, and managing environmental and social risk in project finance.
- **The Green Bond Principles:** Voluntary guidelines that promote transparency and disclosure in the green bond market, relevant for financing sustainable energy projects.
- **The United Nations Sustainable Development Goals (SDGs):** Particularly goals relating to affordable and clean energy (Goal 7), responsible consumption and production (Goal 12), and climate action (Goal 13), which are directly relevant to the power generation sector.
- **The Carbon Disclosure Project (CDP):** Provides a framework for companies and cities to disclose their environmental impacts, with a specific focus on carbon emissions and climate change strategies.

By incorporating these additional frameworks and guidelines, Sanlam's approach ensures that its involvement in the power generation sector is not only economically sound but also aligns with global standards for social responsibility and environmental sustainability. This holistic approach helps to mitigate risks and supports the global transition towards a sustainable and equitable energy future.

[5] These ILO Guidelines are both a policy framework and a practical tool to help countries at all levels of development manage the transition to low-carbon economies and can also help them achieve their Intended Nationally Determined Contributions and the 2030 Sustainable Development Goals.

Material sector guidelines continued

Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, energy generation transactions are screened on the following criteria:

Biodiversity risks:

- **Comprehensive mitigation strategies:** Inclusion of detailed mitigation measures to minimise impacts on endangered species, beyond basic compliance.
- **Detailed impact analysis on IUCN Red List species:** In-depth assessment of potential impacts on species listed in the IUCN Red List, incorporating latest conservation research.

Environmental risks:

- **Robust decommissioning plans:** Detailed plans for decommissioning/end-of-life, addressing environmental restoration and waste management.
- **Proactive environmental licensing and permitting:** Ensuring all environmental and regulatory licensing and permitting processes are initiated and align with best practice standards.
- **Thorough environmental impact assessments:** Comprehensive environmental impact assessments conducted in line with national and international standards, including extensive public consultation and considering all related infrastructure.
- **Analysis of upstream/downstream ecosystem impacts:** Detailed evaluation of potential impacts on surrounding ecosystems, including fisheries, pollution levels, and socioeconomic aspects.

Governance risks:

- **Anti-bribery and corruption frameworks:** Establishment of robust anti-bribery and anti-corruption frameworks, with transparent reporting and auditing processes.
- **Community involvement and impact assessment:** Active engagement with local communities to assess and mitigate risks, with a focus on participatory decision-making.
- **Benefit-sharing and compensation mechanisms:** Development of equitable benefit-sharing agreements and compensation strategies for affected communities.
- **Comprehensive health impact assessments:** Full health impact assessments, including long-term monitoring and mitigation strategies.

Risks to protected areas:

- **Enhanced proximity analysis:** Extending the range of proximity analysis for projects near sites of environmental, social, and/or cultural significance, and implementing stringent measures to mitigate any potential impacts.

Reputational risks:

- **Stakeholder perception analysis:** Regular assessment of stakeholder perceptions, including investors, customers, business partners, regulators, staff, and the broader public, to proactively manage reputational risks.

Resettlement risks:

- **In-depth resettlement impact studies:** Conducting comprehensive studies on the physical, social, and psychological impacts of resettlement.
- **Rights-based relocation processes:** Ensuring that relocation respects the rights of affected individuals, particularly indigenous and vulnerable groups, and includes their full participation in consultation processes.

Workforce risks:

- **Enhanced labour rights protection:** Stronger emphasis on protecting labour rights, including proactive measures to support collective bargaining and unionisation.
- **Zero-tolerance policies for child and forced labour:** Implementing strict policies against child and forced labour, with rigorous monitoring and reporting mechanisms.
- **Benchmarking working conditions:** Regularly benchmarking working conditions against best practice standards, focusing on health, safety, and fair remuneration.

By enhancing these criteria, Sanlam can ensure a more in-depth and proactive approach in assessing and mitigating risks in the power generation sector, thereby promoting sustainability, social responsibility, and good governance.

Sustainability guidelines on infrastructure

Infrastructure encompasses various critical areas, such as:

- Transport infrastructure (roads, bridges, rail, airports);
- Commercial buildings (shopping centres, office towers, sports stadiums);
- Energy (power plants, transmission lines);
- Social services (schools, hospitals);
- Environmental services (waste facilities, water treatment); and
- Telecommunications.

Sanlam invests in multiple infrastructure projects across all our jurisdictions. Given the substantial scale of some infrastructure programmes, the potential environmental and social risks are significant but can be feasibly mitigated through best practice management.

External standards and sources

Sanlam's screening approach for infrastructure investments is informed by:

- International Finance Corporation (IFC) Environmental & Social Performance Standards;
- GRI Sector Guidance on Construction and Real Estate;
- International human rights standards;
- Coal-specific information sources, including the IEA;
- The PRI;
- The United Nations SDGs, particularly those related to sustainable cities and communities, and responsible consumption and production;
- The Equator Principles, for risk management in project finance;
- ISO 14001 Environmental Management Systems;
- The Carbon Disclosure Project (CDP);
- Leadership in Energy and Environmental Design (LEED);
- Social Accountability International's SA8000 Standard;
- ILO Conventions; and
- Green Bond Principles.

Screening and assessment criteria

Following an assessment of company, sector, and country-specific ESG risk databases, infrastructure transactions are screened on these criteria:

Biodiversity risks:

- Absence of mitigation measures to reduce impacts on endangered species.
- Impact on species listed in the IUCN Red List.

Environmental risks:

- Lack of decommissioning/end-of-life plans.
- Inadequate or non-compliant environmental impact assessments, including public consultations.
- Upstream/downstream impacts such as on fisheries, pollution levels, flood risks, and socioeconomic factors.
- Use of lignite/coal in power plants and associated governance risks.
- Non-compliance with environmental and regulatory licensing and permitting processes.

Risks to local communities:

- Lack of a benefit-sharing agreement or compensation mechanisms.
- Harm to local populations or the environment due to project-related pollution.

Risks to protected areas:

- Proximity of projects to environmentally, socially, or culturally significant sites (eg, UNESCO World Heritage Sites, RAMSAR sites, IUCN Protected Areas, Natura 2000, Key Biodiversity Areas).

Material sector guidelines continued

Reputational risks:

- Negative impacts on Sanlam's stakeholders, including investors, customers, business partners, regulators, and staff.

Resettlement risks:

- Incidents related to physical harm from resettlement activities.
- Relocation of people affecting land/water/property rights, including those of indigenous peoples, without proper consultation.

Workforce risks:

- Violations of labour rights, including issues with collective bargaining and unionisation.
- Incidents involving security personnel.
- Use of child labour and forced labour.
- Poor working conditions, including health and safety standards, wages, etc.
- Substandard working conditions for subcontractors.

This comprehensive approach ensures that Sanlam's infrastructure investments are not only economically viable but also align with broader ESG objectives for sustainable and responsible development.

Sustainability guidelines on mining

The mining sector is integral to the global economy. Sanlam operates in regions where mining is crucial to economic development, supporting a significant number of livelihoods. Recognising the sector's potential environmental and societal impacts, we maintain a balanced ESG approach, underpinning the economic and community benefits of mining with robust measures to mitigate environmental and social risks.

As an insurer and investor, Sanlam is committed to practices that mitigate or avoid these risks in the mining sector.

External standards and sources

Sanlam's screening approach for mining investments is informed by a broad spectrum of standards and guidelines:

- The IFC Environmental and Social Performance Standards and Guidance Notes;
- The GRI Mining Sector Guidelines;
- The Extractive Industry Transparency Initiative;
- The International Council on Mining and Metals;
- The International Cyanide Management Code;
- International human rights standards (refer to human rights-sensitive business area);
- The OECD Guidelines for Multinational Enterprises, particularly on responsible business conduct;
- The United Nations Guiding Principles on Business and Human Rights;
- The ISO 14001 Environmental Management Systems; and
- The ISO 26000 on Social Responsibility.

Screening and assessment criteria

Following an assessment of company, sector, and country-specific ESG risk databases, mining-related transactions are evaluated based on these criteria:

Biodiversity risks:

- Absence of measures to mitigate impacts on endangered species.
- Impact on species listed in the IUCN Red List.

Environmental risks:

- Lack of decommissioning/end-of-life strategies.
- Environmental impact assessments not in line with national or international standards, including necessary public consultations.
- Improper storage and disposal of mine tailings.
- Use of cyanide or related processes.
- Utilisation of mountain and/or hill-top removal mining methods.

Governance risks:

- Absence of anti-bribery and anti-corruption frameworks.
- Risks to local communities.
- Lack of benefit-sharing agreements or compensation.
- Health impacts not properly assessed or considered.

Risks to protected areas:

- Proximity of projects to significant environmental, social, and cultural sites (eg, UNESCO World Heritage Sites, RAMSAR sites, IUCN Protected Areas, Natura 2000, Key Biodiversity Areas).

Reputational risks:

- Negative impacts on Sanlam's stakeholders, including investors, customers, business partners, regulators, and staff.

Resettlement risks:

- Physical harm related to resettlement activities.
- Relocation affecting land/water/property rights, including indigenous peoples' rights.
- Inadequate consultation with resettled persons.

Workforce risks:

- Non-compliance with labour rights, including collective bargaining and unionisation.
- Incidents involving security personnel.
- Engagement in child labour and forced labour.
- Substandard working conditions (eg, health and safety, wages).
- Conditions of subcontractors' workforce.

Exclusions for coal-related mining activities:

- Consideration of country-specific and client contexts in alignment with the Paris Agreement, focusing on supply chain impacts, job creation, skills transition, and community effects.
- Mandatory annual ESG risk and opportunity assessments for new coal underwriting and investments, aiming for a portfolio resilient to climate change's physical and transitional risks.

These guidelines ensure Sanlam's commitment to fostering sustainable and responsible mining practices, balancing economic growth with environmental stewardship and social responsibility.

Sustainability guidelines on oil and gas

The oil and gas sector remains a key contributor to the global energy supply. Sanlam supports this sector as an insurer and investor, provided that organisations implement measures to mitigate or avoid environmental and social risks. The industry's evolving production methods introduce new levels of risk, which require appropriate technical expertise for mitigation.

External standards and sources

Sanlam's screening approach for the oil and gas sector is informed by various standards and guidelines:

- The IFC Environmental and Social Performance Standards and Guidance Notes;
- The GRI Oil & Gas Guidance;
- The Extractive Industries Transparency Initiative;
- The International Petroleum Industry Environmental Conservation Association Oil and Gas Guidance;

Material sector guidelines continued

- International human rights standards (refer to human rights-sensitive business area);
- The ISO 14001 Environmental Management Systems;
- The Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA, the global oil and gas industry association for environmental and social issues;
- The United Nations Guiding Principles on Business and Human Rights;
- The Equator Principles for risk management in project finance.

Screening and assessment criteria

Following an assessment of company, sector, and country-specific ESG risk databases, oil and gas-related transactions are screened based on these criteria:

Biodiversity risks:

- Absence of measures to mitigate impacts on endangered species.
- Impact on species listed in the IUCN Red List.

Environmental risks:

- Lack of decommissioning/end-of-life plans.
- Incomplete environmental and regulatory licensing and permitting processes.
- Environmental impact assessments not aligned with national or international standards, including necessary public consultations.
- No water reclamation/reuse strategies from oil sands tailings ponds.
- Upstream/downstream impacts, including on fisheries, pollution levels, flood risks, and socioeconomic factors.

Environmental risk management:

- Absence of a comprehensive spill management/response/remediation plan.

Governance risks:

- Lack of anti-bribery and anti-corruption frameworks.
- Risks to local communities.
- Absence of a benefit-sharing agreement or compensation.
- Incidents of harm to local populations and/or the environment from project-related pollution.

Risks to protected areas:

- Project proximity to sites of environmental, social, and cultural significance (eg, UNESCO World Heritage Sites, RAMSAR sites, IUCN Protected Areas, Natura 2000, Key Biodiversity Areas).
- Projects in polar regions with potential salvage and pollution remediation challenges.

Reputational risks:

- Negative impacts on Sanlam's stakeholders, including investors, customers, business partners, regulators, and staff.

Resettlement risks:

- Incidents of physical harm related to resettlement.
- Relocation affecting land/water/property rights, including indigenous peoples' rights.
- Inadequate consultation with resettled persons.

Workforce risks:

- Non-compliance with labour rights, including collective bargaining and unionisation rights.
- Incidents involving security personnel.
- Engagement in child labour and forced labour.
- Substandard working conditions (eg, health and safety standards, wages).

By adhering to these guidelines, Sanlam aims to promote sustainable and responsible practices in the oil and gas sector, balancing the sector's economic contributions with environmental stewardship and social responsibility.

Sensitive countries list

Sanlam actively manages and updates its approach to international business operations, focusing on countries classified as sensitive due to increasing systematic sustainability and ESG risks. The group risk register is updated annually, identifying regions where these risks are escalating. This list is essential in steering the referral process for underwriting and investment review, ensuring that transactions in these countries undergo thorough scrutiny.

Criteria for identifying systematic sustainability and ESG risks:

The assessment of systematic sustainability and ESG risks in each country is based on a comprehensive set of factors, encompassing environmental, social, and governance aspects:

- **Political stability and governance quality:** Evaluation of the country's political environment, including stability, instances of conflict, and the effectiveness of governance.
- **Human rights and social equity:** Analysis of the country's human rights track record and issues related to social equity, including rights to freedom of expression, assembly, and political participation.
- **Environmental policy compliance:** Assessment of the country's commitment to and compliance with international and local environmental policies and regulations.
- **International sanctions and legal constraints:** Review of any international sanctions or legal constraints that might impact business operations.
- **Corruption and transparency:** Examination of the prevalence of corruption and the level of government and corporate transparency.
- **Inclusivity and discrimination issues:** Analysis of social inclusion, discrimination practices, and efforts to promote equality.
- **Adherence to international labour standards:** Review of the country's compliance with international labour standards, including workers' rights and conditions.
- **Conflict and security risks:** Assessment of internal or external conflict risks, including civil unrest and potential for violence.
- **Environmental and climate risks:** Evaluation of risks related to climate change, environmental degradation, and natural disasters.

Application of the Sanlam sustainability and ESG risks framework:

Sanlam applies a robust sustainability and ESG risk framework to all business activities within these sensitive countries. This approach involves comprehensive risk assessment and due diligence processes to effectively manage and mitigate potential risks. Sanlam's commitment to responsible and sustainable business practices is evident in this approach, aligning with global standards and ethical business conduct.

Thought leadership

External associations

Sanlam recognises that achieving sustainability excellence is a multi-stakeholder effort, necessitating partnerships and active engagement across various sectors. Our commitment to sustainability extends beyond our direct operations into the broader realms of the insurance and investment industry, society, government, and non-governmental sectors.

As part of this commitment, Sanlam is a signatory member of multiple local and international organisations within the insurance and investment sector. The significance of these memberships in driving our sustainability integration and disclosures is outlined below:

Code for Responsible Investing in South Africa (CRISA)

CRISA's main objective is to reinforce a framework of principles for stewardship and responsible investment within the South African governance landscape. The Code aims to:

- Position stewardship and responsible investment principles as universally relevant across the investment value chain and all asset classes, investment styles, and organisational types and sizes.
- Facilitate an investment environment in South Africa that addresses unique environmental and social challenges such as poverty, inequality, and unemployment, while delivering transparent, cost-effective services to investment product users and beneficiaries.
- Integrate sound governance practices related to stewardship and responsible investment, ensuring accountability for implementation and disclosure.
- Encourage integrated thinking in the investment industry, enhancing capacity in the six capitals[(6)] and understanding the triple context of society, economy, and environment.
- Ensure meaningful reporting on stewardship and responsible investment practices.
- Promote collaborative efforts to mainstream sustainable finance for a more equitable and inclusive economy.
- Advocate for green and sustainability-oriented investments that address ESG issues aligned with the SDGs and National Development Plan.

UNEP-FI Principles for Sustainable Insurance (PSI)

As a signatory of the UNEP-FI PSI, Sanlam commits to:

- Embedding ESG issues relevant to our insurance business in our decision-making processes.
- Collaborating with clients and business partners to raise awareness of ESG issues, manage risks, and develop solutions.
- Working with governments, regulators, and other stakeholders to promote societal action on ESG issues.
- Demonstrating accountability and transparency by regularly disclosing our progress in implementing the Principles.

United Nations-backed PRI

As a signatory of the United Nations-backed PRI, Sanlam upholds the following principles:

- Incorporating ESG issues into investment analysis and decision-making processes.
- Being active owners and incorporating ESG issues into our ownership policies and practices.
- Seeking appropriate disclosure on ESG issues from the entities in which we invest.
- Promoting the acceptance and implementation of these principles within the investment industry.
- Collaborating to enhance our effectiveness in implementing these principles.
- Reporting on our activities and progress towards implementing these principles.

United Nations Global Compact (UNGC)

Sanlam is also a signatory to the UNGC, committing to:

- Implementing universal sustainability principles.
- Taking actions that support societal goals, such as the SDGs, with an emphasis on collaboration and innovation.

Sanlam undertakes to uphold the Ten Principles of the UNGC, encompassing human rights, labour, environment, and anti-corruption. Regular communication on our progress and engagement in collaborative projects is an integral part of our commitment.

Through these associations and commitments, Sanlam actively participates in and contributes to the global discourse on sustainable finance, demonstrating our dedication to responsible and ethical business practices.

[(6)] *The six capitals model considers value creation in terms of financial, human, intellectual, social and relationship, manufactured and natural capital inputs and outcomes.*