

2022 ClimateWise Response for the Sanlam Group



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Introduction

This report is Sanlam's fourth consecutive submission to ClimateWise and it provides updates on the Group's progress in addressing climate change risks and opportunities for the last financial year of 1 January 2021 to 31 December 2021.

Sanlam is a diversified financial services company founded in South Africa, with a presence in 38 countries and selected developed markets. Sanlam has a 104-year history of empowering South Africans and is a trusted adviser to retail and institutional clients across the country. Furthermore, Sanlam is the largest insurance group in Africa, as measured by market capitalization and is listed on both the Johannesburg Stock Exchange (JSE) and the Namibian Securities Exchanges since 1998.

Sanlam's products include:

- Life Insurance
- General Insurance
- Savings and Investments
- Corporate
- Asset and Wealth Management
- Retail Credit
- Financial Planning and Advice
- Healthcare

The group continues to play a significant role in combatting climate change through various initiative, including the Climate Investor One and Climate Investor Two financial facilities. Climate Investor One invests in, and is focused on, renewable energy infrastructure, with US\$850 million in commercial funds having been allocated. Climate Investor Two was launched in 2020 and announced a conditional first close at \$US675 million during COP26 in November 2021. Climate Investor Two is a financing facility mandated to invest in water, sanitation and ocean infrastructure projects.

Sanlam's progress in 2021 included the:

- Commissioning of a diagnostic report to assess Sanlam's current responses and readiness for reporting as per the recommendations of the Task-force on Climate-related Financial Disclosures (TCFD);
- Development of training material and Board training on climate-related risks and opportunities;
- Identification of SDG 13 on climate action as a core SDG for the Group;
- Publication of research on how TCFD could assist corporates and investors in South Africa;
- Commissioning of research and analysis that included an industry quantification of climate-related risks and opportunities; and

- Initiation of the process to identify data to determine underlying carbon in Sanlam Investment Group’s (SIG) investments.

Sanlam has a decentralised management structure and conducts its operations and entrenches its business strategy through four different business clusters, which offer financial solutions to individual and institutional clients. These clusters are:

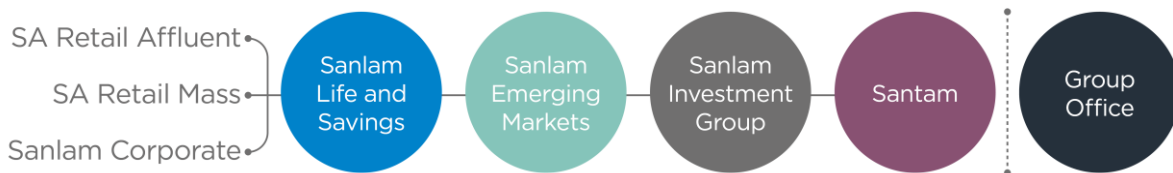


Figure 1: Sanlam’s Clusters (Source: Sanlam 2021 Resilience Report, page 19)

There is some overlapping between Sanlam’s clusters and how the 2022 ClimateWise response is presented according to different categories. Accordingly, the ClimateWise response is structured according to Table 1 below:

Table 1: Reporting Categories Mapped to Sanlam’s business clusters

Category	Business/cluster	Business division/cluster profile
Asset* Owner	- Sanlam Group (Sanlam Corporate)	Sanlam holds assets on behalf of policy holders. The Group’s approach to capital allocation is based on investing responsibly, as Sanlam’s long-term sustainability depends on having a resilient balance sheet that can support growth initiatives as well as withstand adverse conditions.
Asset* Manager	- Sanlam Investment Group (SIG)	<p>Capital management in the Sanlam Group is controlled centrally from the Group Office, which means businesses must compete for capital. Sanlam Group allocates capital to those areas where Sanlam expects a higher return within acceptable risk estimates.</p> <p>SIG provides retail and institutional clients in South Africa and Pan-Africa with a comprehensive range of specialised investment management, credit and risk management expertise.</p> <p>Sanlam Investments, one of South Africa’s largest investment management companies, is responsible for managing the Sanlam Group investments. Sanlam Investments offers a comprehensive range of local and offshore investment products to end-investors, financial planners and institutions. The investment options include passively and actively managed unit trusts, hedge funds and segregated and pooled retirement funds.</p>
Insurance Companies	- Sanlam Life and Savings (SLS), including Sanlam Life and Savings	SLS is responsible for the Group’s retail and corporate life insurance and investment business in South Africa. It provides clients with a comprehensive range of appropriate and competitive financial solutions, designed to facilitate long-term wealth creation and protection.

Category	Business/cluster	Business division/cluster profile
	and Sanlam Pan Africa - Sanlam Emerging Markets (SEM) ¹	SEM constitutes Sanlam’s financial services offering in emerging markets outside South Africa, and is expected to face similar risks and opportunities as Sanlam’s insurance companies.
Facilities Manager	- Group Office	Facilities owned and managed by Sanlam Group in South Africa, that form the operational base of the group activities. Sanlam Group may consider reporting on the properties owned by its investment segment as well as properties managed by third-party agents in future.

* Assets refer to the equities, bonds, cash equivalent or money market instruments that are owned and/or managed by the business.

Each business cluster is managed by a Chief Executive, supported by a cluster Exco and support functions that are appropriate to the cluster’s particular operational needs. These Chief Executives form part of the Sanlam Group Exco and are the designated prescribed officers.

Sanlam also has a Group Ethics committee which operates as a sub-committee of the Group Executive committee (Group Exco) and is chaired by the Company Secretary. This committee includes representatives of all the clusters and the Group office and meets quarterly to discuss ethics-related aspects, trends, challenges, feedback from cluster representatives, and the outcome of climate surveys.

This Sanlam Group 2022 ClimateWise response excludes the Santam business division, being Sanlam’s short-term insurance sector, as Santam has completed its ClimateWise and carbon disclosure reports in a separate report, which responds to the TCFD-aligned questions on climate action initiatives. Sanlam holds a 62.1% shareholding in Santam.

1. Be Accountable

Sub-principle 1.1

Ensure that the organisation's Board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

Level 1 - Evidence of engagement and oversight at the Board level through discussion of climate-related issues (risks and opportunities) at regular committee meetings, including the processes and frequency by which the board and/or board committees are informed.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 2, 3, 6, 7

¹ SEM is divided into “Sanlam Pan-Africa” and “Other International”, comprising mainly India and Malaysia

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C1.1a, C1.1b, C1.2a, C1.3, C1.3a, pages 3-8

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Pages 2, 5, 8, 11, 37 and 41

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Pages 4, 14, 43, 45, 5

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

(https://wwf.africa.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcf_d_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance)

Response

• Asset Owner

The Board is ultimately responsible for the governance of risk, including climate-related risks and opportunities. Two board committees principally assist the board with oversight and support related to climate matters:

The Risk and Compliance committee advises and assists the Board in overseeing risk governance by setting the direction for how risk management should be approached and addressed at Sanlam. This includes (among others) the identification, mitigation and management of climate-related risks that the Group might be exposed to. Therefore, the Risk and Compliance committee takes responsibility for approving the risk appetite and level of risk tolerance for the Group for recommendation to the Board and monitoring the implementation of the Group risk assurance framework and supporting policies. The committee meets quarterly and provides feedback at every Board meeting. In FY2021, the Risk and Compliance Committee decided to incorporate ESG principles (particularly climate change considerations) into the Group’s approach to risk management and responsible investing.

The Social, Ethics and Sustainability (SES) committee assists the Sanlam Board in fulfilling its responsibilities and provides oversight and advises the Board on climate-related matters as part of their mandate. The SES committee has expanded its role to include oversight of ESG matters and climate risks and opportunities and the Chairman of the committee is an independent non-executive director and has oversight roles in terms of climate change. Furthermore, in FY2021, the SES Committee recommended for approval the Group’s Sustainability Strategy.

The SES Committee reports on the progress of Sanlam’s sustainability journey through quarterly feedback to the Board, and to stakeholders through the yearly production of Sanlam’s Annual Reporting Suite.

The Chairs of both committees are independent non-executive directors and have oversight roles in terms of climate change. Depending on the nature of the climate-related matter submitted to either committee, it will note, provide approval, monitor or advise on the matter and relevant related issues that might impact the Group and its material stakeholders. When necessary, these committees elevate climate-related matters to the Board for its consideration and/or approval.

The Group Sustainability Management Office (SMO) is tasked with assessing and addressing the compliance risks related to the governance for sustainability, as well as emerging regulation and the SMO will proactively implement any requirements from government or other reporting bodies, and respond where necessary. The scopes of the risk are linked to the mandate of the SES Committee, in

which the social ethics and environmental sustainability impact, on the company and its stakeholders, are driven and monitored quarterly for the Group.

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

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

With the assistance of these support structures, the Board ensures that Sanlam is a responsible corporate citizen by having regard for the financial aspects of the business as well as the impact business operations have on the Group's stakeholders, natural resources, and the society it operates in. In this regard, and in terms of the Sanlam Governance Report 2021, one of the key focus areas for the year was the incorporation of environment, social and governance (ESG) principles (particularly climate change considerations) into the Group's approach to risk management and responsible investing.

As an example of the Board's consideration of climate change matters, in the 2021 Integrated Report it is noted that severe weather/climate change has been on Sanlam's list of top 10 strategic risks since 2018.

Furthermore, the Sanlam board is committed to incorporating ESG factors into investment frameworks to make better, more informed decisions about our investments by rolling out a range of alternative strategies explicitly aimed at investing for impact. For example, the Climate Fund Manager, which is a blended finance structure that allocated capital to combat climate change in emerging markets. The Climate Investor One fund was the first such initiative by Climate Fund Managers, Sanlam's joint venture with the Dutch Development Bank, FMO. Climate Investor One mobilised US\$850 million of commercial funds allocated to renewable energy infrastructure projects. Climate Investor Two was launched in January 2020 and announced a conditional first close at \$US675 million during COP26 in November 2021. The fund focuses on water, sanitation, and oceans infrastructure. In addition, in 2021 the Sanlam Investments sustainable infrastructure fund was launched and will source, assess, and invest in renewable energy, conventional energy, transportation, communication, water, and waste-related assets. The sustainable infrastructure fund will predominantly provide debt finance and aims to provide investors with predictable inflation-beating returns over the long term.²

Finally, the Board is regularly briefed on Sanlam Group's direct impacts on the global climate. Accordingly, Sanlam measures GHG data at the level of its facilities. This information is reported to Sanlam Group management and executives who are responsible for managing climate-related risks and opportunities within the facilities, supported by the facilities manager.

Notably in 2021:

- There has been progress in coordinating an approach towards meeting the TCFD recommendations and reporting. Accordingly, Sanlam has published the Sanlam Climate Change Resilience Report, as a TCFD beginner report.
- Sanlam identified seven core SDGs for the Group this year, including climate action (SDG 13), to ensure that Sanlam is intentional and prioritises SDGs that provide the most significant opportunity for shared value.

² 2021 Integrated Report, pages 4, 55 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>).

- Sanlam partnered with 6 Capitals, an environmental, social and governance (ESG) advisory agency to publish research on how TCFD disclosure could assist corporates and investors in South Africa to address climate change. The research considered perspectives of financial institutions, pension fund holders, government and the Johannesburg Stock Exchange.

• **Asset Manager**

Engagement and oversight of climate change matters at Sanlam Investments occurs at the Sanlam Group board level, which includes the Board Committees as discussed above. In addition, the Sanlam Investment Chief Executive, supported by the cluster Exco and support functions, is responsible for identifying and managing risks faced by the business. They assist the business-level board in fulfilling its responsibilities to the Sanlam Board. Furthermore, The Sanlam Investment Group (SIG), through its Socially Responsible Investment (SRI) funds, provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise.

Notably in 2021, Sanlam Investment Group:

- Became a signatory to Climate Action 100+. This is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take the necessary action on climate change.
- Launched a Sustainable Investment Strategy Committee to set and drive the vision of sustainability related matters, including climate-related matters.
- Started working to understand how much underlying carbon is present in the asset manager's investments. This research is based on data on high greenhouse gas associated industries as a starting point in articulating metrics that can be used to make better-informed decisions.

• **Insurance Companies**

Engagement and oversight of climate change matters at Sanlam Life and Savings and Sanlam Pan Africa occur at the Sanlam Group board level, which includes the abovementioned Board Committees. In addition, the various clusters Chief Executives, supported by the cluster Exco and support functions, identify and manages risks faced by the business and assist the business-level board in fulfilling its responsibilities to the Sanlam Board.

• **Facilities Manager**

Engagement and oversight of climate change matters occurs at the Sanlam Group board level, which includes the abovementioned Board Committees. In particular, the Board is responsible for overseeing the targets to reduce carbon emissions, waste and electricity and water consumption at facilities in South Africa.

Level 2 - Evidence of how the board monitors and oversees progress against goals and targets for addressing climate-related issues.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.1a, C1.1b, C1.2a, C1.3, C1.3a, pages 3-8
- C2.1a, C2.2a, pages 8-13
- C3.3, C3.4, pages 47-49
- C4, pages 53-58
- C12.1a, C12.4 pages 80; 84
- C-FS14.3b, page 90

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Pages 7, 12, 41

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Pages 2, 5, 8

Sanlam Group Environmental Policy 2020 (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Sanlam Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 83 and 84

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>)

Response

• **Asset Owner**

Performance objectives are set by Sanlam Group, with the Board approved SES Committee providing oversight and advising the Board on climate-related matters. Sanlam is continuing work to develop a group climate position statement. Once finalised, the group climate change position statement will guide the group’s approach to assessing climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares, which will inform the development of group climate goals and targets. Furthermore, Sanlam’s group environmental policy articulates the group’s environmental position and outlines environmental and climate goals and targets.

The oversight and monitoring of progress against goals and targets for addressing climate-related issues currently lies with the Sanlam Group Board, which integrates climate-related issues into formal governance mechanisms. The governance mechanisms including the review and guidance of strategy development and implementation, as well as the setting and monitoring of performance objectives.

The Board is assisted in overseeing progress against climate-related goals and targets by the SES Committee, who oversees and monitors, on an ongoing basis, how the consequences of Sanlam’s activities and outputs affect its status as a responsible corporate citizen. This role includes considering the environment, including responsibilities regarding managing issues surrounding the management of climate change risks and stewardship of natural resources, as well as management of environmental risks such as pollution and waste disposal. It also oversees Sanlam’s standing in terms of the goals and purposes of all the institutions that Sanlam is a signatory of, such as the UN Principles for Responsible Investing (UNPRI) and ClimateWise.

Through its Chairman, the SES Committee has the responsibility to recommend for approval, monitor and advise on all social, ethics and sustainability matters and relevant issues that have a significant impact on the Group and its material stakeholders, with the Chairman of the SES committee attending Sanlam’s annual general meeting. The SES committee reports on the progress of Sanlam’s sustainability journey through quarterly feedback to the Board and to stakeholders through Sanlam’s Annual Reporting Suite. This process ensures that performance against targets and goals is tracked at the highest levels.

In addition, climate targets and goals are also monitored by the Group Sustainability Committee, which uses a Sustainability Management Framework that supports the business strategy to manage specific key performance indicators on non-financial matters. The Sustainability Management Framework engagement processes ensure coordinated and effective engagement and feedback mechanisms. The Sustainability Management Framework transcends the clusters and draws on established processes and systems. Currently, aspects with the most material impact on Sanlam's environmental resource conservation are water and paper usage, and the responsible management of waste.

The nature and outcomes of the Sustainability Management Framework engagements feed into the annual performance appraisals of those responsible and inform the integrated and sustainability reporting processes. The Chief Executive Officer, Chief Sustainability Officer, Environment/Sustainability manager and facilities manager are provided monetary rewards for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay.

The Group's Energy Forum also plays an important role in improving the Group's environmental performance by setting specific targets. It reports to the organisation's Business Continuity Committee that meets at least four times a year.

At the business cluster levels, each cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

- **Asset Manager**

Sanlam Investments' board-level monitoring and oversight of progress against goals and targets for addressing climate-related issues occurs at the Sanlam Group board level, as discussed above.

- **Insurance Companies**

Board-level monitoring and oversight of progress against goals and targets for addressing climate-related issues at Sanlam Life and Savings and Sanlam Pan Africa occur at the Sanlam Group board level, as discussed above.

- **Facilities Manager**

Board-level monitoring and oversight of progress against goals and targets for addressing climate-related issues occurs at the Sanlam Group board level, discussed above.

The Sanlam Group Energy Forum sets targets towards improving the Group's environmental performance. It reports to the Business Continuity committee that meets at least quarterly.

Level 3 - Evidence for incorporation of climate change into business strategy and planning and the development of related key metrics and targets, at a board and / or board committee level.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C3.3, C3.4, pages 44-49

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Pages 54, 55, 73

Sanlam Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 94, 95

Sanlam Investment and Impact Report 2021 ([2021-Responsible-Investment-Report.pdf](https://www.sanlaminvestments.com/2021-Responsible-Investment-Report.pdf)), pages 29, 37

Response

• Asset Owner

Sanlam Group continues to incorporate climate change into business strategy and planning. The Sanlam Group’s Board and board committees are responsible for such climate change mainstreaming. Accordingly, the Board has endorsed the implementation of the group’s sustainable development strategy (as per the Sustainability Management Framework), which supports the business strategy. The sustainable development strategy is the result of the risk and opportunity analyses and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. In April 2021, Sanlam Board members were invited and attended a session by the Institute of Directors South Africa on climate change. The training included an overview of climate risk oversight as a four-part video series to assist leaders in obtaining a better understanding of climate change and the associated risks, as well as the Board’s role and fiduciary responsibilities relevant to climate change and its associated risks. Further topics included the systemic nature of climate change, physical and transition risk, and net zero implications.

Notably, Sanlam is a founding member of the UNEP FI Principles for Sustainable Insurance (PSI). The Board and committees therefore subscribe to the four sustainable insurance principles, which are used as key drivers of strategy and planning:

- | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>■ Principle 1:
We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</p> | <p>■ Principle 2:
We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.</p> |
| <p>■ Principle 3:
We will work together with governments, regulators and other key stakeholders to propose widespread action across society on environmental, social and governance issues.</p> | <p>■ Principle 4:
We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.</p> |

The following are notable examples of climate-related risks and opportunities that have influenced the group’s strategy and financial planning in various areas.

Products and services, Sanlam Board and committees implemented:

- Responsible investment guidelines over the short, medium and long term. Sanlam’s Credit Risk Framework incorporates ESG principles since 2013 as well as a responsible lending policy for hedge funds. ESG factors are also factored into the credit approval process. These policies and metrics will ensure that ESG principles are considered when making lending decisions.
- The Climate Investor One Development and Construction Equity Funds (focus on renewable energy), as well as the Climate Investor Two Fund (mandated to invest in water, sanitation and ocean infrastructure projects).

The provision of pro-climate funds is a metric indicating the Board's recognition that Sanlam's long-term sustainability is contingent on the global transition to a low-carbon economy.

Operations, Sanlam Board and committees implemented:

- Targets to reduce office buildings' scope 1 and scope 2 emissions intensity.
- Environmental sustainability targets linked to electricity, water, paper, travel, waste and recycling.

The operational metrics are key to ensuring that Sanlam's direct impacts on climate change are mitigated as far as possible.

• **Asset Manager**

As the group's asset manager, Sanlam Investments actively incorporates climate-related issues into the business strategy. The investment philosophy adopted by the business cluster mandates Sanlam Investment's board to take rational investment decisions based on research, with a long-term focus. By taking the long-term view, Sanlam Investments' board recognises that non-financial issues can play a material role in valuations. These issues typically relate to the quality of companies' relationships with their broader stakeholders and their responsible stewardship of natural resources. Accordingly, Sanlam Investments' board embeds sustainability into the core investment process to better understand the potential for companies to deliver their cash flows into the future. This entails broadening and extending investment horizons guided by Sanlam Investments' responsible investment policy.

As an example, Sanlam Investments recognises renewable energy projects as financially attractive business opportunities and is committed to developing actively managed funds that bring about social, environmental and economic change through active engagement in South Africa. The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects - an asset class that delivers long-term assets to meet the long-term cash-flow needs of clients. This is a key metric for the cluster.

Accordingly, Sanlam Investments launched the Sustainable Infrastructure fund in 2021. Through this fund Sanlam Investments will source, assess and invest in assets across renewable energy, conventional energy, transportation, communication, water and waste-related assets. Strict ESG criteria are applied to support sustainable development. Infrastructure development contributes to faster, easier, better access to markets, health and educational services. Sanlam Investment's strategy invests capital with the intention of also generating a social / environmental impact and also recognises that ESG will create a competitive edge for the group's business because there is a benefit for the organisation.

A further example of recent integration of climate change matters into strategy and planning includes Sanlam Investments' board approval of a strategic partnership in 2020 with Robeco, a leading international asset manager offering an extensive range of active investments, from equities to bonds, including sustainable investing. Through Robeco, Sanlam Investments now offer clients a wider range of sustainability solutions, ESG integration, rich data and technology, stewardship and governance, powered by leading research and insights. Further, sustainability engagements can be scaled, and capabilities expanded to address material issues for both domestic and international exposure through their value enhanced engagements. Sanlam's partnership with them provides access to niche sustainability expertise and the rigour required to track, monitor and influence change.

In addition to the Robeco aligned products and services, Sanlam Investments Board also approved and launched the MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs). Since 2020 the ETFs have been providing sustainable investment opportunities with a positive impact on climate change. They are designed to maximise exposure to positive ESG factors while reducing exposure to carbon dioxide, other GHGs and potential fossil fuel emissions by 30%. The ETFs exclude exposure to controversial business activities, using screens to exclude thermal coal, oil sands and other activities.

The climate-related decisions made by Sanlam Investments’ Board and board committees are informed by the cluster’s subscription to the:

- UNEP FI Principles for Sustainable Insurance (Sanlam is a founding member) and the four sustainable insurance principles.
- Code for Responsible Investing in South Africa and is committed to integrating the five principles into the investment approach. The first principle in particular, is the commitment to “incorporate sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries.” Sanlam Investments annually assesses their policy framework and implementation against the Code for Responsible Investing in South Africa principles to compare progress with that of international peers.
- United Nations Principles for Responsible Investments.
- The Global Impact Investing Network (GIIN)
- Group environmental policy (latest version published in May 2020).

Accordingly, the Sustainability Policy and Framework of Sanlam Investments include three types of sustainable investment strategies that are adopted: financial integration, exclusions and impact or thematic strategies.

Furthermore, the Corporate Governance Unit committee drives the implementation of governance responsibilities on behalf of Sanlam Investments’ clients. This includes considering and incorporating environmental, social and governance related principles and data into non-equity investment processes.

These policies aim to entrench the consideration of ESG principles when making lending decisions.

• **Insurance Companies**

Incorporation of climate change into Sanlam Life and Savings and Sanlam Pan Africa’s business strategies and planning at board-level occur at the Sanlam Group board level, as discussed above.

• **Facilities Manager**

Sanlam’s Group Board and board committees endorse the implementation of the group’s sustainable development strategy (as per the Sustainability Management Framework) with respect to the facilities that are owned and occupied by Sanlam’s various segments. The Board and board committees recognise that the sustainable development strategy supports the overall business strategy by:

- Facilitating lower operational costs of scarce resources such as electricity and water;
- Maintaining customer loyalty;
- Attracting and retaining talented employees; and
- Identifying and realizing strategic business opportunities from climate change induced changes in consumer behaviour that could result in new products or services.

In addition, Sanlam Group has committed to various climate change and water related goals and targets, discussed further in response to **Sub-principle 4.3**, with respect to the facilities that are owned and occupied by Sanlam’s various segments. Sanlam also owns properties that are managed by third-party property managers, which fall outside of the scope of this report

Sub-principle 1.2

Describe management’s (below board-level responsibility) role in assessing and managing climate-related issues.

Level 1 – Evidence of assigned climate-related responsibilities to management-level positions or committees; and, a description of the associated organizational structure and how management report to the board and /or board committees.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 9, 10

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.2, C1.2a pages 4-6
- C2.2 pages 9-10

Sanlam Group’s 2019 Integrated Annual Report (<https://www.sanlam.com/financial-reporting>)

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 40, 45, 93

Sanlam Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 8, 10

Response
<p>• Asset Owner</p> <p>The core focus of the group sustainability management team is to ensure that the sustainable value of the business is entrenched and understood internally and communicated externally. Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.</p> <p>The Group Exco assists the Group Chief Executive to develop Sanlam’s Group Strategy and its risk appetite, after which a recommendation is made to the Board for approval. The strategy and risk appetite are reviewed at least once a year. This is supported by frequent monitoring and reporting on implementation and/or execution, with progress reported to the Board and/or Board Committees in alignment with their mandates and oversight roles.</p> <p>Multiple functions are involved in climate risk across the Group:</p> <ul style="list-style-type: none"> • The Group Sustainability Management team forms part of the Group Market Development and Sustainability function, led by a member of Group Exco, and coordinates all ESG matters across the Group, including climate-related risks and opportunities. The team submits quarterly reports to the SES committee and is tasked with assessing and addressing compliance risks related to the governance of sustainability.

- The Group Actuarial Risk Management committee is responsible for coordinating the input of climate-related risks into the enterprise risk management process.
- The Sanlam Group Energy Forum sets targets towards improving the Group's environmental performance. It reports to the Business Continuity committee that meets at least quarterly.
- Sanlam's facilities management team monitors risks and opportunities associated with physical assets (facilities) in South Africa with the intent to expand monitoring into the rest of Africa. Continual monitoring of essential consumption patterns such as energy, water, waste and recycling are applied and controlled through an internal IT system. The facilities manager reports any identified climate change risk or opportunity to the sustainability team.

Group Exco and senior managers responsible for climate change-related matters include:

- Group Chief Risk Officer: responsible for risk management, including identifying, evaluating, reporting and overseeing the external and internal Group risks.
- Group Executive for Market Development and Sustainability: responsible for overseeing the market making, reputation, social impact and sustainability activities of the group in an ecosystem of functions that drive optimal impact in these areas.
- Head of Sustainability: responsible for consolidating and reporting on sustainability aspects relevant to the Sanlam Group; attending the SES committee meetings as a standing invitee and management representative; and communicating and overseeing the Group's Sustainability Management Framework, which includes assessing and managing climate-related risks and opportunities.
- Group Environment/Sustainability manager: responsible for implementing the sustainability strategy and management framework.

• **Asset Manager**

The primary engagement and oversight of climate change matters at Sanlam Investments occur at the Sanlam Group management/committee level, as discussed above.

Sanlam Investments' management levels responsible for climate change matters include the respective risk/audit and management committees.

• **Insurance Companies**

Engagement and oversight of climate change matters at Sanlam Life and Savings and Sanlam Pan Africa occur at the Sanlam Group management/committee level, as discussed above Error! Reference source not found.and at the respective cluster management levels responsible for climate change (e.g. clusters' risk/audit and management committees).

• **Facilities Manager**

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

Level 2 – Evidence of the processes by which management is informed about, reviews and manages climate-related issues.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2 pages 9-10

Sanlam Integrated Report 2019 (<https://www.sanlam.com/financial-reporting>): page 141

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 40, 45

Response

• **Asset Owner**

Sanlam’s group wide Enterprise Risk Management process includes the identification and management of climate change risks at different organisational levels:

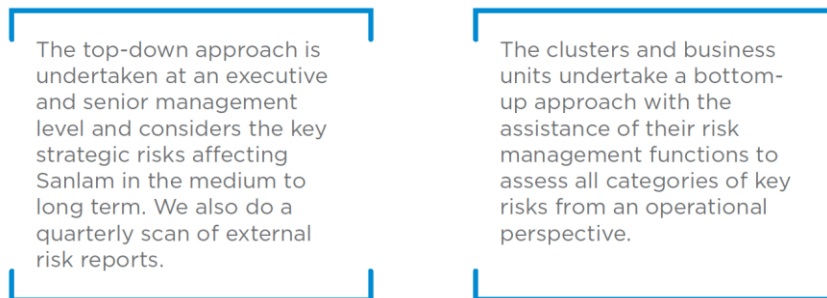


Figure 2: Sanlam’s risk management governance structure (Source: Sanlam Group’s 2021 Integrated Annual Report, page 40)

Each cluster’s finance and risk committee/ forum maintains risk registers and reports. Significant and emerging climate change risks are escalated to Group level.

Sanlam Group has a specific focus on emerging risks that forms part of the top-down strategic risk assessment process. As part of this process, internal and external scanning of emerging risks is performed on a quarterly basis. Internal scanning includes input from key subject matter experts within the Group regarding emerging risks, whereas the external scanning process focuses on external industry and media risk reports. Emerging risks are therefore constantly tracked and assessed for potential impact. The process to identify emerging risks is discussed further under Level 1 of **Sub-principle 3.1**, and is also illustrated below:

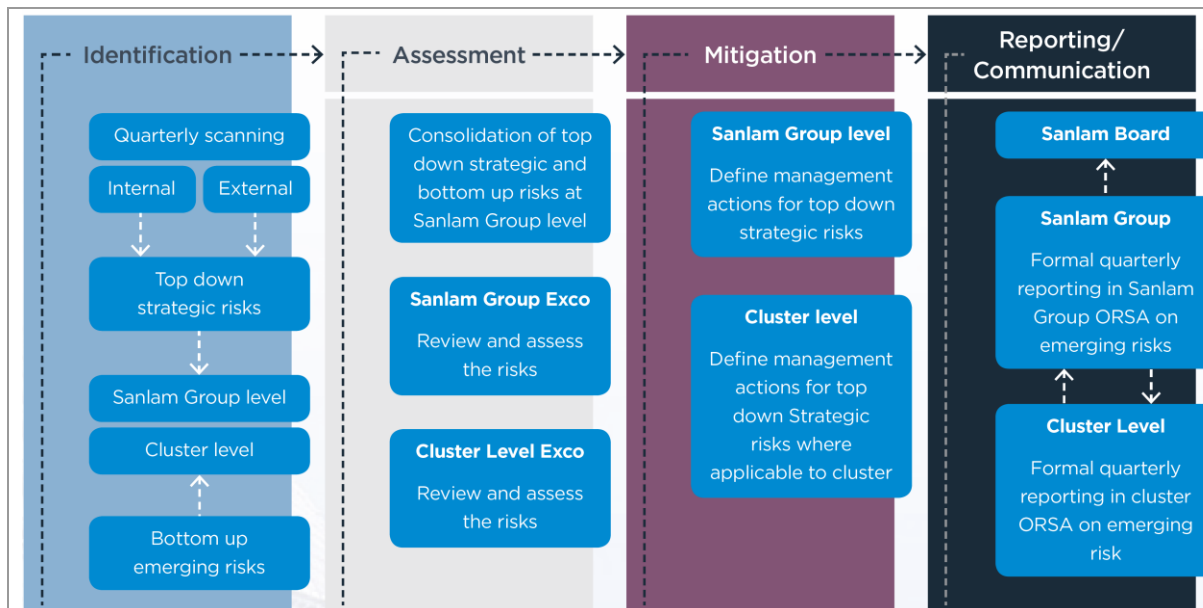


Figure 3: Process to identify emerging risks (Source: Sanlam 2019 Integrated Report, page 141)

The senior cluster managers responsible for climate change matters are informed through participation in the Group Sustainability Committee, the Group Energy Forum and the Group Actuarial Risk Management Committee discussed above (Level 1 of **Sub-principle 1.2**).

• **Asset Manager**

Sanlam Investments’ management is informed about climate-related issues through the group-wide Enterprise Risk Management process and participation in the group level committees, as discussed above.

• **Insurance Companies**

The management teams of Sanlam Life and Savings and Sanlam Pan Africa are informed about climate-related issues through the group-wide Enterprise Risk Management process and reports to the group level committees, as discussed above. Furthermore, the Group Actuarial Risk Management committee coordinates the input of climate related risks into enterprise risk process

• **Facilities Manager**

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

Level 3 – Evidence of how management (through specific positions and/or management committees) monitors and assesses the implementation of strategic plans, goals and targets agreed by the board/ and or board committees to address climate-related issues.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.2, C1.2a, pages 4-6
- C2.2a, page 13

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 50

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 8, 72

Response			
<p>• Asset Owner</p> <p>The following table outlines the highest management-level positions with responsibility for climate-related issues within Sanlam.</p> <p>These members assist the Board with the monitoring and assessment of implementation of strategic climate-related plans, goals and targets. The frequency of monitoring and reporting to the Board occurs on quarterly basis.</p>			
Name of the positions and committees	Reporting line	Responsibility	Coverage of responsibility
Chief Sustainability Officer (CSO)	CEO reporting line	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations
Environment/ Sustainability manager	Corporate Sustainability/ CSR reporting line		
Facility manager	Operations - COO reporting line		
Group Sustainability Management Office (SMO)*	Corporate Sustainability/ CSR reporting line		
Group Energy Forum	Operations - COO reporting line		
Social, Ethics and Sustainability (SES) Committee	Reports to the board directly		
Group Actuarial and Risk Management	Risk – CRO reporting line	Assessing climate- related risks and opportunities	Risks and opportunities related to our investing activities
<p><i>* Climate matters are monitored through the Enterprise Risk Management process (discussed above in Level 2 of Sub-principle 1.2) and via the Group SMO, which is tasked with addressing the compliance risks related to the governance for sustainability.</i></p> <p>Sanlam Group is also required by the Insurance Act of 2017 and related Prudential Standards to conduct a forward-looking, risk-based Own Risk and Solvency Assessments. This is an ongoing process of identifying, assessing, controlling, monitoring and reporting the risks, which include climate</p>			

change concerns, to which the Group is exposed. The regulatory requirements include the documentary evidence of the process in the form of an annual report.

The following committees also monitor climate-related issues and report on these to the Board, every six months or more frequently:

- *Group Sustainability Committee*

The Committee uses a Sustainability Management Framework, which supports the business strategy, is the result of the risk and opportunity analyses and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. The Committee identifies and manages specific key performance indicators on non-financial matters. The Sustainability Management Framework entails an annual review (which identifies existing and emerging stakeholder issues) with the various businesses in the Group.

The nature and outcomes of these engagements also feed into the annual performance appraisals of the individuals responsible and inform the integrated and sustainability reporting processes. These individuals are typically responsible for the management of the respective cluster companies, such as the chief executive officers, chief financial officers and chief risk officers. The Sustainability Management Framework engagement processes ensure coordinated and effective engagement and feedback mechanisms. The Sustainability Management Framework transcends the clusters and draws on established processes and systems.

- *Group Energy Forum*

Monitors energy related resources and targets.

- *Group Actuarial Risk Management Committee*

Coordinates the inputs of climate risks into the enterprise risk process.

- **Asset Manager**

Sanlam Investments' management monitors climate change matters through work undertaken in the Sanlam Group-level committees listed above.

- **Insurance Companies**

Management within Sanlam Life and Savings, Sanlam Pan Africa and Santam monitor climate change matters through work undertaken in the Sanlam Group-level committees listed above.

- **Facilities Manager**

Continual monitoring of essential consumption patterns such as energy, water, waste and recycling are applied and controlled through an internal IT system.

Demonstrating Continuous Improvement (planned activities)

In 2021 Sanlam Group continued to refine the allocation of responsibilities for, and monitoring of, climate-related matters at both a corporate group level and at the respective cluster levels. This was demonstrated by the publication of Sanlam's 2021 Climate Change Resilience Report, a beginner TCFD report. This report will be updated annually.

Sanlam is developing a coordinated plan to action and address the high priorities identified in the diagnostic report as a starting point to engage business. This is taking place within the scope of

the sustainability strategy development process. The plan also includes the allocation of roles and responsibilities within the Group³.

Sanlam Group is continuing to develop a group climate change position statement. The climate change position statement will articulate Sanlam's environmental and climate change positions, long-term visions, quantifiable targets and climate-related risks to Sanlam's owned assets. The position statement requires multiple stakeholder inputs which delayed publication. The statement is expected to be finalised in 2022.

Sanlam's 2021 Climate Change Resilience Report (page 3) further notes the following priorities for 2022 for the Sanlam Investment Group (asset manager):

- Obtain specialised climate data that will aid the integration of climate matters by assessing impacts on valuations.
- Link climate-related risks and opportunities to strategic Board decisions.

2. Incorporate Climate-related Issues into Our Strategies and Investments

Sub-principle 2.1

Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

Level 1 - Describe priority climate-related risks and opportunities across the business and its investments (considering relevance to the nature of the business by sector, geography, business segment) over the short, medium, and long term, defining these time horizons.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 10, 11

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.1a, page 4
- C1.2a, pages 4-6
- C2.1, page 9
- C2.3a pages 23, 24, 26, 34 and 38

³ Source: <https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>, page 6

- C3.3. page 59

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): pages 4, 43, 55, 77

Sanlam Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 9, 12, 68

Sanlam website: <https://www.sanlam.com/sustainability>.

Response	
<p>• Asset Owner</p> <p>Sanlam Group defines short-, medium- and long-term time horizons as follows:</p>	
Time horizon	Description
Short-term: 1-2 years	This is aligned with business plans, which focus on short term changes and actions. This also aligns with annual reduction targets and budgeting for CAPEX to implement projects.
Medium-term: 2-10 years	This horizon is used in forward-looking business plans, which include a longer-term view of operations, reduction targets and project identification, design and approval..
Long-term: 10-30	This 10-30-year horizon is used in forward looking business plans which include a longer term view of operations, reduction targets and project design, including the allocation of capital for implementation. This aligns with more visionary strategic view of climate-related risks and opportunities.
<p>Sanlam is a purpose-led business, focused on working across our value chain to create an enabling environment for accelerated economic recovery and sustainable, inclusive economic growth that brings meaningful social change and ensures a resilient future for all.</p> <p>Sanlam’s purpose guides the group strategy, which includes four sustainability pillars:</p> <ul style="list-style-type: none"> - Shared value creation, - Financial inclusion, - ESG integration in asset management, value chains and ecosystems, and - Strategic partnerships. <p>The four strategic sustainability pillars are underpinned by seven themes that are aligned to priority SDGs:</p> <ol style="list-style-type: none"> 1. Consistent value and trust for our clients 2. Sustainable value for our shareholders 3. Financial inclusion 4. Economic growth 5. Integrating with our societies 6. Enabling environmental resilience 	

7. Value enhancing ecosystems

Accordingly, Sanlam Group incorporates climate-related issues into investment strategies through adherence to the group’s broad policies/guidelines including:

- Responsible investment guidelines. Climate change impacts and drivers are necessary considerations for responsible investment which not only benefits the environment and communities whom Sanlam Group’s clusters serve by making them more climate-resilient, but also benefits Sanlam Group’s clusters by ensuring that the group’s medium to long-term strategies are sustainable.
- Credit Risk Framework which has incorporated ESG principles since 2013
- Responsible lending policy for hedge funds.
- Group environmental policy (latest version published in May 2020).

Sanlam’s products are diversified and are therefore expected to experience varied impacts of climate change, depending on the nature of the business. Examples of climate-related risks and potential impacts on the strategy and planning for each cluster, as guided by the Sustainability Accounting Standards Board (SASB):

SASB climate risk map	Sanlam cluster	Climate-risk category*	
		Physical	Transition
Asset management and custody activities	SIG		High-risk area
Insurance	SNT, SEM, SLS	High-risk area	High-risk area
Investment banking and brokerage	SIG		High-risk area

* High-risk areas in dark colour according to the SASB Climate Risk Technical Bulletin 2021.

Figure 4: Sanlam Climate Change Resilience Report 2021, page 11⁴

The integration of group climate risks and opportunities largely lies with the Asset Manager (described below). Sanlam Group is in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares. Sanlam is well positioned to tackle these matters and evidence for this includes the company’s most recent MSCI ESG AA-rating as well as a score of ‘A-’ in the 2021 CDP, indicating leadership in implementing a range of actions to manage climate change in our own operations and beyond⁵. Scores are based on insured exposure to geographies vulnerable to climate change effects; and integration of climate change risks into product strategy and risk management processes.

⁴ Available at: <https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>

⁵ Reference: <https://www.sanlam.com/sustainability>

Short-term climate risks and opportunities are largely operational in nature, and pertinent at Sanlam's facilities-level, discussed below in the section related to the Facilities Manager. Medium to long-term risks and opportunities are discussed immediately below.

Sanlam Group's priority climate change risks

Medium to long-term risks:

Sanlam's strategic climate risks fall into both the physical risk and transitional risk categories.

Physical risks: Severe weather/climate change has been listed in the top 10 strategic group risks for the past three years. Sanlam notes in the 2021 Integrated Report (page 43) that climate risk is systemic, with profound social and economic impacts.

Because of the combined effects of climate change and poor maintenance of infrastructure, risk insurance companies are expected to cover a wider range of risks. Sanlam notes in the 2021 Climate Change Resilience Report (page 12), as well as the 2022 CDP submission that water scarcity is one of the most significant risks to the global economy. It is particularly relevant in South Africa, which is facing an ongoing drought compounded by increased variability in rainfall patterns.

With respect to the general insurance products: Examples of climate-related risks include increases in severity and frequency of weather events such as droughts, floods and fires, resulting in a rise in insurance premia and insurers incurring unnecessary financial costs. There is also a risk from reinsurance as default risk from the reinsurer increases. Sanlam views risks to insurers potentially high impact.

With respect to the life insurance products: Africa is likely to experience more severe temperature increases leading to higher mortality rates. Shareholder and stakeholder activism is expected to increase to drive change.

Transitional risks: the transition to a low-carbon economy, motivated by policy, market, technological or reputational factors can affect the value of financial assets and give rise to transition risks. Transitional risks also have impacts on investors. These stakeholders are requiring more information from companies around how they are addressing increased weather-related risk in support of more transparent disclosures that make use of scenario analysis to evaluate climate-related financial risks and opportunities. Sanlam is therefore looking at how to meet the new Financial Stability Board's Disclosure (TCFD) recommendations in the near future.

Sanlam's 2021 Integrated Report (page 43) further notes emerging local South African drivers, such as the release by National Treasury of a draft technical paper in May 2020 ("Financing a Sustainable Economy"). In this paper, they propose several actions for the financial services sector and the expectation is that the following will be started between 2020 and 2025. This signals a move from voluntary to compulsory disclosure in South Africa.

Sanlam Group's priority climate change opportunities

Medium to long-term opportunities:

Development and/or expansion of low emission goods and services. Sanlam Group's opportunity in this regard is to increase revenues through access to new and emerging markets (e.g. partnerships with governments, development banks). Global responses to the requirement to meet the Paris Agreement's goal of reducing average temperatures to below 1.5 °C will require drastic changes to local and international energy infrastructure, as well as the infrastructure required to meet climate adaptation goals. These opportunities largely lie at the Asset Manager level described below.

In addition, Sanlam Group continues to pursue climate related opportunities by assisting local communities to address systemic risks that exacerbate climate-vulnerabilities. For example, the purpose of the Sanlam Foundation is to bring about sustainable and meaningful impact and change in communities in which we operate through programmes that contribute to alleviate inequity, stimulate job creation, drive financial inclusion, build social development and protect the environment.

Furthermore, Sanlam has:

- Invested around R540 million in communities over the past 10 years.
- With the support of broad public and private sector commitment, CIO mobilised commercial funds to reach US\$850 million (R12,265 million) by June 2019 – 30% above target.
- CIO is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda..
- A R10,5 million contribution from Sanlam to the Freshwater programme assisted in leveraging co-funding of R101 million to protect water source areas in South Africa. Sanlam’s funding provides a critical foundation that supports WWF in achieving the 2025 freshwater-focused outcome of “freshwater quantity and quality improved in strategic water source areas for ecological systems and communities” as well as helping to pursue the intersection of finance and sustainability.

These measures improve resilience and assist these communities in adapting to climate change impacts. Given the significant infrastructure investment needs across emerging economies, public infrastructure, educational and economic development projects play a vital role in enhancing resilience and will have a long and lasting impact on vulnerable communities.

• Asset Manager

Sanlam Investments’ priority climate change risks

Sanlam Investments recognises that the transition to a low carbon economy poses a transition risk as traditional carbon-intensive assets risk being stranded and represents a significant opportunity for early adopters who choose to invest in emerging and growing sustainable sectors. ESG focused companies have been seen to outperform competitors.

Sanlam Investments is therefore continuing to participate in the Sanlam Group’s initiatives to assess and articulate climate-related risks to the group’s owned assets (such as investments in stocks, bonds, shares). The outcome of these considerations will be articulated in a group climate change position statement.

Sanlam Investments’ priority climate change opportunities

Medium to long-term opportunities⁶:

Development and/or expansion of low emission goods and services: increased revenue through access to new and emerging markets (e.g. partnerships with governments, development banks). Continuation and/or development of environmental/climate change investment funds. Sanlam Investment’s partnership with the Development Bank of the Netherlands in the Climate Investor One Development Fund and Construction Equity Fund vehicles has proved particularly successful in 2019, in which \$US850 million has been mobilised for investments in renewable energy projects. The closure of the Climate Investor One Fund in 2019 generated one-off income of R68 million in the Alternatives business.

⁶ Sanlam Integrated Report 2021, page 4, 55.

Sanlam Investments has further invested in the Climate Investor Two fund, launched in January 2020, which combats climate change through the provision of climate resilient water, sanitation and oceans infrastructure in developing countries. Climate Investor Two announced a conditional first close at US\$675 million during COP26 in November 2021.

Sanlam investments also provides the MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs) and notably, on 1 September 2021, Sanlam Investments launched a sustainable infrastructure fund. Through this fund, Sanlam Investments will source, assess and invest in renewable energy, conventional energy, transportation, communication, water and waste-related assets. ESG criteria are applied to support sustainable development. The fund, which provides predominantly debt finance, received commitments of R500 million and aims to provide investors with predictable inflation-beating returns over the long term. We plan to grow investments in the fund to R5 billion by attracting further capital from institutional investors.

• **Insurance Companies**

Sanlam Life and Savings and Sanlam Pan Africa will be considering climate-related risks and opportunities on their respective customer bases going forward. These are likely to related mostly to both acute and chronic physical risks which result in increased insurance pay outs.

Santam has continued to expand on the identification and management of risks and opportunities, which are disclosed in a stand-alone ClimateWise disclosure. Santam has also published a TCFD report, available at <https://www.santam.co.za/investor-relations/integratedreport-2020/environmental-social-governance/>.

• **Facilities Manager**

Operational climate change risks

Short and medium-term climate change risks:

Chronic changes in weather patterns and severe weather events are physical risks: Water scarcity is one of the greatest risks to the global economy and is particularly relevant in South Africa, which is facing an ongoing drought situation, compounded by a rainfall climate of great variability. At present usage rates, demand for freshwater will exceed supply by 2025, placing severe pressure on freshwater ecosystems. In particular, the Eastern and Western Cape provinces are particularly affected. In 2022, Nelson Mandela Bay in the Eastern Cape experienced critical water shortages which could result in a scenario known as ‘Day Zero’⁷ where the city’s water supplies run dry. The City of Cape Town was in a similar position a few years ago. Conversely in the two years, Cape Town experienced some of the wettest seasons on record, with floods and storm damage reported across the country.

Accordingly, chronic changes in weather patterns and severe weather events will have a devastating impact on Sanlam Group’s business should facilities be forced to shut down due to these impacts.

Operational climate change opportunities

While there are opportunities to continue implementing resource efficiency initiatives at the respective Sanlam facilities, these opportunities are not categorised as priorities in the larger environment of potential business opportunities related to climate change impacts.

⁷ <https://www.dailymaverick.co.za/article/2022-07-12-usable-water-down-to-2-3-of-dam-capacity-in-nelson-mandela-bay/>

Level 2 - Evidence of the identified impact of climate-related risks and opportunities on members' business, strategy and financial planning.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.2a, pages 4-6
- C2.1, page 9
- C2.3a and C2.4a, page 23 – 43

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Pages 4, 40, 41, 42, 43, 55

Sanlam website: <https://www.sanlam.com/sustainability>.

Response
<p>• Asset Owner</p> <p>Impacts of climate change risks</p> <p>Sanlam’s strategic climate risks fall into both the physical risk and transitional risk categories. The impacts of physical risks are located largely within the insurer and facilities categories, whereas the impacts of transitional risks largely lie with Sanlam Group and at the asset manager level, discussed below.</p> <p>The impacts of transitional risks on Sanlam Group are related to the transition to a low-carbon economy. Policy, market, technological or reputational factors can affect the value of financial assets and give rise to transition risks. Reputational risks are also a consideration, as stakeholders require more information from companies around how they are addressing increased climate-related risks. Reputational risks also have the potential to negatively impact the value of Sanlam Group’s financial and intangible assets.</p> <p>Impacts of climate change opportunities</p> <p>Impacts of the climate change opportunities on Sanlam Group’s business operations include the development and/or expansion of low emission goods and services. These opportunities are located within Sanlam Investments, as the asset manager, discussed below.</p>
<p>• Asset Manager</p> <p>Impacts of climate change risks</p> <p>Sanlam Investments is participating in Sanlam Group’s investigations on how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations. These will include considerations of climate change risks on owned assets.</p> <p>Impacts of climate change opportunities</p>

Impacts of the climate change opportunities on Sanlam Investments' operations include the development and/or expansion of low emission goods and services. These opportunities are reflected in both the business strategy and financial planning, where the impacts are quantified:

Impacts on business strategy	Impacts on financial planning ⁸
<p>Continuation and/or development of the environmental/climate change investment funds, such as the Sanlam Capital Markets renewable energy fund; the Climate Investor One and Climate Investor Two Funds.</p> <p>In addition, in 2021, Sanlam Investments launched a sustainable infrastructure fund. Through this fund, we will source, assess and invest in renewable energy, conventional energy, transportation, communication, water and waste-related assets.</p>	<ul style="list-style-type: none"> - The closure of the Climate Investor One Fund mobilised US\$850 million of commercial funds that have been allocated to renewable energy infrastructure projects. The closure of the fund in 2019 generated one-off income of R68 million in the Alternatives business. - Climate Investor Two was launched in January 2020 and announced a conditional first close at US\$675 million during COP26 in November 2021. Over the next two years, Climate Investor Two will continue raising funds to reach a final close goal of US\$1 billion while simultaneously putting the capital raised to work. Similarly, Sanlam's opportunity relates to the profits made by the fund. - The sustainable infrastructure fund, which provides predominantly debt finance, received commitments of R500 million and aims to provide investors with predictable inflation-beating returns over the long term. Sanlam plans to grow investments in the fund to R5 billion by attracting further capital from institutional investors.

The impacts on both strategy and financial planning are considered to be high.

⁸ 2021 Integrated Report, pages 4, 55 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>).

- **Insurance Companies**

Impacts of climate change risks and opportunities

Sanlam has identified physical climate risks as strategic risks facing its insurance businesses. Insurance premiums are expected to increase as insurers and reinsurers carry the burden of claims arising from severe weather events. Flood and fire risks, particularly in sub-Saharan Africa are particularly likely to increase. Accordingly, Sanlam's latest MSCI ESG rating assessment of AA⁹ indicates that the company faces moderate exposure to risks having to pay increased claims because of damage to insured assets or individuals resulting from the effects of climate change. Property and casualty insurance lines tend to be linked with fixed assets and real estate and therefore are characterized by relatively more climate change-related risk comparing to life or health insurance. Insurers will have to look at ways of addressing this proactively, including raising awareness around the role insurers can play in risk transfer and risk management.

Sanlam is investigating these risks as part of its measures to address the new Financial Stability Board's Disclosure (TCFD) recommendations, with further publishing a Sanlam TCFD report. In 2021, Sanlam announced they will publish a Climate Change Report as a TCFD beginner report. The outcomes of these investigation will include quantifications of material climate change risks, as well as climate opportunities, enabling the insurance companies to articulate the impacts on their businesses, strategies and financial planning. The use of climate-related scenario analysis tools will be investigated.

Level 3 - Evidence that members are developing a business strategy and investment strategy (if relevant) to address the implications of climate-related issues on both the business and its key stakeholders and have determined a measurable progress plan for action, considering longer time-frames.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 12

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C2.3a, page 25, 26
- C2.4a, page 38
- C3.2b, page 43
- C3.3, page 56
- C-FS3.6a, page 63

2021 Integrated Report (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): page 43

Sanlam Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 84

⁹ <https://www.sanlam.com/sustainability>

Response

• Asset Owner

The Group developed and launched a new business strategy in 2020. The 2021 Climate Change Resilience Report (page 12) notes that Sanlam Group will be continuing efforts over the next two years to ensure that climate related matters are firmly entrenched into the long-term business objective.

Accordingly in 2021, Sanlam developed a new ESG and sustainability strategy for the Group, aligned to the new strategy launched in 2020. Sanlam's aim is to create a coordinated approach that integrates and embeds an ESG and sustainability ethos into business activities and decision-making. Given the transversal nature of ESG matters as well as the heightened external focus on non-financial performance, it was essential to transform and reposition the current ESG and sustainability approach.

In summary, Sanlam Group's business strategy is underpinned by a commitment to ethical leadership and responsible practices. This entails influencing the Group's operating environment favourably. Profitable, long-term growth is pursued with the highest levels of integrity. This promise underpins Sanlam Group's core values and professional and ethical behaviour.

Evidence of Sanlam's business strategy to address the implications of climate-related issues on both the business and its key stakeholders are underpinned by the listing of severe weather/climate change in the top 10 strategic group risks for the past three years. Sanlam Group's latest mitigation responses in 2021 were as follows:

- Building institutional capacity to meet the requirements of TCFD;
- Working with PwC to understand and articulate the Group's response to climate-related matters;
- Revising our Group-wide carbon emission targets;
- Determining how much underlying carbon is in our investment portfolio while investing in longer-term infrastructure projects, such as renewable energy;
- Partnering with municipalities through Santam to manage fire and flood risks;
- Ongoing partnership with WWF-SA and Coordinating a Group-wide approach towards ESG reporting.

The long-term plans to address the climate risks to these strategic pillars include the continuation and/or development of environmental/climate change investment funds, such as, the Sanlam Capital Markets renewable energy fund; the Climate Investor One and Climate Investor Two Funds and the new (2021) Sanlam Investments' sustainable infrastructure fund demonstrate that Sanlam Group is continuing to develop its business strategy on the basis of climate-related issues.

Accordingly, the development of investment strategies to address the implications of climate-related issues on both the business and its key stakeholders are therefore driven by the asset manager, Sanlam Investments, discussed below.

• Asset Manager

Sanlam Investments' long-term investment strategy is based on rational decisions and thorough research, which informs the business' position as a value investor focused on the long term. Research trends increasingly indicate that companies that manage their ESG issues well will outperform their peers. Accordingly, sustainability is embedded into Sanlam Investments' core investment process in order to better understand the potential for companies to deliver their cash flows into the future.

Climate-related risk and opportunities are incorporated into investment strategies through adherence to the following:

- Responsible investment guidelines that consider climate change impacts and drivers. Sanlam Investments supports responsible investment that benefits the environment and the

communities the group serves, by making these communities more climate resilient. Responsible investment also ensures that Sanlam’s medium to long-term strategies are sustainable.

- A Credit Risk Framework that has incorporated ESG principles since 2013.
- A responsible lending policy for hedge funds.

Sanlam Investment Group has developed a roadmap with distinct goals and objectives that can be measured to drive ESG incorporation and fostering partnerships with other like-minded organisations such as Robeco and Climate Fund Managers. Sanlam Investments is also, for example, affiliated with an investment manager contributing towards mitigating and building resilience to climate change in areas most affected by gender inequality.

In terms of active ownership, Sanlam Investments addresses systemic issues in terms of climate for both active and passive investments through engagement and proxy voting. This ultimately improves the quality of returns and the sustainability of the market that the asset manager invests in.

Sanlam’s 2021 Climate Change Resilience Report (page 12) notes that Sanlam Investment Group is looking to deploy R35 billion over the next 10 years via climate change projects, water initiatives and the Investors’ Legacy impact range.

Sanlam Investments is therefore the key driver responsible for the execution of the group’s strategic pillars to ensure the responsible allocation and management of capital as well as the pillar to enhance resilience and earnings growth through diversification. Sanlam Investments’ plans therefore include the broadening and extension of the group’s investment horizons, guided by the group’s responsible investment policy. For example, the Climate Investor Two Fund has a mandate to invest in clean energy projects in emerging markets and the newly launched (2021) sustainable infrastructure fund will source, assess and invest in renewable energy, conventional energy, transportation, communication, water and waste-related assets. ESG criteria are applied to support sustainable development through these funds.

Sanlam Investment will further participate in group efforts to consider further climate change risks and opportunities on owned assets going forward.

• Insurance Companies

Sanlam is investigating the impacts of climate change risks and opportunities on the long-term business strategy of its insurance companies in efforts to address the new Financial Stability Board’s Disclosure (TCFD) recommendations. The outcomes of these investigations will result in the development of action plans, as required to address climate risks and opportunities. The climate change report is being drafted and expected to be published in 2022.

• Facilities Manager

Sanlam Group has identified severe weather/climate change as one of the top-10 material group risks since 2018. The identification of this risk facilitates the successful management of the risk, which is a driver of the Group’s long-term strategy.

Sanlam Group’s Sustainability Management Framework supports the long-term business strategy and has been driven by the implications of climate-related issues. The framework includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. The nature and outcomes of these engagements feed into the annual performance appraisals of responsible employees and inform the integrated and sustainability reporting processes.

Level 4 - Evidence of a leadership position or strong collaboration efforts for encouraging better climate disclosure and further research; demonstrating the use of this information and/or appropriate tools.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C2.2a, page 17
- C2.3a, page 29 ,30, 31, 34

2021 Integrated Report, page 43 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>).

Sanlam Climate Change Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 6

2021 Resilience Report, pages 84, 86 (<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>).

Sanlam’s website: [Sanlam Joins ‘Every Action Counts’ Coalition](#)

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”: (https://wwfafrica.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcfd_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance)

Response
<p>• Asset Owner</p> <p>Sanlam has had a 14-year¹⁰ partnership with WWF-SA, the world’s largest and most experienced independent conservation organisation. Sanlam’s partnership with WWF-SA is helping to safeguard the resilience of freshwater sources for generations to come. A R10,5 million contribution from Sanlam to the Freshwater programme assisted in leveraging co-funding of R101 million to protect water source areas in South Africa. Sanlam has invested more than R75 million in the partnership with WWF-SA over the past 14 years, supporting WWF-SA with conservation activities on water-related projects. Sanlam’s funding provides a critical foundation that supports WWF in achieving the 2025 freshwater-focused outcome of “freshwater quantity and quality improved in strategic water source areas (SWSAs) for ecological systems and communities” as well as helping to pursue the intersection of finance and sustainability.. In the past year, WWF-SA created multiple funded water source partnerships to co-develop a model for 10 SWSAs.</p> <p>With the ongoing severe droughts experienced across the country, water remains a significant and growing sustainability issue that will increasingly impact socio-economic development and the poorest sectors of South Africa’s society over the next 20 years. Sanlam’s partnership with WWF-SA creates</p>

¹⁰ Sources of information: <https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>

opportunities to provide financial support to a body of experts with the knowledge and international reach to make a difference in addressing water-related challenges sustainably and responsibly.

The WWF's Water Balance Programme in particular aims to rehabilitate critical water catchment areas to improve the healthy functioning of rivers and ecosystems across the country. This is done by investing in the clearing of invasive alien plants that consume large amounts of water. Since 2014, 700 hectares of land have been cleared of alien plants, with 880 hectares under management. This has created 20 000 days of employment, and released an estimated 1 billion litres of water back into the rivers and aquifers of affected areas.

In 2016, Sanlam and WWF-SA launched the Water Risk Filter a free online tool to address elements of water risk relevant to South African businesses. Designed for non-water experts, this tool is significant in helping businesses develop resilient water stewardship strategies. Additionally, the Journey of Water Campaign is three-day walk connects urban water users to their water sources, which are often remote. In this way, the campaign helps to raise awareness around responsible and sustainable water stewardship.

Investments in research are part of Sanlam Group's identified measures required to upgrade and enhance business processes. By allocating capital to research and development initiatives, innovation can be tested and scaled. Accordingly, Sanlam participates in various industry associations, such as the National Business Initiative (NBI) and Business Unity South Africa (BUSA), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.

In 2021, Sanlam joined Every Action Counts.¹¹ This partnership will connect experts in nature conservation and climate change with some of the world's leading digital platforms, financial institutions and consumer goods firms to empower global citizens to 'Live with Confidence' through purposeful action. The 'Every Action Counts' coalition aims to work with like-minded partners including international organisations, private sector corporates and subject matter experts to creatively leverage technology and partnerships to enhance green awareness and green action of 1 billion people around the globe by 2025.

In addition, in 2021, Sanlam partnered with 6 Capitals, an ESG advisory agency to publish research on how TCFD disclosure could assist corporates and investors in South Africa to address climate change. The research considered perspectives of financial institutions, pension fund holders, government and the Johannesburg Stock Exchange.

Furthermore, the Sanlam CEO is part of the National Business Initiative's champion on Just Transition pathway for Decarbonising the economy (2021 Resilience Report, page 84). The National Business Initiative, together with Business Unity South Africa and the Boston Consulting Group has worked with corporate leaders to assess whether the pathways exist for the country's economic sectors to decarbonise by 2050 and whether this can be done in such a way as to build resilience to the impacts of climate change and to put the country onto a new, low emissions development path.

• **Asset Manager**

The initiatives for encouraging climate leadership, better climate disclosure and further research are undertaken at the Sanlam Group level.

• **Insurance Companies**

Sanlam Life and Savings and Sanlam Pan Africa support the initiatives for encouraging better climate leadership, climate disclosure and further research, which are undertaken at the Sanlam Group level.

¹¹ Sources of information from Sanlam's website : [Sanlam Joins 'Every Action Counts' Coalition](#)

- **Facilities Manager**

The initiatives for encouraging better climate leadership, climate disclosure and further research are undertaken at the Sanlam Group level.

Sub-principle 2.2

Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

Level 1 - Disclose key quantitative and qualitative metrics used to measure and manage priority climate-related risks and opportunities on the business and on key stakeholders and outline how these have and are planning to change over time.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Questions C2.3a; C2.4a pages 23-43, 49, 50

2021 Integrated Report (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): pages 4, 55

Sanlam Investment and Impact Report 2021

(https://www.sanlamintelligence.co.za/institutional/wp-content/uploads/20012022_RESPONSIBLE_INVESTING_REPORT_WEB_VERSION.pdf):

Page 18

Response	
<ul style="list-style-type: none"> • Asset Owner <p>The metrics to measure and manage priority climate change risks and opportunities are undertaken at the levels discussed below.</p>	
<ul style="list-style-type: none"> • Asset Manager <p>Sanlam Investments has considered climate change opportunities.</p>	
Climate change opportunity	Description of metric
<p>Development and/or expansion of low emission goods and services.</p>	<p>Increased investments and revenues in climate and environmental projects through, for example, the following funds:</p> <ul style="list-style-type: none"> • Climate Investor One • Climate Investor Two • Satrix MSCI World and Emerging Markets ESG Enhanced exchange traded funds (ETFs) • The newly launched (2021) SA sustainable infrastructure fund

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• **Insurance Companies**

Sanlam’s insurance divisions have identified risks to their revenues related to acute physical impacts such as increased severity and frequency of extreme weather events such as cyclones and floods. These systemic risks will increase insurance claims liabilities across the insurance divisions.

Climate change risks	Description of metric
<p>Acute physical impacts, such as increased severity and frequency of extreme weather events such as cyclones and floods.</p> <p>These system risks will increase insurance claims liabilities across the insurance divisions.</p>	<p>Catastrophic events such as large-scale fires, floods and earthquakes can financially ruin businesses, families or individuals; but smaller events can also do harm. Recurring natural disasters like hailstorms continually damage critical public infrastructure, housing and the means of production.</p> <p>Individuals, businesses and governments can take measures to mitigate risks, but cannot entirely prevent it. The insurance sector takes on this exposure by insuring against these risks.</p> <p>The insurance sector plays three roles in society: risk manager, investor and risk carrier. The general insurance sector’s role is to pool risk and ensure consumers and businesses remain in the same financial position they were in before the incident that resulted in an insurance claim.</p> <p>These systemic risks will increase insurance claims liabilities across the insurance divisions. The cost of global natural disasters is used as a metric to measure this risk.</p>

Furthermore, Sanlam Life and Savings and Sanlam Pan Africa will be considering climate change risks and opportunities on their businesses as part of the Sanlam Group’s investigations into how best to meet the TCFD recommendations for disclosures. The use of climate-related scenario analysis tools will be investigated and anticipated to use qualitative and/or quantitative analysis in the next two years.

Sanlam’s insurance divisions have also identified climate-related opportunities:

Climate change opportunities	Description of metric
<p>New climate-resilience products: provision of crop cover.</p>	<p>General insurance companies have three main sources of revenue: premiums, investment income on insurance funds from insurance activities, and investment returns on shareholder investments. Insurance income is generated by upfront premiums.</p> <p>Crop insurance to farmers acts as a hedge against climate, environmental and other risks. Financial settlements for weather damage not only make it possible for growers to continue their livelihoods, but also help stabilise the region's food supply.</p>

• **Facilities Manager**

Sanlam’s facility manager has considered climate change opportunities.

Climate change opportunity	Description of metric

<p>Reduce energy costs and Scope 2 emissions.</p>	<p>Increases in electricity tariffs or anticipated increases in energy taxes or levies are likely to substantially increase the operational costs in South Africa.</p> <p>Sanlam’s Scope 2 emissions constitute more than 50% of its total carbon footprint while energy consumption constitutes one of the largest operational considerations throughout South Africa.</p> <p>Through responsible property management and proven energy savings Sanlam can unlock large operational cost savings and benefit from potential tax allowances for energy-efficient equipment and renewable energy technologies.</p>
<p>In addition, the following are other key environmental metrics located mainly at the facilities level, monitored on an annual basis:</p> <ul style="list-style-type: none"> - Water use (kl/m²) - kg/full-time employee paper consumed - CDP climate change score - CDP water security score - Head office landfill waste vs head office recycled/diverted waste 	

Level 2 - Evidence of a narrative relating to the performance made against these metrics over the past year (including variance analysis relative to plans or forecasts – see Level 4, below). Metrics should be provided for historical periods to allow for trend analysis.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Questions C2.3a; C2.4a; C3.4; pages 23-43, 46, 61

2021 Integrated Report (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): pages 4, 55

<p>Response</p>	
<p>• Asset Owner The comparisons of metrics and performance are undertaken at the levels discussed below.</p>	
<p>• Asset Manager Sanlam Investments uses the following metrics to track performance in managing climate change opportunities:</p>	
<p>Climate change opportunity</p>	<p>Performance over the last year</p>
<p>Development and/or expansion of low emission goods and services.</p>	<p>Increased investments and revenues in climate and environmental projects.</p> <p>Climate Investor One mobilised US\$850 million (R12,8 billion) of commercial funds that have been allocated to renewable energy infrastructure projects. The closure of the Climate Investor One</p>

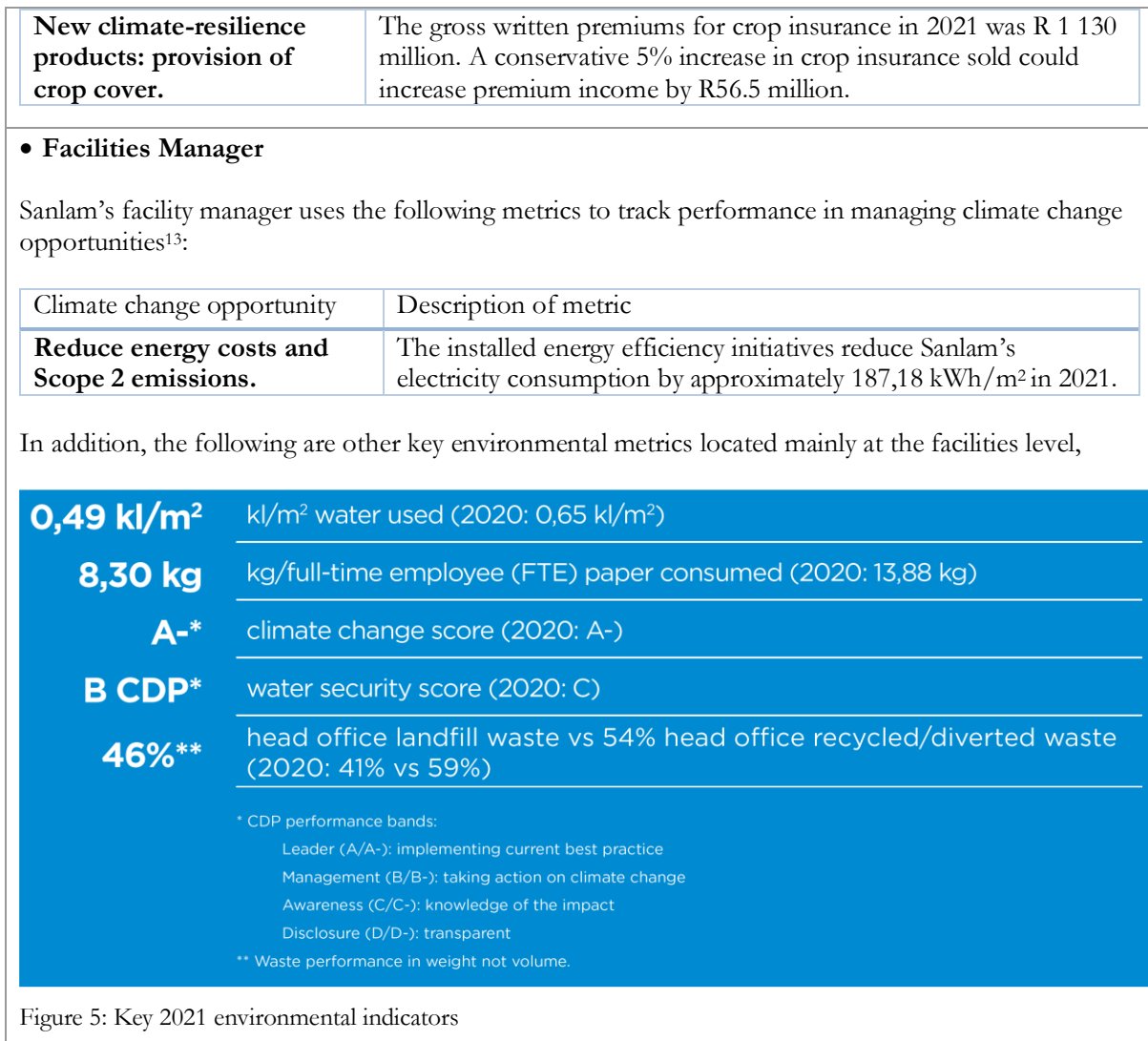
	<p>Fund generated one-off (increased) income of R68 million in the Alternatives business division.</p> <p>The fund has Invested In the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW pan-Asia Corporate and Industrial rooftop solar platform, and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda.</p> <p>Following the success of the Climate Investor One Fund, the Climate Investor Two fund was launched in January 2020, focusing on two areas of impact:</p> <ul style="list-style-type: none"> • Water, sanitation and oceans across emerging markets. • Structure and focus <p>Climate Investor Two announced a conditional first close at US\$675 million during COP26 in November 2021. The income associated with this fund is still to be determined.</p> <p>In addition, the newly launched (2021) sustainable infrastructure fund, which provides predominantly debt finance, has already received commitments of R500 million and aims to provide investors with predictable inflation-beating returns over the long term. The income associated with this fund is still to be determined.</p> <p>Further, Sanlam Investments’ MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs) provide sustainable investment opportunities with a positive impact on climate change. They are designed to maximise exposure to positive ESG factors while reducing exposure to carbon dioxide (CO₂), other GHGs and potential fossil fuel emissions by 30%. The ETFs exclude exposure to controversial business activities, using screens to exclude thermal coal, oil sands and other activities.</p>
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• **Insurance Companies**

Sanlam’s insurance divisions use the following metrics to track performance in managing climate change risks and opportunities:

Climate change risk	Performance over the last year
<p>Acute physical impacts, such as increased severity and frequency of extreme weather events such as cyclones and floods.</p> <p>These system risks will increase insurance claims liabilities across the insurance divisions.</p>	<p>These systemic risks will increase insurance claims liabilities across the insurance divisions. According to Swiss Re, the costs of natural disasters remained stable over 2020 and 2021, averaging almost 220 billion annually¹².</p>
Climate change opportunity	Metric

¹² Source: <https://www.swissre.com/risk-knowledge/mitigating-climate-risk/natcat-country-profiles-infographic.html#/>



Level 3 - Evidence of targets set (quantitative and qualitative over the short, medium and long term) to manage climate-related risks and opportunities on both the business and its key stakeholders, and a description around performance against targets.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 3

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C4.1b pages 53-57
- C5.1, page 60, 61

¹³ Source: Sanlam 2021 Climate Change Resilience Report, (<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17

Response
<p>• Asset Owner</p> <p>Sanlam committed to measuring and reducing the Group’s carbon emissions and encouraging responsible environmental practice in the sphere of influence. Short-term targets are set and monitoring at the facilities level, as discussed below.</p> <p>Sanlam Group is planning to undertake further assessments of the group’s climate-related risks and opportunities across its different assets. Once these are quantified, Sanlam Group will be in a position to consider setting related climate change targets for the medium and long-term.</p> <p>Sanlam Group has various facility-level climate change targets, discussed below.</p>
<p>• Asset Manager</p> <p>Sanlam’s 2021 Climate Change Resilience Report (page 3) notes that Sanlam Investments has started identifying data to determine the underlying carbon in the asset manager’s investments.</p> <p>The setting of climate-related targets to manage risks and opportunities will be determined at Sanlam Group level.</p>
<p>• Insurance Companies</p> <p>The setting of climate-related targets to manage risks and opportunities will be determined at Sanlam Group level.</p>
<p>• Facilities Manager</p> <p>Sanlam has various facility-level, absolute environmental targets set for 2025, based on 2014 as the baseline year. Progress against these targets is discussed in Level 3 of Sub-principle 4.3.</p> <p>Sanlam is investigating setting science-based aligned targets to reduce scope 1 and/or scope 2 emissions.</p>

Level 4 - Describe the methodologies used to calculate metrics and targets.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17-18

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf):

- C1.2a

Response ¹⁴
<p>• Asset Owner</p> <p>Sanlam Group will consider best suited methodologies to calculate and measure targets should these be required, following the outcome of further assessments of the group’s climate-related risks and opportunities across its different assets.</p>

¹⁴ Sources of information for this response include the Sanlam 2021 Integrated Report and Environmental Policy 2020.

• **Asset Manager**
The setting of climate-related targets to manage risks and opportunities will be determined at Sanlam Group level.

• **Insurance Companies**
The setting of climate-related targets to manage risks and opportunities will be determined at Sanlam Group level.

• **Facilities Manager**
Sanlam Group’s facility manager monitors consumption patterns (energy, water, waste and recycling) which are recorded through an internal IT system. The facilities manager reports these metrics to the Group SMO which is responsible for the management of these targets. In this regard, Sanlam regularly sets and monitors their targets and reports progress to the Group Social Ethics & Sustainability Committee.

Level 5 - Evidence how climate-related metrics are incorporated into remuneration policies and practice.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Questions C1.3, C1.3a, pages 6-8

Response										
<p>• Asset Owner Sanlam Group provides the following incentives for the management of climate-related issues:</p> <table border="1"> <thead> <tr> <th>Employee</th> <th>Type of reward</th> <th>Activity</th> </tr> </thead> <tbody> <tr> <td>Chief Executive Officer</td> <td rowspan="3">Monetary</td> <td rowspan="3">Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.</td> </tr> <tr> <td>Head of Sustainability</td> </tr> <tr> <td>Environment/Sustainability manager</td> </tr> </tbody> </table>			Employee	Type of reward	Activity	Chief Executive Officer	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.	Head of Sustainability	Environment/Sustainability manager
Employee	Type of reward	Activity								
Chief Executive Officer	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.								
Head of Sustainability										
Environment/Sustainability manager										
<p>• Asset Manager Climate-related incentives are determined at Sanlam Group level.</p>										
<p>• Insurance Companies Climate-related incentives are determined at Sanlam Group level.</p>										
<p>• Facilities Manager</p> <table border="1"> <thead> <tr> <th>Employee</th> <th>Type of reward</th> <th>Activity</th> </tr> </thead> <tbody> <tr> <td>Facilities Manager</td> <td>Monetary</td> <td>Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.</td> </tr> </tbody> </table>			Employee	Type of reward	Activity	Facilities Manager	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.		
Employee	Type of reward	Activity								
Facilities Manager	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.								

Sub-principle 2.3

Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making.

Levels 1-4:

- **Level 1 - Describe the process for undertaking scenario analysis, taking into consideration different climate-related scenarios, including physical, transition and liability risk scenarios. Include scenario analysis methodology timeframes, parameters and key assumptions used.**
- **Level 2 -Evidence of how scenario analysis is used to understand the resilience of the organisation's current business strategy against identified material climate risk and how it has been integrated within core risk assessment processes.**
- **Level 3 - Evidence of how the results from the scenario analysis have impacted on key decision making and how strategies might change to address such potential risks and opportunities identified.**
- **Level 4 - Evidence of strong collaboration efforts in the knowledge sharing of risk management and modelling expertise into business (and investment) decision making.**

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C3,2b, page 43, 44

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 8, 55, 72

Response
<p>• Asset Owner Formal climate-related scenario analyses are a relatively new lens through which to inform business strategy. Sanlam Group has contracted with a service provider to assist the group adopt such climate-related scenario analyses for reporting in its annual integrated reporting procedures and other platforms.</p> <p>The use of climate-related scenario analysis tools will be investigated and anticipated to use qualitative and/or quantitative analysis in the next two years.</p>
<p>• Asset Manager Climate change scenario analyses will be considered at Sanlam Group level.</p>
<p>• Insurance Companies Climate change scenario analyses will be considered at Sanlam Group level.</p> <p>The extensive work undertaken by Santam will be leveraged, particularly with regards to lessons learnt from collaboration efforts in the knowledge sharing of risk management and modelling expertise into business (and investment) decision making processes. Santam reports on these initiatives in a standalone disclosure to ClimateWise.</p>

- **Facilities Manager**

Climate change scenario analyses will be considered at Sanlam Group level.

Demonstrating continuous improvement (planned activities)

Notable highlights from 2021 include Sanlam Investments' launch of a sustainable infrastructure fund. Through this fund, Sanlam Investments will source, assess and invest in renewable energy, conventional energy, transportation, communication, water and waste-related assets. ESG criteria are applied to support sustainable development. Sanlam Investments plans to increase the scope and value of investments into such funds. Sanlam's 2021 Climate Change Resilience Report (page 12) notes that Sanlam Investment Group is looking to deploy R35 billion over the next 10 years via climate change projects, water initiatives and the Investors' Legacy impact range.

Sanlam also continued to investigate how to meet the new Financial Stability Board's Disclosure (TCFD) recommendations. Sanlam published a Climate Change Resilience Report as a TCFD beginner report in 2021. This report will be updated annually.

Sanlam Group is further considering the use of scenario analyses to support the assessments and future planning processes. The requirement for inputs and alignment from multiple stakeholders has resulted in the delay of the planned scenario analyses. Sanlam reports in its 2021 Climate Change Resilience Report (page 2, 12) that work is ongoing in this regard, expected to be finalised in the next two years, which will help address rising consensus that financial institutions are underestimating the most significant climate-related risk with a potential impact of over \$1 trillion¹⁵.

The outcomes of these scenario investigations will include quantifications of material transitional climate change risks, enabling Sanlam to articulate the impacts on the business, strategy and financial planning. These will include considerations of climate change risks on owned and managed assets. Once Sanlam has identified the risks and opportunities that are material for each cluster, Sanlam will link significant opportunities to financial performance indicators. This will inform the entrenchment of climate related issues into the long-term business strategy.

Following these steps, leadership and management plan to expand the current process of identifying, assessing and managing climate-related risks to include the entire value chain. The group is also committed to developing and disclosing a net zero commitment and plan. Collectively, these initiatives will provide the necessary information to enable the Board to link climate-related risks and opportunities to strategic Board decisions.

Sanlam also plans to continue engagements with civil society and business associations in order further climate and environmental agendas these include the newly joined Every Action Counts and the National Business Initiative's Just Transition pathway for Decarbonising the economy.

¹⁵ Source: <https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>

Sanlam is also investigating setting science-based aligned targets to reduce scope 1 and/or scope 2 emissions.

3. Lead in the Identification, Understanding and Management of Climate Risk

Sub-principle 3.1

Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation (including investments).

Level 1 - Describe current business practices and processes for identifying, assessing and prioritising climate-related risks and opportunities (including investment processes) by sector, geography and business segment where possible.

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 12, 15, 16

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C1.1a, C1.1b, C1.2a, C1.3, C1.3a, C2.1b, C2.2, C3.3, C-FS3.6a, C4.5a, page 56

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 2, 5, 8, 41, 51

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 43, 45, 93

Response
<ul style="list-style-type: none"> Asset Owner The Own Risk and Solvency Assessment (ORSA) is an overarching process that brings together the results from various processes embedded at the Sanlam Group and cluster level as part of the Group Enterprise Risk Management (ERM) framework. The risks in the ORSA take account of Sanlam’s risk profile, approved risk appetite and business strategy. The Group risk function manages the ORSA process and drafts a quarterly Group ORSA Update report, covering assessments and analysis of the Group’s top-down strategic risks, bottom-up operational risks, risk profile, approved risk appetite, stress and scenario testing, and projections over the business planning horizon. After management review, the report is tabled at the quarterly Sanlam Risk and Compliance committee and Board meetings. The Group ORSA process is well established and supported by parallel ORSA processes at cluster level. All clusters report on assessments of cluster’s strategic risks, top bottom-up risks, risk profile,

risk appetite, emerging risks, issues, solvency, stress, and scenario testing with forward looking projections.

Sanlam's Group-wide, multidisciplinary enterprise risk management (ERM) process includes the identification and management of climate change risks at different organisational levels:

- Strategic climate change risks are considered using a top-down approach.
- Operational climate change risks (related to Sanlam's day-to-day operations) are considered using a bottom-up approach.

The identified climate risks may either be existing or emergent, including emerging regulatory requirements related to climate change. The ERM process includes identifying key risks, which are monitored as part of a regular review of processes and procedures. This ensures the effectiveness of internal systems of control so that decision-making capability and the accuracy of reporting and financial results are always maintained at a high level.

The Group ERM Forum initiates the process for assessing the potential size and scope of identified climate-related risks and opportunities. Risks are categorised into either general, financial or business-specific risks. A sub-category of risks is then determined, with feedback from key business owners, stakeholders and regulation into primary risk categories such as strategic, market, operational, reputational or credit risk.

Sustainability risks are filtered into this process and prioritised based on materiality and impact on the business. Sanlam's risk appetite statement defines the substantive financial or strategic impact. The board sets the risk appetite statement and is the key mechanism for setting limits for the identified risk categories.

The process to identify emerging risks is illustrated below:

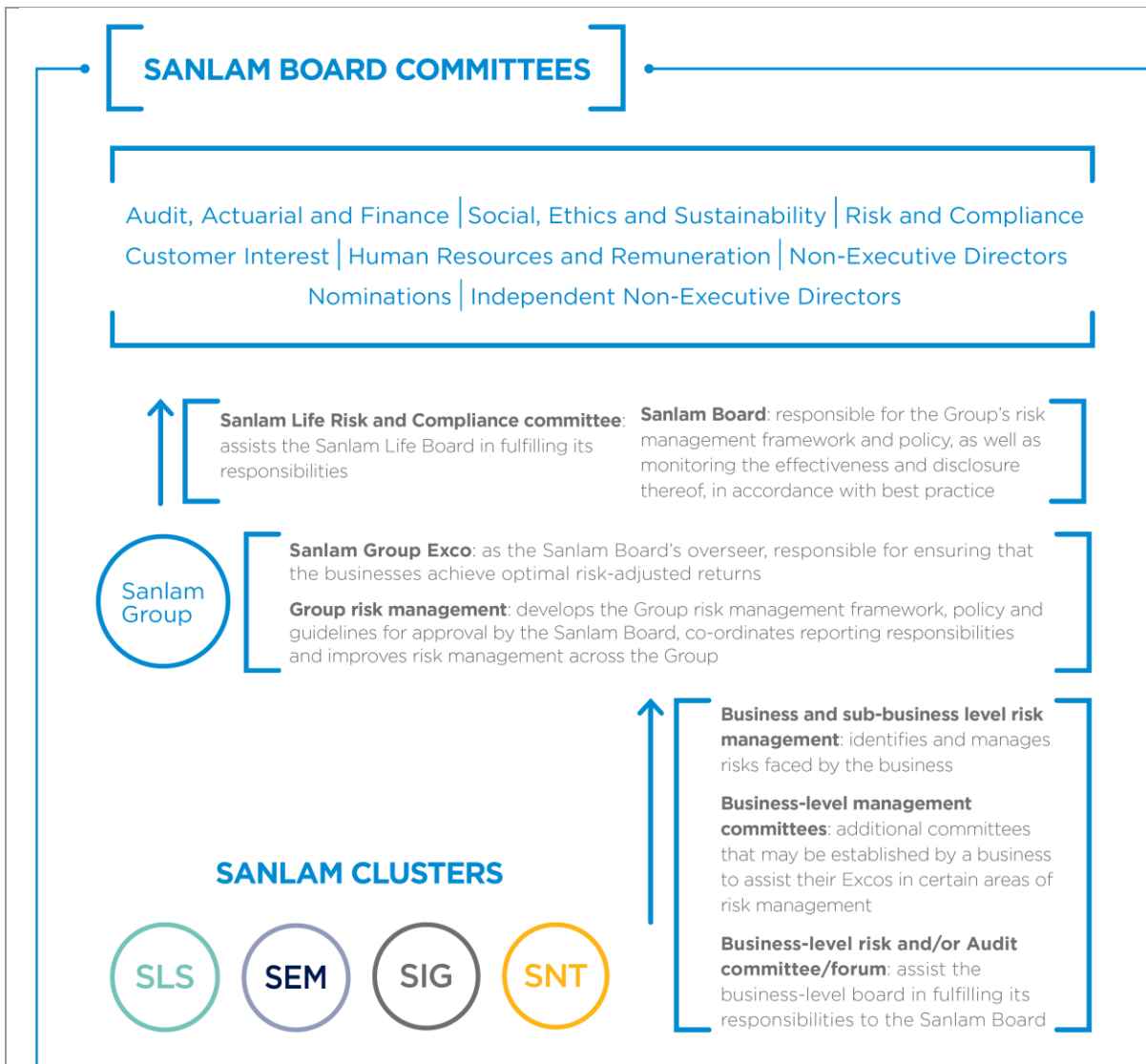


Figure 6: Process to identify emerging risks. Source: Sanlam Climate Change Resilience Report 2021, pages 16

In 2021, one of the Risk and Compliance Committee's key focus areas during the financial year was to incorporate ESG principles and, in particular, climate change considerations, into the Group's approach to risk management and responsible investing.

As an insurance provider, Sanlam Group has a specific focus on emerging risks that form part of the top-down strategic risk assessment process. Emergent risks, such as the ones posed by climate change, are those risks that are outside of the usual frame of reference, which are often "unknown unknowns".

As part of identifying and assessing emergent climate risks, Sanlam consists of a Social, Ethics and Sustainability (SES) committee. The committee's primary role is to monitor Sanlam's activities regarding ethics and compliance management, social and economic development, good corporate citizenship, stakeholder relations, the environment, the health and safety of Sanlam's employees, transformation, diversity, and other labour-related aspects. Furthermore, they oversee the Group's disclosure on ESG ratings. In 2021, one of the key focus areas for the committee was to consider the risks and opportunities associated with the committee's mandate and key deliverables, including reviewing emerging risks on an ongoing basis.

Sanlam Group undertakes internal and external scanning of emerging risks on a quarterly basis. Internal scanning includes input from key subject matter experts within the Group regarding emerging risks, whereas the external scanning process focuses on external industry and media risk reports. Emerging risks are therefore constantly tracked and assessed for potential impact.

The risk appetite statement is set by the Board and is the key mechanism through which limits are set for the identified risk categories. In 2021 financial year, climate change risks were ranked outside the top ten area of specific focus. However, climate change risks and opportunities form part of the Group's investment design, including the consideration for alternative low-carbon energy sourcing and the adaptation required for extreme weather and long-term climate change.

Sanlam Group is committed to sustainable insurance practices. Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward looking way by identifying, assessing, managing and monitoring risk and opportunities associated with environment, social and governance issues. Sanlam Group adheres to various policies/guidelines in this regard, including:

- Responsible investment guidelines. Climate change impacts and drivers are necessary considerations for responsible investment which not only benefits the environment and communities whom Sanlam Group's clusters serve by making them more climate-resilient, but also benefits Sanlam Group's clusters by ensuring that the group's medium to long-term strategies are sustainable.
- Credit Risk Framework which has incorporated ESG principles since 2013.
- Responsible lending policy for hedge funds.
- Group environmental policy (latest version published in May 2020).

Sanlam Group's responsible investment initiatives seek to develop new sectors, such as renewable energy technologies and water infrastructure projects that may create more sustainable sources of jobs and economic growth in a carbon and water-constrained environments. These investments are a response to transitional risks in climate change constrained environments, faced for example by the fossil fuel sector, which may compromise the long-term sustainability of companies, investors and even governments.

Sanlam plans to conduct climate scenario analyses within the next two years. The outcomes of these scenario investigations will include quantifications of material transitional climate change risks, enabling Sanlam to articulate the impacts on the business, strategy and financial planning. These will include considerations of climate change risks on owned and managed assets. Once Sanlam has identified the risks and opportunities that are material for each cluster, Sanlam will link significant opportunities to financial performance indicators. This will inform the entrenchment of climate related issues into the long-term business strategy.

• **Asset Manager**

Sanlam Investments is committed to sustainable and responsible investments. Sanlam Investments is a signatory to the UN Principles of Responsible Investing and subscribed to the Code for Responsible Investing in South Africa (based on the UN Principles of Responsible Investing) in 2011. In doing so, Sanlam Investments is committed to integrating the following five principles of the code into the investment process, as service providers to institutional investors. The first principle is particularly relevant, which commits Sanlam Investments as an institutional investor to incorporating sustainability considerations, including environmental, social and governance, into its investment analysis and investment activities as part of the delivery of superior risk-adjusted returns to the ultimate beneficiaries. Accordingly, Sanlam Investments has a responsible lending policy for hedge funds.

Furthermore, investment risks are assessed as part of the overall ESG risk of the companies the asset manager invests in. This is done through the subscription of ESG research conducted by an external

ratings provider. Public information is used to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated either with the company.

To promote environmental sustainability, Sanlam Investments aims to:

- Encourage companies to report on their material environmental issues;
- Monitor how companies manage their environmental challenges over the life cycle of their products and services. Sanlam Investments will encourage companies to strive for continual improvements;
- Require that companies adhere to laws, guidelines and codes of good practice applicable to them in the countries in which they operate;
- Encourage Sanlam itself to follow the requirements and standards that we require of other companies, and employ sufficient resources to meet the environmental challenge, including outsourcing if required;
- Research investment-related environmental risks and opportunities;
- Integrate sustainability considerations into our investment process;
- In terms of active ownership, Sanlam Investments addresses systemic issues in terms of climate for both active and passive investments through engagement and proxy voting. This ultimately improves the quality of returns and the sustainability of the market that the asset manager invests in;
- In terms of the escalation policy, Sanlam Investments may engage with companies on their material environmental issues and collaborate with other investors in engaging companies or lobbying regulators;
- Disclose Sanlam Investments' environmental sustainability efforts to clients;
- Promote industry best practice, including management of conflicts of interests, should they occur.

Accordingly, Sanlam Investments has developed a roadmap with distinct goals and objectives that can be measured to drive ESG incorporation and fostering partnerships with other like-minded organisations such as Robeco and Climate Fund Managers. Sanlam Investments is also, for example, affiliated with an investment manager contributing towards mitigating and building resilience to climate change in areas most affected by gender inequality.

Sanlam Investments recognises that there are also considerable climate opportunities that may be leveraged. The asset manager is therefore looking to deploy R35 billion over the next 10 years via climate change projects, water initiatives and the Investors' Legacy impact range.

Sanlam Investments will be participating in group-level climate scenario analyses articulate the impacts on the business, strategy and financial planning. These will include considerations of climate change risks on owned and managed assets. These findings will inform the long-term business strategy.

• Insurance Companies

Sanlam Life and Savings and Sanlam Pan Africa also incorporate ESG factors into their credit approval processes.

This policy aims to entrench the consideration of environmental, sustainability and governance principles when making lending decisions. Understanding these issues and the potential impact of environmental, sustainability and governance factors on both investment strategy and the broader operating environment is therefore an integral part of good governance for Sanlam's insurance companies.

• Facilities Manager

Climate change risks are identified and managed at Sanlam Group level. The facilities manager supports this function, as outlined in **Sub-principle 1.2**.

Level 2 - Evidence of current business practice and processes for managing and regularly reviewing climate-related risks and opportunities including how this informs key decision making (and investment decisions).

References to supporting evidence:

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 12, 15, 16

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C1.1a, C1.1b, C1.2a, C1.3, C1.3a, C2.2

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 8, 36

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 45

Response
<p>• Asset Owner</p> <p>Sanlam Group’s current business practice and processes for managing climate-related risks are embedded in the organisation’s well-established risk management processes.</p> <p>Sanlam distinguishes between strategic and operational risks, which are mitigated through a mature risk management governance structure, that utilises both a top-down and a bottom-up approach, described above in response to the Level 2 disclosure under Sub-principle 1.2.</p> <p>As discussed above in Level 1 of Sub-principle 3.1, Sanlam Group has a specific focus on emerging risks that forms part of the top-down strategic risk assessment and management process. The ORSA is an overarching process that brings together the results from various processes embedded at the Group and cluster level as part of the Group ERM framework.</p> <p>The ORSA process consolidates the various outputs and provides an analysis of the risk capital required to be held in respect of the Group’s risks, both currently and over the business planning horizon. The risk and capital assessments in the ORSA take account of the Sanlam’s risk profile, approved risk appetite and business strategy.</p>
<p>• Asset Manager</p> <p>Sanlam Investments current business practices and processes for managing climate-related risks are discussed above in Level 1 of Sub-principle 3.1.</p> <p>Sanlam Investments also utilises the principles entrenched in the Sanlam Policy on Environmental Sustainability to manage material climate-related risks for the investments under its management.</p>
<p>• Insurance Companies</p> <p>Sanlam Life and Savings’s and Sanlam Pan Africa’s current business practices and processes for managing climate-related risks rest at Sanlam Group level.</p>

• **Facilities Manager**

Through responsible property management and proven energy savings, Sanlam Group can unlock operational cost savings. Resource consumption is managed by Sanlam Group’s Facilities Management. Sanlam’s latest measures undertaken in 2021 to conserve resources such as electricity, water, fuel, paper as well as various waste minimisation and recycling initiatives are discussed further in the response to **Sub-principle 4.3**, Level 5.

Level 3 – Evidence of how these current business practice and processes are integrated into the organization’s overall risk management framework.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2, C2.2a, C3.3, C-FS14.1c

Sanlam Climate Change Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): Page 8

Sanlam Governance report 2021 (<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 4, 35, 37

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 45, 92

Response

• **Asset Owner**

The Sanlam Board, supported by the Risk and Compliance committee, sets and oversees the implementation of Sanlam’s objectives and strategies. In 2021, one of the Risk and Compliance committee’s key focus areas during the financial year was to incorporate ESG principles and, in particular, climate change considerations, into the Group’s approach to risk management and responsible investing.

Overall, Sanlam Group’s responsible investment policy embeds sustainability into core investment processes with broadened and extended investment horizons. Sanlam’s analysts undertake in-depth market research, which includes the consideration of environmental, social and governance aspects (including climate change) on the sustainability of potential and owned assets. The requirements of the responsible investment policy are actioned by Sanlam Investments, the asset manager, as discussed below.

Given the dynamic process of evolving and assessing the effectiveness of the Groups governance approach and structures, we also consider the criteria used by:

- FTSE/JSE Responsible Investment Index Series.
- Dow Jones Sustainability Index.

- **Asset Manager**

Sanlam Investments’ Policy on Environmental Sustainability is used to manage climate-related risks for the investments under its management. In 2021, Sanlam formed an oversight committee to drive their sustainable investment initiatives and monitor and evaluate the implementation progress. The committee’s role is to drive the Sanlam’s investments vision on sustainable investing and impacts by setting the general strategy, priorities and goal of proper implementation for the respective sustainable investment strategies that have been adopted by business areas within Sanlam Investments.

Sanlam Investments’ Socially Responsible Investment funds are examples of the integration of the Policy on Environmental Sustainability (and the related processes) into the organization’s overall risk management framework. Sanlam investments are committed to taking part in securing a sustainable future for South Africa, as well as those beyond these borders. Safeguarding economic, environmental and social assets is the foundation for a healthy economy that generates sustainable returns for the future. Accordingly, Sanlam promotes the incorporation of ESG factors into the investment frameworks in order to make better, more informed investment decisions.

- **Insurance Companies**

Sanlam Life and Savings’s and Sanlam Pan Africa’s current business practices and processes for managing climate-related risks rest at Sanlam Group level.

- **Facilities Manager**

The current business practice and processes for managing climate-related risks rest at Sanlam Group level.

Level 4 – Evidence of how the business assesses its compliance with current and emerging regulatory requirements.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2, C2.2a

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 11, 35, 45

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 45, 93

Response

- **Asset Owner**

The Sanlam Group Board is ultimately responsible for the governance of risk.

The Risk and Compliance committee is mandated by the Board to advise and assist with the design and implementation of the Sanlam Group risk assurance framework and responsibilities. The Sanlam Group compliance policy requires all business cluster boards and employees to comply with applicable laws, non-binding rules, codes and standards in all the jurisdictions in which Sanlam operates.

Implementing sound compliance management practices and procedures serve to mitigate compliance risk and improve the Group’s ability to remedy instances of non-compliance that may occur.

Creating a sound compliance culture in Sanlam means that compliance is understood for the obligations it creates, and for the rights and protection it affords the Group and its stakeholders. Sanlam regularly assesses its compliance levels to ensure that all areas requiring improvement have been appropriately identified and addressed.

The Group compliance officer is the responsible Group Office functionary that “owns” compliance as a tight area of governance and sets the minimum standards for the Group Executive to approve. The Group compliance officer develops procedures to facilitate implementation of the Group compliance policy for compliance across the Sanlam Group and monitor adherence to the Group compliance policy.

The Group compliance officer, with the compliance functions of the business clusters and units, facilitates the management of compliance through analysing statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee. The Group Compliance Officer is suitably skilled and experienced and reports directly to the Group actuary and Group risk officers.

• **Asset Manager**

The assessment of compliance with current and emerging regulatory requirements is undertaken at the Sanlam Group level.

• **Insurance Companies**

Sanlam Life and Savings’s and Sanlam Pan Africa’s assessment of compliance with current and emerging regulatory requirements rest at Sanlam Group level.

• **Facilities Manager**

The assessment of compliance with current and emerging regulatory requirements is undertaken at the Sanlam Group level.

Sub-principle 3.2

Support and undertake research and development to inform current business strategies (including investments) on adapting to and mitigating climate-related issues.

Level 1 - Evidence of the member’s role in developing insurance products and/ or new partnerships to support innovation for climate-related issues mitigation and adaptation.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C-FS2.2c, C2.3a, C2.4a, C-FS14.3

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 14

Response

- **Asset Owner**

Sanlam Group is committed to investing in sustainable businesses that support innovation for climate mitigation and adaptation.

Examples include Sanlam Group’s investment in the:

- Climate Investor One Development Fund and the Construction Equity Fund vehicles to enable the financing of renewable energy (mitigation) and infrastructure projects (adaptation);
- Climate Investor Two fund, which combats climate change through the provision of climate resilient water, sanitation and oceans infrastructure in developing countries. The Climate Investor Two fund focuses on climate adaptation measures such as¹⁶:
 - o Bulk water supply and potable water treatment for municipalities.
 - o Wastewater treatment, both for municipalities and for industry, including:
 - Energy production from wastewater
 - Water re-use, in particular for agricultural irrigation
 - o Ecosystems services for water treatment and coastal protection, for example mangrove restoration.
 - o Waste and wastewater management.
- MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs), which provide sustainable investment opportunities with a positive impact on climate change. They are designed to maximise exposure to positive ESG factors while reducing exposure to carbon dioxide (CO₂), other GHGs and potential fossil fuel emissions by 30%. The ETFs exclude exposure to controversial business activities, using screens to exclude thermal coal, oil sands and other activities.
- The newly launched (2021) sustainable infrastructure fund. Through this fund, Sanlam Investments will source, assess and invest in renewable energy, conventional energy, transportation, communication, water and waste-related assets. ESG criteria are applied to support sustainable development.

In addition, Sanlam Group’s team of analysts conduct ongoing, in-depth research for the purpose of assets valuations. These valuations consider environmental, social and governance practices, such as climate change impacts, and the effects that these will have on the sustainability of an asset’s returns.

Sanlam Group also participates and collaborates with partners to develop new insurance products. Examples of these engagements are discussed above under Level 4, **Sub-principle 2.1**, including participation in:

- Various industry associations, such as the Business Unity South Africa (BUSA), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.
- Every Action Counts Coalition¹⁷, which aims to creatively leverage technology and partnerships to enhance green awareness and green action of 1 billion people around the globe by 2025.
- The National Business Initiative (NBI) Just Transition Pathway for Decarbonising the South Economy.
- Climate Action 100+. This is an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters take the necessary action on climate change.

• **Asset Manager**

Sanlam Investments is responsible for managing Sanlam Group’s investments. Sanlam Investments manages the various funds discussed above at the asset owner level, which enable the financing of renewable energy, water and other related mitigation and adaptation projects.

• **Insurance Companies**

The development of insurance products to support innovation for climate mitigation and adaptation for Sanlam Life and Savings and Sanlam Pan Africa’s occurs at the Sanlam Group level.

The development of insurance products to support adaptation occurs at the Santam level (discussed in a separate ClimateWise disclosure), where such measures will have substantive impacts. Examples,

¹⁶ Climate Fund Managers. Available at: [Funds – Climate Fund Managers](#)

¹⁷ Sources of information from Sanlam’s website : [Sanlam Joins ‘Every Action Counts’ Coalition](#)

include the Partnership for Risk Resilience (P4RR) Programme, Santam partners with municipalities and various stakeholders to reduce disaster risks caused by fire and flooding, which have a consequential impact on insurance claims. The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to proactively reduce the impact of fire and flood disaster events. Ultimately, Santam’s efforts help to contribute to climate adaption efforts by assisting service delivery and providing support to local government infrastructure, economic development, and governance.

• **Facilities Manager**

Not applicable at this level.

Level 2 - Evidence of the member's role in improving data quality issues to inform the research and analytics of climate-related issues.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C2.2, C2.2a, C2.3a, C3.2, C3.2b

Sanlam Governance report 2021

(<https://www.sanlam.com/downloads/governance/2021/Sanlam-Governance-Report-2021.pdf>): Page 11, 35, 45

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 43

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

(https://wwfafrica.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcf_d_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance)

Response

• **Asset Owner**

In 2016, Sanlam and WWF-SA launched the Water Risk Filter, which was revised in 2019. This is a free online tool to address elements of water risk relevant to South African businesses. Designed for non-water experts, this tool is significant in helping businesses develop resilient water stewardship strategies. The Journey of Water Campaign¹⁸ also forms part of Sanlam’s innovative partnership with WWF-SA. This three-day walk connects urban water users to their water sources, which are often remote. In this way, the campaign helps to raise awareness around responsible and sustainable water stewardship.

Sanlam Group is also considering the use of scenario analyses to support the assessments and future planning processes. Should they be required, Sanlam Group will consider further measures to inform the research and analytics of climate-related issues.

¹⁸ WWF, 2013. WWF and Sanlam launch Journey of Water campaign. Available at: <https://www.wwf.org.za/?9121/WWF-and-Sanlam-launch-Journey-of-Water-campaign>

In addition and as discussed above under Level 1 of this sub-principle, Sanlam actively participates in the following platforms which have a strong research focus, including:

- BUSA.
- Every Action Counts Coalition.
- NBI's Just Transition Pathway for Decarbonising the South Economy.
- Climate Action 100+.
- Partnership with 6 Capitals, to publish research on how TCFD disclosure could assist corporates and investors in South Africa to address climate change.

• **Asset Manager**

Addressed above at the asset owner level.

Future scenario analyses are expected to outline means to improving data quality and inform the research and climate analytics needed to support the assessments and future planning processes.

• **Insurance Companies**

The extensive work undertaken by Santam will be leveraged, particularly with regards to lessons learnt relating to the improvement of data quality issues to inform research and analytics of climate-related issues. Examples include the P4RR programme, discussed above in Level 1 of this sub-principle. Santam reports on these initiatives in a standalone disclosure to ClimateWise.

Sanlam Life and Savings and Sanlam Pan Africa's development of insurance products of this nature occur at the Sanlam Group level.

• **Facilities Manager**

Not applicable at this level.

Level 3 - Evidence of how the development of new products to address climate change impacts the business.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 14

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C2.4a, C3.3, C3.4, C-FS14.3

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 14, 55

Response

• **Asset Owner**

Analyses increasingly point to the long-term competitive advantage of companies that invest in sustainable and climate-related activities. The development of new products to address climate change therefore demonstrates Sanlam Group’s commitment to long-term sustainability which simultaneously facilitates the transition to lower-carbon economy on both national and global levels.

Examples on this business strategy included the development of the various renewable energy, water and infrastructure funds discussed previously (for example above in Level 2, **Sub-principle 2.2**).

Sanlam Group’s responsible investment initiatives seek to develop new sectors that may create more sustainable sources of jobs and economic growth in carbon and water-constrained environments. Such investments are a response to transitional risks in carbon-constrained environments, faced for example by the fossil fuel sector, which may compromise the long-term sustainability of companies, investors and even governments.

• **Asset Manager**

The development of new products to address climate change positively impacts Sanlam Investments’ business. Products that address climate change are expected to enhance the resilience of businesses and communities, which assists Sanlam Investments manage the transitional risks faced by the assets owned by the Sanlam Group.

• **Insurance Companies**

Sanlam Life and Savings’s and Sanlam Pan Africa’s businesses stand to benefit from the development of new products to address climate change. Products that enhance the resilience of businesses and communities to climate change may result in increased disposable income levels which can mitigate risks associated with the non-payment of monthly life-insurance premiums or the servicing of debts provided by the company.

• **Facilities Manager**

Not applicable at this level.

Demonstrating Continuous Improvement (planned activities)

Sanlam Group plans to enhance its approach and processes to identifying and managing climate change risks and opportunities, across its businesses, through investigations into the applicability and use of climate change scenario analyses.

The implementation of the water infrastructure fund, Climate Investor Two Fund, as well as the MSCI World and Emerging Market ESG Enhanced ETFs and the new sustainable infrastructure fund also marks the initiation of innovative market opportunities.

4. Reduce the Environmental Impact of Our Business

The following responses focus on the quantification of the environmental impacts of Sanlam Group’s owned or occupied premises, within the boundary of South Africa.

Sub-principle 4.1

Encourage our suppliers to improve the environmental sustainability of their products and services and understand the implications these have on our business.

Level 1 - Evidence of an environmental/sustainable procurement policy that is applicable across all operations.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:
<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>: page 17

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): Question C12.1a

Sanlam’s Procurement Policy Document
<https://www.sanlam.co.za/kenya/about/Documents/Procurement%20Policy%20Sanlam.pdf>:
 Page 9

Sanlam’s Environmental Policy Document (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Response

- **Asset Owner**

Sanlam Group’s Procurement Policy stipulates that, to the extent that it is practicable and economically feasible, preference should be given for goods, products or services that conserve natural resources, protect the environment and are energy efficient. Suppliers can be asked to provide proof of their own environmental policies, quantified environmental impact and initiatives to reduce their environmental impact, inclusive of actions to reduce their GHG emissions. The Group Procurement Policy is applicable across all operations and is reviewed and updated annually, unless a change is triggered through Audit recommendations or re-organisation within the group involving radical changes in roles, responsibilities and processes.

The updated Sanlam Group Environmental Policy supports the Procurement Policy in that it requires that Sanlam extend its influence across its supply chain by encouraging its supplier network to adopt best environmental practice. The Sanlam Group Environmental Policy is also applicable across all operations.

The policy further recognizes that climate change presents an important business and global risk that could impact the stability and quality of human society, thereby eroding the financial resilience and prosperity of Sanlam’s clients and the societies in which the business operates in. Sanlam therefore understands that incorporating responsible environmental principles into the group’s business operations is not only the right thing to do but is essential to ensure the very survival of the business, communities, clients and extended stakeholders into the future. Sanlam recognizes that sustainable business requires a sustainable environment.

• **Asset Manager**

Sanlam Investments is required to meet the requirements of the group level Environmental and Procurement Policies.

• **Insurance Companies**

Sanlam Life and Savings and Sanlam Pan Africa are required to meet the requirements of the group level Environmental and Procurement Policies.

• **Facilities Manager**

The facilities manager is required to meet the requirements of the group level Environmental and Procurement Policies.

Level 2 - Evidence of work and services undertaken to assess the environmental sustainability of products purchased and any corrective action taken.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C12.1a, page 105, 106

• **Response**

• **Asset Owner/ Asset Manager/ Insurance Companies/ Facilities Manager**

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

Sanlam Group and its business divisions are service organizations and “low-impact” businesses. As such Sanlam focusses on managing its direct environmental impacts within its facilities, with respect to the services provided therein. Sanlam has therefore set specific targets to improve its environmental performance, related to reduced emissions from electricity, water, waste and transport activities, discussed in **Sub-principle 4.3**. Sanlam Group’s assessment of the carbon footprint of its facilities, including emissions that occur along the facility-based value chain, have enabled the group to set the climate and environment related targets discussed further in **Sub-principle 4.3**.

Level 3 - Describe how broader environmental/ climate-related issues impact your supply chain/ value chain and how you have engaged with selected suppliers to improve the sustainability of products and services.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2a, C-FS2.2c, C2.3a,

Sanlam’s Procurement Policy Document

(<https://www.sanlam.co.za/kenya/about/Documents/Procurement%20Policy%20Sanlam.pdf>):

Page 10

Sanlam’s Environmental Policy Document (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>):

Page 2

Response

• **Asset Owner/ Asset Manager/ Facilities Manager**

Several environmental/climate-related issues and their physical impacts on Sanlam’s direct operations have been highlighted in **Sub-principle 1.2**. Sanlam’s value chain is likely to experience similar impacts.

Water scarcity is a major climate related issue, especially within the South African operating regions. As a result, it could impact Sanlam along several parts of its value chain, such as the following:

- Water scarcity could have a devastating impact on Sanlam Group’s physical business operations should facilities be forced to shut down due to lack of water supplies. In an attempt to reduce reliance on municipal water sources, Sanlam has started using borehole water for some of its operations.
- Sanlam relies on paper for its operations. The paper production process is highly water intensive. Water scarcity could lead to a drop in supply and thus an increase in price. In order to reduce the need for paper, Sanlam has introduced E-sign that allows a client to sign documents electronically in a secure and authenticated way.

Sanlam’s Environmental and Procurement Policies encourages Sanlam’s suppliers to improve on their environmental performance to remain competitive.

Sub-principle 4.2

Disclose our Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard.

Level 1 - Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions.

Sanlam Group measures GHG data at the level of its facilities. This information is reported to Sanlam Group management and executives who are responsible for managing climate-related risks and opportunities within the facilities, supported by the facilities manager.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C10.2a, pages 103 and 104

Sanlam’s Carbon Footprint 2021 (<https://www.sanlam.com/downloads/sustainability-reports/2021/Sanlam-Carbon-Footprint-2021.pdf>): Page 14

Sanlam Climate Change Resilience Report 2021

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 17

Response																							
<p>• Facilities Manager</p> <p>Reporting period: Sanlam’s financial year (01 January 2021 – 31 December 2021).</p> <p>Carbon footprint calculation boundary: Sanlam Head Office (at 100%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, and Sanlam West End.</p> <p>Methodology: GHG Protocol – Corporate Accounting and Reporting Standard. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary excludes Santam facilities. Emissions from Santam are reported in a separate ClimateWise submission.</p> <p>GHG consolidation approach: Operational Control Approach.</p>																							
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Level 2 - Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with an absolute or intensity target against a baseline.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 85

Response

• **Facilities Manager**

Reporting period: Sanlam’s financial year (01 January 2021 – 31 December 2021).

Carbon footprint calculation boundary: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

Methodology: GHG Protocol – Corporate Accounting and Reporting Standard.

GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary **includes** Santam facilities. Santam is reported at 100%.

Targets related to Sanlam’s facilities, including Santam facilities, are presented below:

Absolute targets	2021	Target year: 2025
Scope 1 (tCO ₂ e)	1,684	2,152
Scope 2 (tCO ₂ e)	35,460	37,218
Total carbon footprint per year (tCO₂e)	52,130	39,370

In 2021, Sanlam was able to reduce its overall absolute emission target related to its total combined Scope 1, Scope 2 and Scope 3 carbon footprint, as well as its intensity targets.

Scope 1 emissions have increased slightly from the previous year, by 2.44%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas refill data sets were available and included in the 2021 GHG inventory.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions increased slightly from 2020, by 7%, which is as result of the increased amount of electricity consumed within 2021 compared to 2020.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. However, there has been a significant decrease in Scope 3 emissions over the past two years, with a 184% decrease since 2019.

Level 3 - Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with performance trend and accompanying narrative.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 85

Response

• **Facilities Manager**

GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary **includes** Santam facilities. Santam is reported at 100%.

The carbon footprint of Sanlam’s facilities over the last six financial years (from 1 January to 31 December) is presented below:

	tCO ² e					
	2016	2017	2018	2019	2020	2021
Scope 1	522	260	163	2,391	1,644	1,684
Scope 2	44,761	42,122	38,022	41,353	33,150	35,460
Scope 3	26,681	23,925	37,784	41,086	16,858	14,442

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2021 have increased compared to levels in 2021 by 2.44%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas refill data sets were available and included in the 2021 GHG inventory.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions increased slightly from 2020, by 7%, which is as result of the increased amount of electricity consumed within 2021, compared to 2020.

Sanlam Group’s Scope 3 emissions have slightly reduced from 2020 levels, by 14%, with a significant decrease from 2019 of 184%. This is likely related to the impacts of Covid-19 and hybrid working environments.

Level 4 - Describe the methodologies used to calculate GHG emissions metrics and targets.

References to supporting evidence:

Sanlam 2021 Climate Change Resilience Report:

(<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): page 17

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 85

Response

• Facilities Manager

Sanlam’s carbon footprint was conducted in line with the Greenhouse Gas Protocol’s ‘A Corporate Accounting and Reporting Standard (Revised Edition)’ and the ISO 14064:2006 (first edition) ‘Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals’.

The organisational boundary for the 2021 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2021 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments,

Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO₂e) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

Sub-principle 4.3

Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Level 1 - Disclose other key environmental quantitative and qualitative data (not GHGs) used to measure and manage priority climate-related risks and opportunities within the business’s operations and outline how these have and are planning to change over time.

References to supporting evidence:

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 84, 85

Sanlam Group measures environmental data at the level of its facilities. This information is reported to Sanlam Group management and executives who are responsible for managing climate-related risks and opportunities within the facilities, supported by the facilities manager¹⁹.

Response																													
<ul style="list-style-type: none"> • Facilities Manager <p>GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69.02% of total employees for Sanlam Group data. The boundary includes Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s facilities measure the following environmental indicators.</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>2021</th> <th>Unit of measurement</th> </tr> </thead> <tbody> <tr> <td>Electricity usage</td> <td>187.18</td> <td>kWh/m²</td> </tr> <tr> <td>Municipal water usage</td> <td>0.49</td> <td>kl/m²</td> </tr> <tr> <td>Paper consumption</td> <td>8.30</td> <td>kg/full time employee</td> </tr> <tr> <td>Business travel – air</td> <td>595</td> <td>km / full time employee</td> </tr> <tr> <td>Business travel – car rental</td> <td>39.17</td> <td>km / full time employee</td> </tr> <tr> <td>Business travel – hotel</td> <td>0.65</td> <td>hotel nights / full time employee</td> </tr> <tr> <td>Waste recycled (Head Office)</td> <td>54%</td> <td>% kilograms</td> </tr> <tr> <td>Waste recycled (total)</td> <td>54%</td> <td>% kilograms</td> </tr> </tbody> </table>			Metric	2021	Unit of measurement	Electricity usage	187.18	kWh/m ²	Municipal water usage	0.49	kl/m ²	Paper consumption	8.30	kg/full time employee	Business travel – air	595	km / full time employee	Business travel – car rental	39.17	km / full time employee	Business travel – hotel	0.65	hotel nights / full time employee	Waste recycled (Head Office)	54%	% kilograms	Waste recycled (total)	54%	% kilograms
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¹⁹ Targets are set for the performance of Sanlam Group and not for individual division. Thus, the KPIs reported in this Level include Santam’s performance as well.

Sanlam will continue to measure these metrics in the future as they are a fair representation of the environmental performance of its operations. It is unlikely that any of these metrics will cease to represent Sanlam’s core operations in the future.

It is likely that monitoring and data collection will become more efficient and more accurate in the future. This could lead to the introduction of new metrics, as new data is available. For example, the percentage of renewable energy purchased could become relevant in future as this source of electricity becomes more available and the accompanying data becomes easier to gather.

Level 2 - Evidence of a narrative relating to the environmental performance made (against these metrics) over the past year showing that the organisation understands how and where it has achieved progress as well as what it needs to do differently.

References to supporting evidence:

Sanlam Integrated Report 2021 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>): Page 73

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 84, 85

Response							
<ul style="list-style-type: none"> Facilities Manager <p>GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary includes Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s performance, which includes Santam’s emissions, related to its monitored environmental metrics are presented below</p>							
Metric	2016	2017	2018	2019	2020	2021	Unit of measurement
Electricity usage	263	256	240	237	188	187.18	kWh/m ²
Municipal water usage	0.60	0.57	0.99	1.04	0.65	0.49	kl/m ²
Paper consumption	28.0	31.7	40.8	38.9	13.88	8.30	kg/full time employee
Business travel – air	7,560	6,378	7,105	6,420	1083	595	km / full time employee

Business travel – car rental	169	200	177	184	41	39.17	km / full time employee
Business travel – hotel	3.50	3.60	4.99	4.53	3.78	0.65	hotel nights / full time employee
Waste recycled (Head Office)	63%	73%	68%	70%	59%	54%	% kg

Improvement in environmental performance has been achieved for several performance indicators: electricity usage, water usage, paper consumption, business travel – air, business travel – car rental, and business travel – hotel

The electricity emissions per m² had decreased in the last year and is below the 2014 baseline (312 kWh/m²), despite the increased consumption and grid emission factor. The percentage of waste recycled at the Sanlam Main building has increased from 51% in 2014 up to 54% in 2021, whilst the overall amount of waste recycled has decreased slightly from 55% to 54% in the past year. The consumption of paper has also decreased per full time employee but is not yet below the 2014 baseline.

Performance for business travel has decreased below the 2014 baseline. With reductions in air, car rental and hotel related business travel have been achieved in comparison to 2020 (45%, 4% and 82% respectively). These reductions are likely to be on account of the impacts of Covid-19 which reduced business travel.

For more detailed information on the initiatives and actions that are taken to improve environmental performance, please see **Sub-principle 4.3** Level 5.

Level 3 - Evidence of targets (quantitative and qualitative over the short, medium and long term) set to manage climate-related risks and opportunities (associated with operational impact), and of variance analysis regarding performance against targets.

References to supporting evidence:

Sanlam’s Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 85

Response
<ul style="list-style-type: none"> • Facilities Manager <p>GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary includes Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s performance related to the facility-level environmental targets (against 2014 baseline levels) follow:</p>

Absolute targets	Unit of measurement	2021 performance	2025 target	Progress to date
Total carbon footprint (tCO ₂ e)	tCO ₂ e	52 130	76 346,1	Achieved
Total carbon footprint (tCO ₂ e/FTE)	tCO ₂ e/FTE	4,440	7,071	Achieved
GHG emissions per m ²	m ²	0,29	0,4347	Achieved
Scope 1 (direct GHG emissions)	CO ₂ e	1 684,08	2 151,9	Achieved
Scope 2 (indirect GHG emissions)	CO ₂ e	35 460,09	37 217,7	Achieved
Scope 3 (other indirect GHG emissions)	CO ₂ e	14 441,86	36 977,4	Achieved
Total electricity usage	Million kWh	33,44	35,784	Achieved
Air travel	km/FTE	594,99	4 821,3	Achieved
Car rental	km/FTE	39,17	137,7	Achieved
Hotel accommodation	bed nights/FTE	0,65	3,40	Achieved

It is important to note that Sanlam's performance will change in the future and therefore 2025 targets may get impacted within the 4-year period.

Level 4 - Describe the methodologies used to calculate metrics and targets.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C1.2a, C2.4a

Sanlam's Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 85

Response
<p>• Facilities Manager</p> <p>Sanlam's carbon footprint is measured in line with the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) and ISO 14064:2006 (first edition) Part 1: Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals.</p> <p>Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance. This includes actions and measures such as the following:</p> <ul style="list-style-type: none"> • The Group Energy Forum incorporates an external company to oversee the accurate measurement of performance and to facilitate a monthly review of all data and actions taken. • Sanlam installed a web-based energy management system to measure real-time consumption per building, in specific sections such as HVAC, data centres and lights. • Continual monitoring is undertaken of essential consumption patterns (energy, water, waste and recycling) and controlled through an internal • IT system Business travel is monitored through a central travel agent.

Sanlam also commits to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standard.

Level 5 - Evidence the organisation's number and nature of environmental impact reduction projects.

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2a, C2.4a, C3.4, C4.3b, C6.10, C7.9a

Sanlam's Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 85, 86

Response	
<p>• Facilities Manager Sanlam's ongoing initiatives to manage its environmental footprint include:</p>	
Environmental Impact	Ongoing initiatives to reduce the existing environmental impact
Electricity usage	<ul style="list-style-type: none"> - Continue to actively replace old T8 fluorescent fittings with more efficient T5 or LED light fittings. - Continue to investigate options to use solar power energy in the buildings. - Continue to procure equipment that complies with the latest energy-efficient regulations and its compliant with the environmental standards. - All future projects are assessed for environmental and energy reduction best standards.
Fuel and gas usage	<ul style="list-style-type: none"> - In the past year Sanlam has installed equipment to remove the need for R22 gas in air conditioning at the data center. - Sanlam's data center installed new air conditioning equipment that uses refrigerant gas with a very low global warming impact to replace ozone-depleting R-22/Freon gas
Municipal water usage	<ul style="list-style-type: none"> - Sanlam has implemented numerous water saving initiatives that were introduced over the past few years. For example, the use of rainwater harvesting, water-efficient plants and shrubs as well as staff communication to drive awareness and behavior change. - In 2020 the expansion of rainwater harvesting system and installation of grey water system and motion sensor taps in Head Office was implemented.
Business travel	<ul style="list-style-type: none"> - Air and road travel as well as overnight accommodation will be reduced by using video- and tele-conferencing where appropriate instead of travelling.
Paper consumption	<ul style="list-style-type: none"> - Continue using E-sign that allows a client to sign documents electronically in a secure and authenticated way, reducing paper consumption per sale. - Continue to reduce office paper consumption through technology and behavior changes, such as training and awareness activities among employees - Wasteful printing is contained by means of a print management solution that locks printing and has default duplex page settings.
Waste landfilled	
Waste recycled	

Sub-principle 4.4

Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Levels 1 – 3

- **Level 1 – Evidence of engagement activities conducted throughout the year.**
- **Level 2 - Evidence of a continued programme of engagement aligned to material impacts and measurement of the uptake and impact of the activities conducted.**
- **Level 3 - Evidence of a comprehensive programme of engagement across the business with the implementation of engagement targets (over the short, medium and long term).**

Sanlam engages with employees at the asset manager and facilities levels. The engagement activities are conducted throughout the year in continued programmes of engagement aligned to material impacts, such as employment-based retirement schemes and the reduction of resources (for example paper and water) and environmental impacts (for example the benefits of recycling).

References to supporting evidence:

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.4a, C3.3

Sanlam Benchmark 2021

(<https://www.sanlam.co.za/corporate/retirement/benchmarksurvey/benchmark/Pages/benchmark-2021.aspx>)

Sanlam’s Environmental Policy Document (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Response
<p>• Asset Manager Sanlam Investments offer Sanlam employees an employment-based retirement scheme that incorporates ESG principles, including climate change. Ongoing engagement activities are undertaken in this regard.</p> <p>For example, communications include information on how investment risks are assessed as part of the overall ESG risk of the companies the asset manager invests in. This is done through the subscription of ESG research conducted by an external ratings provider. Public information is used to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated either with the company. Water risks are assessed part of the overall ESG assessment of a company, if deemed material to the sector. These findings are factored into the investment process.</p> <p>In addition, Sanlam Group engages with employees and other stakeholders through the annual Sanlam Benchmark Research Study, considered to be South Africa’s most comprehensive and respected</p>

retirement industry study. Sanlam views this engagement to be vital in improving member, including employee, retirement outcomes. This includes the frequency, timing, method and simplification of complex topics.

According to Sanlam's approach to sustainability integration their philosophy and belief states that evaluating environmental, social and governance factors, assets managers can better their understanding of risks and opportunities within their investments and allow for better-informed decisions. Financial resilience is a complex metric that is determined by different factors. Sanlam's resilience focus areas include developing responsible financial solutions and strong governance. These topics are inherent to climate change discussions. According to CEO of Sanlam Corporate, Sanlam Group Risk, Michele Jennings, financial resilience in employees retirement funds can be impacted by climate events that may affect member health and related disability cover.

• **Facilities Manager**

The interaction of Sanlam with its employees with regards to climate change and environmental awareness is summarized in Sanlam's updated Environmental Policy. Sanlam will drive behavioural change amongst its employees, business partners (and other stakeholders) to enable a more sustainable environment through relevant environmental training and engagement and using available communication channels.

Sanlam continuously engages with its employees on climate change and environmental issues. Sanlam encourages its employees to make climate/environment wise choices and thus contribute to the company wide (and global) effort to reduce their environmental footprint. Sanlam engages in targeted communications, such as training and awareness activities among its employees. These have helped to initiate behavioral changes that led to reductions in printing as well as increases in recycling rates. Furthermore, guiding principles have been developed for waste as well as energy, water and paper management. It is also identified that Sanlam conducts commuting survey every two years the purpose of the survey is to calculate the group's carbon footprint, and to encourage employees to think about their commuting options to work and to consider transport options that will reduce their carbon footprint.

Sanlam encourages its employees to not only make climate/environment wise choices at work, but to also make these choices at their homes in their day to day lives. One such example is in dealing with electronic waste. About 80% of end-of-life desktops and laptops – which are no longer supported by vendors – are resold to employees. Purchase agreements with employees contain advice and guidelines for responsible disposal of retired equipment. Such initiatives empower the employees to make climate/environment wise.

Demonstrating Continuous Improvement (planned activities)

Sanlam has prepared a diagnostic report to assess Sanlam's current responses and readiness for TCFD reporting. Key recommendations included Sanlam's need to:

- Raise awareness among Board members and executives on climate-related issues;
- Build climate risk thinking into the business strategy, where it applies
- Review cluster risk assessments in investing activities to identify considerations of climate risk
- Analyse Group risk and opportunities concerning various climate scenarios

Sanlam has demonstrated its desire to reduce its impact on the environment and will continue to do so in the future. Sanlam has several initiatives in the pipeline that aim to further reduce Sanlam's environmental footprint, such as:

- Continue to actively replace old T8 fluorescent fittings with more efficient T5 or LED light fittings.
- Reduce the need of R22 gas within air conditioning equipment's by implementing the use of refrigerant gas with a very low global warming impact to replace ozone-depleting R-22/Freon gas.

- Air and road travel as well as overnight accommodation will be reduced by using video- and tele-conferencing where appropriate instead of travelling.
- All future projects are assessed for environmental and energy reduction best standards.

Sanlam continues to pursue innovative and effective ideas that will assist it to reduce the group environmental footprint. This includes the product/services that Sanlam sells as well as in how Sanlam interacts with its clients. Furthermore, Sanlam continues to engage with their employees on climate change and environmental issues and encourages them to make environmentally conscious decisions at home, as well as at work.

Part of Sanlam Groups journey has been to support the initial TCFD research project. The research aimed to establish the level of uptake of TCFD in South Africa, getting investor and company perspectives, and evaluate how Sanlam's planned roadmap matches best practice. Sanlam has undertaken a process to identify high priority areas for the alignment of TCFD recommendations in 2021. Furthermore, in 2021 Sanlam continued to improve and work on a stronger Climate Sustainability strategy which addressed issues of Climate Change further.

5. Inform Public Policy Making

Sub-principle 5.1

Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally, and internationally to help them develop and maintain an economy that is resilient to climate risk.

Level 1 - Evidence of engagement activities throughout the year, to influence public policy on climate mitigation and adaptation.

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 26, 69, 86, 93

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2a, C12.3 Pages 80-83

National Treasury’s “Financing a Sustainable Economy: Technical Paper 2021 (http://www.treasury.gov.za/comm_media/press/2021/2021101501%20Financing%20a%20Sustainable%20Economy.pdf): Whole document

Sanlam Climate Change Resilience Report 2021 (<https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>): pages 1 and 18

Response
<ul style="list-style-type: none"> • Asset Owner <p>Sanlam Group engages in activities that both influence and respond to climate change through membership and participation in various sectoral committees. Some of the industry associations that Sanlam participates in are BUSA (Business Unity South Africa) and the NBI (National Business Initiative), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.</p> <p>As such, Sanlam has the ability to influence climate change policy through participating in such groups and the related engagements. For example, the NBI published a study outlining several key barriers which impede the growth of green (or sustainable) finance in South Africa. The identified barriers include:</p> <ul style="list-style-type: none"> - The need for an all-encompassing national policy for a greener economy, industrial policy and the structure of the financial system as the dominant local factors. - Shortages of early-stage funding, low availability of venture capital and a scarcity of private equity. - A reliance on concessional loans from local or international banks (both commercial and development banks).

The study and related barriers were subsequently referenced in National Treasury’s draft technical paper titled *Financing a Sustainable Economy*²⁰, first published in 2020 updated and republished in October 2021²¹. The NBI and the working group on sustainable finance, coordinated by National Treasury, engaged on principles and the NBI study and alignment with National Treasury’s draft paper in 2019. The parties concluded that a clear sustainable finance strategy, consistent definitions and understanding of environmental and social risks linked to value creation is needed. This must be supportive of South Africa’s climate change objectives, together with the necessary prioritization of projects and the creation of a commercially viable and sustainable value proposition and more consistent definition of environmental and social risks and value creation.

Accordingly, BUSA and the NBI are also spearheading the Just Transition Working Group. Sanlam is an active member of the Just Transition Working Group, with Sanlam Group Chief Executive being part of the NBI’s Champion on Just Transition Pathway for decarbonising the economy²². The group has identified that the Just Transition requires a shift towards environmentally sustainable economies and societies for all. Such a transition needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty. The current aim of the Just Transition Working Group is to formulate a consolidated climate change vision for South Africa. This vision will be developed by the business community, in partnership with government and will articulate South Africa’s aspirational goals for carbon neutrality. The vision was presented at the Conference of the Parties (COP26) held in Scotland in 2021. This forum and the related engagements presented a further opportunity for Sanlam to influence climate change policy.

Other associations that Sanlam participates in are the Association for Savings and Investment South Africa, Business Leadership South Africa and the South African Insurance Association. These committees meet frequently throughout the year and climate change policy matters are increasingly on the work agendas. Sanlam shares the findings from these committees and engagements which consider the macro and micro factors that impact the general insurance operating environment.

Sanlam has also partnered with WWF-SA on various freshwater and marine projects that aim to conserve the natural water sources and the biological diversity of South Africa. The scope of the partnership with WWF-SA includes the following: strategic advice, joint research, support into water issues affecting the business and society. This led to the development of the Water Risk Filter, a publicly available tool (<https://waterriskfilter.panda.org/>), which was revised and relaunched in 2019. The tool is relevant to South African business and enables companies or individuals to assess the water risk to different economic activities in different river basins. The assessment tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. This can influence policy by providing policy makers and the public with a tool that can indicate when and where mitigation and/or adaptation might be necessary.

- Asset Manager

Ongoing engagement activities to influence policy on climate mitigation and adaptation are undertaken at the Sanlam Group level.

- Insurance companies

Sanlam Life and Saving’s and Sanlam Pan Africa’s engagement activities to influence policy on climate mitigation and adaptation are undertaken at the Sanlam Group level.

²⁰ Available at: <http://www.treasury.gov.za/publications/other/Sustainability%20technical%20paper%202020.pdf>

²¹ Available at: http://www.treasury.gov.za/comm_media/press/2021/2021101501%20Financing%20a%20Sustainable%20Economy.pdf

- Facilities Manager

Ongoing engagement activities to influence policy on climate mitigation and adaptation are undertaken at the Sanlam Group level.

Level 2 - Evidence of prioritising engagement to achieve impact aligned to material climate-related issues.

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 5, 12, 93

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C2.2a (Page 17); C2.3a (Page 30)

Response

- Asset Owner

Sanlam recognises that climate change can result in a variety of issues. Principally among these, for South Africa, is the increase in water stress as a result of climate change. In response to this, Sanlam has prioritised engagement on water related activities in the form of its ongoing partnership with WWF-SA, for the past 14 years.

Furthermore, Sanlam and WWF-SA revised and relaunched the Water Risk Filter in 2019. This tool is relevant to South African business and enables companies or individuals to assess the water risk to different economic activities in different river basins.

Sanlam’s engagements on water related matters started in 2019, in the development of a new investment fund, the Climate Investor Two Fund. Sanlam’s partners on this fund include the same partners in the Climate Investor One Fund, including the Development Bank of the Netherlands. Climate Investor Two was launched in January 2020 and announced a conditional first close at US\$675 million during COP26 in November 2021. The water fund’s investment focus is discussed above, in Level 1 of **Sub-principle 3.2**.

In 2021, WWF-SA created multiple funded water source partnerships to co-develop a model for 10 strategic water source areas (SWSAs). Sanlam’s funding provides a critical foundation that supports WWF in achieving the 2025 freshwater-focused outcome of “freshwater quantity and quality improved in SWSAs for ecological systems and communities” as well as helping to pursue the intersection of finance and sustainability.

- Asset Manager

The prioritisation of engagements to achieve impact aligned to material issues is undertaken at the Sanlam Group level.

- Insurance Companies

Sanlam Life and Saving’s and Sanlam Pan Africa’s prioritisations of engagements to achieve impact aligned to material issues are undertaken at the Sanlam Group level.

- Facilities Manager

The prioritisation of engagements to achieve impact aligned to material issues is undertaken at the Sanlam Group level.

Level 3 - Evidence of a leadership position or strong collaboration efforts in the engagement of others on matters relating to climate change.

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 3, 8, 12, 26, 63, 83-84

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

(https://wwfafrica.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcf_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance)

Response

- **Asset Owner**

Sanlam Group continues to demonstrate leadership positions and strong collaboration efforts in the engagement of others on matters relating to climate change. These include participation and engagements with:

- WWF
- BUSA.
- Every Action Counts Coalition.
- NBI’s Just Transition Pathway for Decarbonising the South Economy.
- Climate Action 100+.
- 6 Capitals.

The levels of engagements and participation are described in further detail above, in the disclosures under Level 1 and Level 2 of **Sub-principle 3.2**.

Additionally in 2021, Sanlam received an A- CDP climate change 2021 score, which is in the leadership band. This is higher than the Africa regional average of B and higher than the financial services sector average of B. This means Sanlam is implementing current best practices.

- **Asset Manager**

The evidence of leadership and collaboration efforts in the engagement of others on matters related to climate change is undertaken largely at the Sanlam Group level.

- **Insurance Companies**

The evidence of leadership and collaboration efforts in the engagement of others on matters related to climate change is undertaken at the Sanlam Group level.

- **Facilities Manager**

The evidence of leadership and collaboration efforts in the engagement of others on matters related to climate change is undertaken at the Sanlam Group level.

Sub-principle 5.2

Support and undertake research on climate change to inform our business strategies and help to protect our customers’ and other stakeholders’ interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

Levels 1 – 3

- **Level 1 - Evidence that the member has supported or undertaken research during the year in question, with a brief description of the research focus, the financial year in which any support was given, outcomes and an explanation of how this research has been used to inform business strategies and advance the common interest.**
- **Level 2 - Additional requirement to undertake action to proactively promote knowledge sharing within the industry by sharing the research and engaging others in the research topic.**
- **Level 3 - Evidence that the research addresses key climate-related risks facing the business. Members are asked to demonstrate that the research plays an integral part in influencing on business strategy and advancing the common interest.**

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 69, 86

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

(https://wv africa.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcf_d_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance)

Response
<p>• Asset Owner</p> <p>Sanlam has supported or undertaken research during the reporting year (1 January 2021 to 31 December 2021) in conjunction with the following parties.</p> <ul style="list-style-type: none"> - Climate Fund Managers - WWF - BUSA. - Every Action Counts Coalition. - NBI’s Just Transition Pathway for Decarbonising the South Economy. - Climate Action 100+. - 6 Capitals. <p>The descriptions of the research focus outcomes, and an explanation of how this research has been used to inform business strategies and advance the common interest, as discussed above in Level 1 and Level 2 of Sub-principle 3.2 as well as in Level 4 of Sub-principle 2.1.</p> <p>The related research studies will contribute to the growing efforts which enable stakeholders to develop new climate mitigation and adaptation measures as well as enhance engagements on climate change.</p>

Efforts to improve transparency and disclosures will help investors in assessing risks, improving the stability of the financial sector, and will improve the sustainability of reporting institutions.

In 2021, Sanlam Group also published the beginner Sanlam Climate Change Resilience Report in accordance with the recommendations of the TCFD. This report outlines Sanlam’s priorities going forward, which include the initiation of scenario assessment for physical and transition risks and opportunities based on potential global warming outcomes. The results of such research will be shared across the various corporate and climate disclosure platforms to which Sanlam subscribes.

• **Asset Manager**

Ongoing research activities to inform business strategies and advance the common interest are undertaken largely at the Sanlam Group level. Sanlam started working to understand how much underlying carbon is present in the investments that are owned and managed by the group. This research is based on data on high-level GHG associated industries as a starting point in articulating metrics that can be used to make better-informed decisions.

• **Insurance Companies**

Ongoing research activities to inform business strategies and advance the common interest are undertaken at the Sanlam Group level.

• **Facilities Manager**

Ongoing research activities to inform business strategies and advance the common interest are undertaken at the Sanlam Group level.

Demonstrating Continuous Improvement (planned activities)

Sanlam will continue internal research activities as well as research with external parties.

6. Support Climate Awareness Amongst Our Customers/Clients

Sub-principle 6.1

Communicate our beliefs and strategy on climate-related issues to our customers/ clients.

Level 1 - Evidence of communicating the organisation’s beliefs and strategy on climate-related issues with customers / clients.

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 26, 84

Sanlam Group’s 2020 Environmental Policy (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C12 Page 79-81

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

https://wwf africa.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcf_d_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance

Response

• Asset Owner

In 2021 Sanlam joined the ‘Every Action Counts’, a new coalition to connect experts in nature conservation and climate change with some of the world’s leading digital platforms, financial institutions and consumer goods firms.

The coalition brings together a global network of financial, e-commerce, digital, and consumer goods and services companies with experts in sustainability, and nature and biodiversity conservation. The new network will share best practices in encouraging individuals to take positive actions in daily life to create planet-friendly outcomes. Each coalition member will endeavor to pursue locally relevant approaches to driving sustainable consumer behaviors by advancing people-centric, tech-enabled and innovation-oriented engagement models.

Sanlam Group’s clients are the customers that take up the insurance and financial services that the group offers across its business divisions. In its updated Environmental Policy, Sanlam has committed to improving its reporting on its environmental performance to relevant stakeholders through stakeholder engagement to strengthen its activities and to ensure transparency in its actions.

In addition in 2021, Sanlam partnered with 6 Capitals, an ESG advisory agency to publish research on how TCFD disclosure could assist its clients, which also includes corporates and investors in South Africa, to address climate change. The research considered perspectives of financial institutions, pension fund holders, government and the Johannesburg Stock Exchange.

Furthermore, Sanlam Group has developed a sustainability portal <https://www.sanlam.com/sustainability> to communicate the group’s beliefs and strategy on climate-related issues to its customers. The portal provides links to several topics revolving around Sanlam’s approach to sustainability, including their response to climate change. It also provides links to videos of several C-suite officers responding to stakeholders’ requests for transparency on several issues regarding Sanlam’s operations, including its approach to ESG aspects when making investment decisions and how it is improving resilience for its customers. The portal also provides downloadable content, such as reports and press releases, that go into greater detail on Sanlam’s approach to sustainability and what it means to Sanlam as well as links to non-financial performance indicators that Sanlam uses to track its environmental performance. This is part of Sanlam’s commitment to transparent and relevant stakeholder reporting and is enhance through personal interaction and feedback. Using an online interactive portal format to communicate with stakeholders helps save paper and money and reduces the group’s carbon footprint.

Sanlam Group also communicates the organisation’s beliefs and strategy on climate-related issues with shareholders and clients through other platforms, such as the annual integrated reports (available at <https://www.sanlam.com/annual-results-2021> and other media. Examples include:

<ul style="list-style-type: none"> - Press releases (such as the communications on the Climate Investor Two fund, which is in development). - Environmental, social and governance reporting in public platforms such as the CDP (formerly known as the Carbon Disclosure Project); the Embedding Project (specifically the African Peer Network) and ClimateWise. - Social media platforms, such as Facebook, Instagram, Twitter, Sanlam’s website, and Youtube - Mobile App.
<p>• Asset Manager</p> <p>Communications are undertaken at the Sanlam Group and Sanlam Insurance levels. This approach is effective because Sanlam Investments’ main client is Sanlam Group, the owner of the assets managed by Sanlam Investments. Sanlam Group’s clients are those customers that take up the services offered across the group’s business divisions and thus communications are channelled through Sanlam Group or the respective insurance companies.</p>
<p>• Insurance Companies</p> <p>Sanlam Life and Savings’s and Sanlam Pan Africa’s communications regarding climate change matters are undertaken at the Sanlam Group level.</p>
<p>• Facilities Manager</p> <p>Communications are undertaken at the Sanlam Group level.</p>

Level 2 - Evidence of a robust engagement plan for customers / clients that will result in increased knowledge and awareness.

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 26, 84

Sanlam Group’s 2020 Environmental Policy (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C12 Page 79-81

<p>Response</p> <p>• Asset Owner</p> <p>As discussed above in Level 1 of Sub-principle 6.1, Sanlam Group engages with its customers/clients using various platforms and media outlets. These include the following:</p> <ul style="list-style-type: none"> - Annual Report. - Press releases. - Environmental, social and governance reporting in public platforms such as the CDP; the Embedding Project (specifically the African Peer Network) and ClimateWise. - Social media platforms, such as Facebook, Instagram, Twitter, Youtube and Sanlam’s website. - Mobile App.

By making extensive use of online platforms, Sanlam also ensures that any interested party, including those who are not currently clients of Sanlam, can have access to the information they are looking for. The information available on the online platforms is also regularly updates, ensuring that clients have access to the most current and relevant information.

Sanlam also participates in various research projects, discussed further in **Sub-principle 5.2** Error! Reference source not found., which increase the climate change knowledge and awareness of its shareholders and customers.

- **Asset Manager**

Engagements are undertaken at the Sanlam Group level. This approach is effective because Sanlam Investments' main client is Sanlam Group, the owner of the assets managed by Sanlam Investments. Sanlam Group's clients are those customers that take up the services offered across the group's business divisions and thus communications are channelled through Sanlam Group or the respective insurance companies.

- **Insurance Companies**

Sanlam Life and Savings's and Sanlam Pan Africa's engagements regarding climate change matters are undertaken at the Sanlam Group level.

- **Facilities Manager**

Engagements are undertaken at the Sanlam Group level.

Level 3 - Quantitative disclosure of those engaged alongside details of future activities and feedback mechanisms.

References to supporting evidence:

The company website (<https://www.sanlam.com/financial-reporting>).

Response

- **Asset Owner**

Public disclosures in integrated annual reports, different media and reporting platforms allow Sanlam Group to target engagements with 100% of its shareholders and clients on climate change matters (as discussed above in the Level 2 response to **Sub-principle 6.1**). Shareholders and clients are encouraged to provide comments and feedback directly to Sanlam Group on the group's disclosures. This ensures that all the quarries/needs of Sanlam's shareholders and clients can be met.

Furthermore, the information available on the online platforms, such as [Facebook](#), [Instagram](#), [Twitter](#) and [Youtube](#) and Sanlam's [website](#), is open to the public. This means that any interested party, whether they are shareholders or clients or neither, can access the information. Should the information that an interested party is looking for not be available on the online platforms, then the interested party can email, phone or reach out via social media to Sanlam to have their quarries addressed.

These are ongoing disclosures which Sanlam Group will continue to make in the future.

- **Asset Manager**

Disclosures are undertaken at the Sanlam Group level. This approach is effective because Sanlam Investments' main client is Sanlam Group, the owner of the assets managed by Sanlam Investments.

Sanlam Group and the insurance companies are therefore responsible for liaising directly with their respective clients.

• Insurance Companies

Sanlam Life and Savings’s and Sanlam Pan Africa’s disclosures are undertaken at the Sanlam Group level. These are ongoing disclosures which Santam will continue to make in the future.

• Facilities Manager

Disclosures are undertaken at the Sanlam Group level.

Sub-principle 6.2

Inform our customers/ clients of climate-related risk and provide support and tools so that they can assess their own levels of risk.

Levels 1 – 3

- **Level 1 - Evidence to demonstrate how members have identified areas of behaviour change needed to mitigate climate risk.**
- **Level 2 - Evidence of engagement with customers/ clients to encourage climate awareness and promote resilience through knowledge sharing.**
- **Level 3 – Evidence that tools have been provided to customers/ clients with guidance on the importance of assessing climate risk across multiple lines of service or countries of operation.**

References to supporting evidence:

Sanlam Group’s 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Page 26, 69, 86

Sanlam Group’s 2020 Environmental Policy

(<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C12 Page 79-81

Response

• Asset Owner

Sanlam Group’s clients are the customers that take up the insurance and financial services that the group offers across its business divisions.

With respect to the insurance products, clients are increasingly aware of the current and future climate change impacts that may affect them. Sanlam has implemented various measures to meet client requirements in this regard, particularly with respect to addressing water scarcity and risks in South Africa.

Accordingly, Sanlam, in partnership with WWF-South Africa, has relaunched an updated version of the Water Risk Filter. This tool enables companies or individuals to assess the water risk to different economic activities in different river basins. The assessment tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. The Water Risk Filter can be accessed on <https://waterriskfilter.panda.org>.

- **Asset Manager**

Sanlam Investments' main client is Sanlam Group. Identification of areas of behaviour change needed to mitigate climate risk in Sanlam Group's client base therefore occurs at the Asset Owner level, discussed above.

Of note in 2021, Sanlam partnered with 6 Capitals, an ESG advisory agency to publish research on how TCFD disclosure could assist its clients, corporates and investors in South Africa, to address climate change. The research considered perspectives of financial institutions, pension fund holders, government and the Johannesburg Stock Exchange.

- **Insurance Companies**

Sanlam Life and Savings's and Sanlam Pan Africa's main services include the provision of life insurance and the provision of loans.

Clients of these services stand to benefit from climate change adaptation measures, such as improved infrastructure, which can assist clients withstand physical climate impacts (such as severe weather incidents). Sanlam's insurance companies may investigate these risks in depth in future, as part of Sanlam Group's measures to respond to the TCFD recommendations.

- **Facilities Manager**

Sanlam facilities' main client is Sanlam Group. Sanlam facilities manager is therefore responsible for identifying and implementing sustainable practices such as resource minimisation and activities that lower the carbon footprint associated with the group's physical facilities.

Level 2 - Evidence of engagement with customers/ clients to encourage climate awareness and promote resilience through knowledge sharing.

References to supporting evidence:

Sanlam Group's 2021 Resilience Report (<https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>): Pages 26, 84

Sanlam Group's 2020 Environmental Policy (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2

Questions in the 2021 CDP climate disclosure (https://www.santam.co.za/media/2686556/cdp-climate-change-questionnaire_2021.pdf): C12 Page 79-81

Sanlam and Six Capitals 2021 Report “The Emerging Importance of the TCFD Framework for South African Companies and Investors”:

https://wwfafrica.awsassets.panda.org/downloads/the_emerging_importance_of_the_tcfd_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance

Response
<p>• Asset Owner</p> <p>Sanlam Group’s clients are the customers that take up the insurance and financial services that the group offers across its business divisions. The different business divisions therefore tailor-make communications and tools to their respective clients. These methods are described above in the disclosures under Levels 1, 2 and 3 of to Sub-principle 6.1.</p>
<p>• Asset Manager</p> <p>Sanlam Investments’ main client is Sanlam Group and the respective insurance companies. Engagement with end-customers to encourage climate awareness and promote resilience therefore takes place at the Sanlam Group or insurance company levels.</p> <p>Sanlam has also recently partnered with 6 Capitals, an ESG advisory agency to publish research on how TCFD disclosure could assist its clients, corporates and investors in South Africa, to address climate change. The research considered perspectives of financial institutions, pension fund holders, government and the Johannesburg Stock Exchange.</p>
<p>• Insurance Companies</p> <p>Sanlam Life and Savings’s and Sanlam Pan Africa’s engagements with end-customers to encourage climate awareness and promote resilience takes place at the Sanlam Group levels.</p>
<p>• Facilities Manager</p> <p>Sanlam facilities’ main client is Sanlam Group. Engagement with end-customers to encourage climate awareness and promote resilience therefore takes place at the Sanlam Group level.</p>

Demonstrating Continuous Improvement (planned activities)

Just as the climate of the natural world is changing, so is the business climate. A major change in the business world in the last few decades is the speed at which information can be shared and data can be transferred.

New social media platforms are available that change the way in which Sanlam can interact with its clients. Clients can now be reached through video, audio, graphic and written formats. Sanlam continuously generates content in these different formats for the different platforms, fostering steady communication between Sanlam and its clients.

Furthermore, Sanlam is aware of how climate change can influence the lives of its clients as well. Sanlam has been entrusted with the assets of its clients and takes this responsibility seriously. Sanlam Group is in the process of developing a group climate position statement, to assess and

articulate climate-related risks to Sanlam's owned assets, such as investments in stocks, bonds and shares. This will be communicated with stakeholders once finalised.

7. Enhancing Reporting

Sub-principle 7.1

Sanlam has reported against all the ClimateWise sub-principles as per the ClimateWise response deadline. The responses are provided according to four categories across which Sanlam operates: Asset Owner; Asset Manager; Insurance Companies and Facilities Manager.

Sub-principle 7.2

Sanlam's 2022 ClimateWise response is a standalone document that is publicly disclosed as part of the group's annual reporting. The key climate-change elements of Sanlam's 2022 ClimateWise response are contained within the group's annual reports, internet portals and other public documents.