

➤ **2019 ClimateWise  
Response for the  
Sanlam Group**



**Sanlam Group**

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**2019 ClimateWise Response for the Sanlam  
Group**

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Insurance

Financial Planning

Retirement

Investments

Wealth



## Table of Contents

<b>Introduction</b> .....	<b>4</b>
<b>1. Be Accountable</b> .....	<b>6</b>
Sub-principle 1.1.....	6
Sub-principle 1.2.....	12
Demonstrating planned activities.....	18
<b>2. Incorporate Climate-related Issues into Our Strategies and Investments</b> .....	<b>18</b>
Sub-principle 2.1.....	18
Sub-principle 2.2.....	27
Sub-principle 2.3.....	34
Demonstrating continuous improvement (planned activities).....	34
<b>3. Lead in the Identification, Understanding and Management of Climate Risk</b> .....	<b>35</b>
Sub-principle 3.1.....	35
Sub-principle 3.2.....	40
Demonstrating continuous improvement.....	44
<b>4. Reduce the Environmental Impact of Our Business</b> .....	<b>45</b>
Sub-principle 4.1.....	45
Sub-principle 4.2.....	48
Sub-principle 4.3.....	52
Sub-principle 4.4.....	57
Demonstrating continuous improvement.....	57
<b>5. Inform Public Policy Making</b> .....	<b>58</b>
Sub-principle 5.1.....	58
Sub-principle 5.2.....	62
Demonstrating continuous improvement.....	65
<b>6. Support Climate Awareness Amongst Our Customers/Clients</b> .....	<b>66</b>
Sub-principle 6.1.....	66
Sub-principle 6.2.....	69
<b>7. Enhancing Reporting</b> .....	<b>73</b>



Sub-principle 7.1.....	73
Sub-principle 7.2.....	73



# Introduction

This document presents the first response to the ClimateWise reporting programme by the Sanlam Group, related to the South African segments and physical operations. This exercise is part of Sanlam Group's endeavours to review the group's climate change position and to address the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. As such, Sanlam Group intends to use this opportunity to identify gaps in its approach to climate-related data collection and analyses, with a view to developing a better understanding of climate risks facing its business segments and the broader insurance industry.

Sanlam is one of the 50 largest internationally active insurance groups in the world, with a presence in 44 countries. Sanlam provides financial solutions and products to both retail and institutional clients. These services include asset management; retirement solutions (fund and health administration); insurance (life and non-life) and reinsurance; financial planning and wealth management/stockbroking.

Sanlam's purpose is to build a world that supports people in living their best possible lives through financial resilience and prosperity. The group therefore plays a triple role in terms of sustainable development: risk management, risk carrying and investment:



**Figure 1: The triple role of insurers for sustainable development (Source: UNEP Principles of Sustainable Insurance, cited in *Score Focus #25*, February 2019)**

Accordingly, Sanlam has a decentralised management structure and conducts operations through different business clusters. Sanlam's 2019 ClimateWise response has therefore been provided according to four broad categories, under which the South African activities are reported:

**Table 1: Reporting Categories Mapped to Sanlam's business divisions**

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.



<p>Asset* Manager</p>	<ul style="list-style-type: none"> <li>④ Sanlam Investments</li> </ul>	<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>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>
<p>Insurance Companies</p>	<ul style="list-style-type: none"> <li>④ Sanlam Personal Finance</li> <li>④ Sanlam Pan Africa<sup>1</sup></li> <li>④ Santam<sup>2</sup></li> </ul>	<p>Sanlam Personal Finance is responsible for the Group's retail life 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.</p> <p>Santam provides a diversified range of general insurance products and services in Southern Africa and internationally to clients, ranging from individuals to commercial and specialist business owners and institutions.</p> <p>Sanlam Pan Africa 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</p>
<p>Facilities Manager</p>	<p>Facilities owned and managed by Sanlam Group in South Africa, that form the operational base of the group activities. Going forward Sanlam Group may consider reporting on the properties owned by its investment segment as well as properties managed by third-party agents.</p>	

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

Sanlam Group's climate change risks and opportunities are provided in this report as per the ClimateWise principles: 1. Be Accountable; 2. Incorporate Climate-related Issues into our Strategies and Investments; 3. Lead in the Identification, Understanding and Management of Climate Risk; 4. Reduce the Environmental Impact of our Business; 5. Inform Public Policy Making; 6. Support Climate Awareness amongst our Customers/Clients and 7. Enhancing Reporting.

<sup>1</sup> Formerly known as Sanlam Emerging Markets.

<sup>2</sup> This report provides high-level information related to Santam's response to climate change. Santam has been a member of ClimateWise since 2009 and continues to respond to ClimateWise, in greater detail, in a separate report.



Sanlam Group's 2019 response to the ClimateWise reporting programme reports on activities undertaken in the 2018 financial year (1 January 2018 – 31 December 2018). The response aims to describe and develop the company's contribution to the transition to a low carbon, climate-resilient economy in South Africa. Sanlam Group's long-term aim is to close its business' climate risk protection gap, which ClimateWise refers to as "the growing divide between economic and insured losses".

## 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 at regular committee meetings, including the processes and frequency by which the board and/or board committees are informed.**

#### Response<sup>3</sup>

##### 🕒 Asset Owner

Sanlam Group is responsible for centralised functions across the different clusters/business units: Sanlam Personal Finance, Sanlam Pan Africa, Sanlam Investments, Santam and Sanlam Corporate. Each cluster has its own board of directors.

Sanlam Group recognises that climate change is a material consideration for the ongoing sustainability of its business and the communities which segments serve. Sanlam Group therefore ensures that climate change is addressed at the highest levels of the organisation by vesting the ownership and oversight of climate change decisions with the Chairman of the board appointed Social, Ethics and Sustainability (SES) Committee, an independent non-executive director.

The SES Committee's mandate with regards to climate change is well defined and documented. The Chairman of 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.

Engagement and oversight of climate change matters are discussed at regular Group level committee meetings which facilitates the integration of multiple functions involved in climate risk, across the business. The processes and frequencies by which the board is informed includes:

- 🕒 The SES Committee reports on the progress of Sanlam Group's sustainability journey through quarterly feedback to the Group board; and
- 🕒 All business units and subsidiaries are required to include social, ethics and sustainability issues onto the board agendas ensuring that climate-related issues are scheduled as agenda items at all board

<sup>3</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report and the Santam 2018 and 2019 ClimateWise Reports.



Sanlam Group's allocation of climate change responsibilities demonstrates the close connections between board and climate related management functions.

At a management level, the assessment of climate change risks also falls within the scope of the risk management function. As such, 'Severe weather/climate change' has been identified as one of the group's top-10 strategic risks in the 2018 financial year. Severe weather/climate change risks further feature in two out of four of Sanlam Group's strategic pillars: 'Enhancing resilience and earnings growth through diversification' and 'Responsible capital allocation and management'.

#### 🔍 **Asset Manager**

Engagement and oversight of climate change matters at Sanlam Investments occurs at the Sanlam Group board level, as discussed above.

#### 🔍 **Insurance Companies**

Engagement and oversight of climate change matters at Sanlam Personal Finance, Sanlam Pan Africa and Santam occur at the Sanlam Group board level, as discussed above.

Santam Group's board views governance as being key to the long-term success of Santam and is ultimately responsible for ensuring that corporate governance standards are set and implemented throughout the group. The board reviewed the Santam group Climate Change Position Statement in 2018, the update of which is expected in 2019. In addition, the board regularly reviews the Santam group's governance structures and processes to reflect best practice and to facilitate effective leadership, corporate citizenship and sustainability, thereby supporting the group's business strategy.

Additionally, Santam's own group Social, Ethics and Sustainability Committee (a Santam Board committee) is responsible for climate change matters, which is aligned with the Cluster's Santam public Climate Change Position Statement.

#### 🔍 **Facilities Manager**

Engagement and oversight of climate matters occurs only at the Sanlam Group board level, discussed above.



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

### Response<sup>4</sup>

#### 🕒 Asset Owner

The Sanlam Group board monitors and oversees progress against goals and targets for addressing climate-related issues by integrating these issues into formal governance mechanisms.

For example, Sanlam Group sets performance objectives related to climate change goals, which are subsequently monitored to measure progress: The Chief Executive 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. In addition, all employees are incentivised to reduce business kilometres travelled by 10% per full-time employee by 2020 from a 2014 base year.

Sanlam Group has different governance mechanisms which are used to assist the board monitor and oversee progress against goals and targets for addressing climate-related issues. These include the mandates of different committees and monitoring approaches.

All Sanlam's sustainability issues, including climate-related issues, are channelled into and monitored through Sanlam's Group wide Enterprise Risk Management process. The Group Actuarial Risk Management Committee is responsible for coordinating the input of climate related risks into the enterprise risk process.

Sanlam's Group Sustainability Committee also uses a Sustainability Management Framework, which 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.

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 Group Sustainability Committee's aim is to ensure that the non-financial value of the business is entrenched and understood internally and communicated externally. Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

#### 🕒 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

<sup>4</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report and the Santam 2018 and 2019 ClimateWise Reports.



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

With regards to Santam, the Santam group board and Social, Ethics and Sustainability Committee are supported in climate change matters by the Santam group Investment and the Risk Committees. The Investment Committee evaluates the Santam group's investment portfolio, the performance of investment managers and alignment with responsible investment principles incorporated in the Santam Group Investment Policy. The Risk Committee of the board also assists the board in fulfilling its governance duties from a risk and control perspective including compliance and risk management responsibilities. The committee is responsible for identifying, evaluating and effectively managing all significant risks, including enterprise risk which includes climate risk. The committee ensures that Enterprise Risk Management conducts an analysis of the group's top inherent risks, which include climate-related extreme weather events.

#### 🕒 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 Group Sustainability Committee which includes an Energy Forum, which 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.

### Level 3 - Evidence for incorporation of climate change into business strategy and planning, at a board and / or board committee level.

#### Response<sup>5</sup>

#### 🕒 Asset Owner

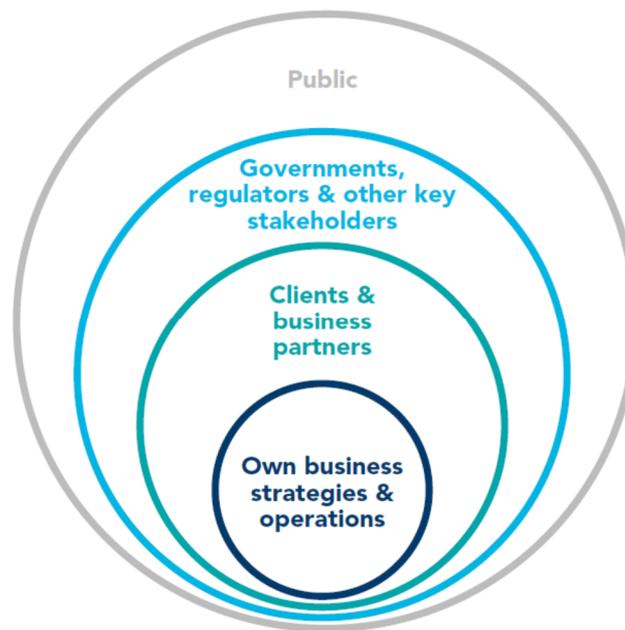
Sanlam's Group Board and board committees endorse the implementation of the group's sustainable development strategy (as per the Sustainability Management Framework). The board and board committees recognise that the sustainable development strategy supports the overall business strategy by:

- 🕒 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.

<sup>5</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Sanlam 2018 Integrated Report and the Santam 2018 and 2019 ClimateWise Reports.



Sanlam's four sustainable principles are shown below:



- **Principle 1:**  
We will **embed in our decision-making** environmental, social and governance issues relevant to our insurance business.
- **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.
- **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.
- **Principle 4:**  
We will **demonstrate accountability and transparency** in regularly disclosing publicly our progress in implementing the Principles.

**Figure 2: Sanlam's four sustainability principles (Source: Scor Focus #25, February 2019)**

Examples of how Sanlam Group incorporates climate-related issues into the business strategy include the implementation of Sanlam Group's:

- ⊙ 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 environment, sustainability and governance (ESG) principles since 2013
- ⊙ Responsible lending policy for hedge funds.

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

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.



### 🔗 Asset Manager

Examples of how Sanlam Investments incorporates climate-related issues into the business strategy include the implementation of:

- 🔗 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<sup>6</sup> 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.

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

### 🔗 Insurance Companies

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

With regards to Santam, the Santam board is responsible for incorporating climate change into the cluster's business strategy and planning. An example of this practice is the development of the Santam Resilient Investment Fund, in partnership with Sanlam Investments, which targets investments in companies that address environmental, social or governance needs, specifically those that reduce long term systemic risks to Santam's business. For example, the fund has contributed to reducing South Africa's dependency on coal power through renewable energy investments. Santam has invested R70m in the Santam Resilient Investment Fund since February 2013.

Furthermore, Santam Group is currently undergoing a strategy review process called Future Fit 2025. The strategy review process aims to ensure that Santam Group responds to strategic issues and material drivers of change, which include climate change and related risks. Santam intends to integrate these issues and risks going forward, which will be reported upon as per the recommendations of the TCFD.

### 🔗 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.

<sup>6</sup> Sanlam Investments manages investment on behalf of the Sanlam Group clusters.



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.**

### Response<sup>7</sup>

#### 🕒 Asset Owner

Sanlam Group's senior managers responsible for climate change matters include the:

- 🕒 Group Chief Risks Officer: responsible for risk management, including identifying, evaluating, reporting and overseeing the external and internal group risks
- 🕒 Group Chief Sustainability Officer: responsible for communicating and overseeing the group's Sustainability Management Framework.
- 🕒 Group Environment/ Sustainability manager: responsible for implementing the sustainability strategy and management framework.
- 🕒 Facility manager: monitors climate change risks and opportunities associated with physical assets (facilities).

Sanlam Group has a comprehensive Enterprise Risk Management framework in place, with appropriate risk escalation processes from a business unit to Group level.

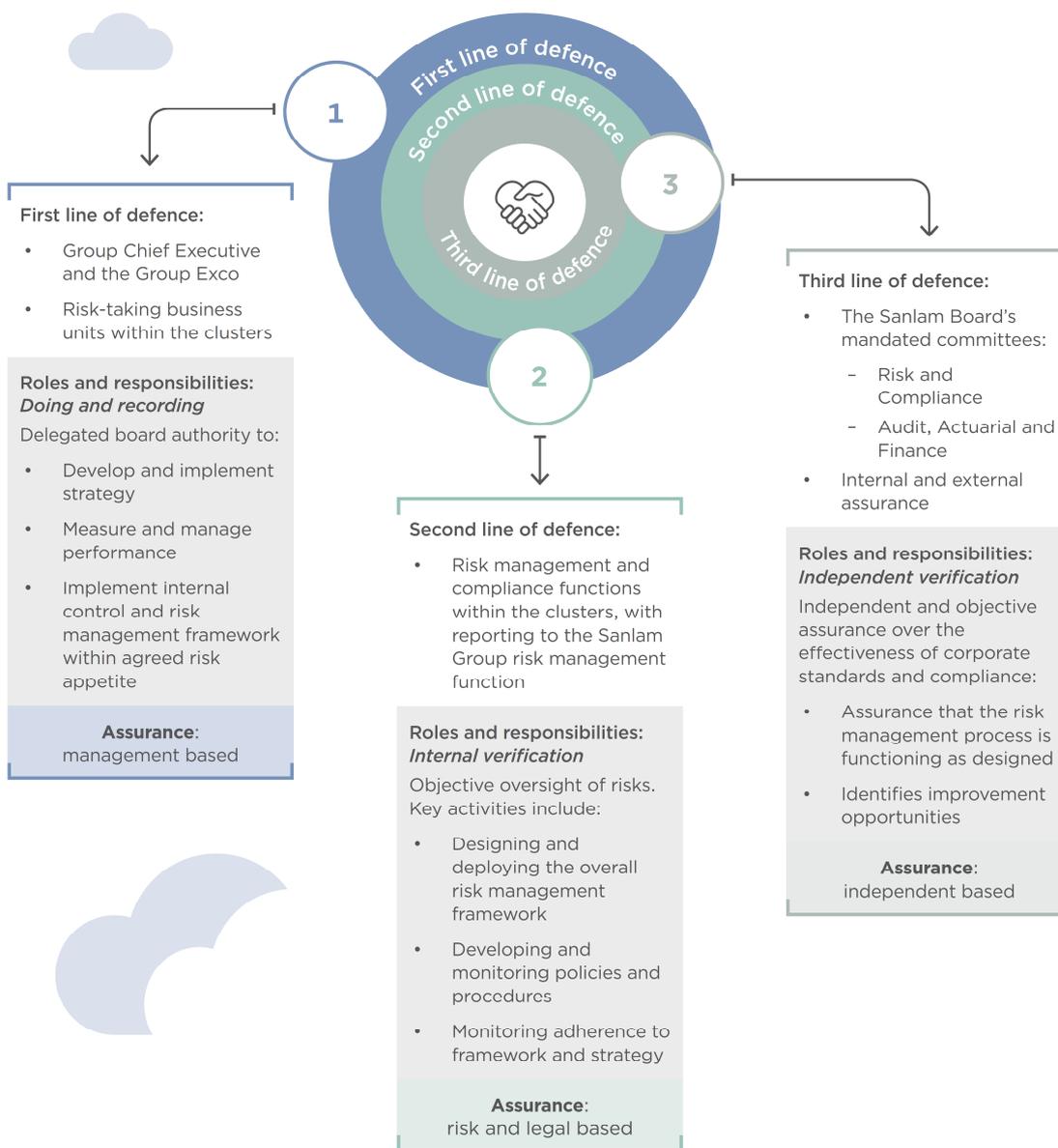
Below the Sanlam Group Board, each cluster/business unit is managed by a chief executive, supported by an executive committee with support committees or functions that are appropriate to their particular operational needs.

Senior managers responsible for climate change matters provide inputs into and participate in committees which report to Sanlam Group board, illustrated in Figure 3 below.

<sup>7</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report; the Sanlam 2017 Resilience Report and the Santam 2018 and 2019 ClimateWise Reports.



The Sanlam Board determines the risk strategy, risk appetite and policy



**Figure 3: Sanlam's enterprise risk assessment structure (Source: Sanlam Group's 2018 Integrated Annual Report)**

These individuals and committees are also responsible for assessing and managing climate-related risks and opportunities. They are required to report to the Sanlam Group board on climate-related issues on a quarterly basis.

The following Table 2 depicts the high-level flow of risk management information (including climate change risks) from the individual business units to the Sanlam Group board.



**Table 2: Flows of Climate Change Information to Sanlam Group Board (Source: Sanlam’s 2017 Resilience Report)**

Info flow	Company level and climate change risk-related responsibilities
	Sanlam Board: Responsible for the Group’s risk management framework and policy, as well as monitoring performance and disclosure.
	Sanlam Risk and Compliance committee: Assists the Sanlam Board in fulfilling its responsibilities.
	Sanlam Group Executive committee: Responsible for ensuring that the businesses achieve optimal risk-adjusted returns.
	Group risk management: Develops Group Risk management framework, policy and guidelines for approval by the group Board and coordinates reporting responsibilities.
	Business level risk and/or audit committee/forum: Assists the business level board in fulfilling responsibilities to the Sanlam Board
	Business level management committees: Additional committees that assist business executive committees in certain areas of risk management.
	Business level (and sub-business) risk management: Identifies and manages risks faced by the businesses.

 **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. See Table 2 above for further details.

 **Insurance Companies**

Engagement and oversight of climate change matters at Sanlam Personal Finance, Sanlam Pan Africa and Santam occur at the Sanlam Group management/committee level, as discussed above (Table 2), and at the respective cluster management levels responsible for climate change (e.g. clusters’ risk/audit and management committees).

With regards to Santam, the Santam group Strategy Unit reports to, and is located in, the Group Chief Executive Office. This unit is responsible for the overall environmental scanning and strategic monitoring and tracking of the Group’s performance, including strategically relevant environmental, social and governance performance dimensions, including climate related issues.

The Santam group’s Executive Committee includes the Chief Underwriting Officer, who is responsible for the underwriting function, products solution, actuarial services, developing and implementing reinsurance



strategy. The Chief Underwriting Officer recognises that climate change is leading to diverse, interconnected and complex risks, but also presents new opportunities for collaborative action to mitigate risk and improve physical and financial resilience.

Further, the responsibility for assessing and managing climate-related issues also lie with Santam's group Chief Financial Officer (responsible for adhering to the Santam principles for sustainable investment) and the Chief Risk Officer (responsible for overall enterprise risk management, including risk identification and mitigation). The Enterprise Risk and Compliance Management reports to the Chief Risk Officer, and assists in identifying, evaluating and effectively managing all significant risks. These risks are identified in Santam's strategic risks which include climate risk, catastrophe events and other material risk events.

#### 🕒 Facilities Manager

Monitors climate change risks and opportunities associated with the group's physical assets (facilities). Continual monitoring is undertaken of essential consumption patterns (energy, water, waste and recycling) and controlled through an internal IT system. The facilities manager reports climate change risks/opportunities to the Group Sustainability Management Office and the Group Environmental Sustainability Committee.

### Level 2 – Evidence of the processes by which management is informed about climate-related issues.

#### Response<sup>8</sup>

#### 🕒 Asset Owner

Sanlam's group wide Enterprise Risk Management process includes the identification and management of climate change risks at different organisational levels<sup>9</sup> :

- 🕒 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.

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

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).

<sup>8</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report; the Sanlam 2017 Resilience Report; the Santam 2018 and 2019 ClimateWise Reports and the Santam Group's 2018 Integrated Report.

<sup>9</sup> Source: Sanlam 2017 Resilience Report



### 🕒 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 Personal Finance, Sanlam Pan Africa and Santam are informed about climate-related issues through the group-wide Enterprise Risk Management process and reports to the group level committees, as discussed above.

With regards to Santam, the Group conducted a strategy review process in 2018. This process included a robust review of the external environmental landscape. Climate risk was identified as one of the ten material matters for the Santam group and subsequently approved by the board. These are published in Santam Group's 2018 Integrated Report.

### 🕒 Facilities Manager

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 also participates in the Group Environmental Sustainability Committee.

## Level 3 – Evidence of how management (through specific positions and/or management committees) monitors climate-related issues.

### Response<sup>10</sup>

#### 🕒 Asset Owner

Sanlam's Group Chief Risks Officer; Group Chief Sustainability Officer; Group Environment/ Sustainability Manager and the Group Facility Manager monitor climate-related issues through the Enterprise Risk Management process (discussed above in Level 2 of

Sub-principle 1.2) and via the Group Sustainability Management Office, which is tasked with addressing the compliance risks related to the governance for sustainability. The frequency of monitoring occurs on a six-monthly basis or more frequently.

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 change

<sup>10</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report; the Sanlam 2017 Resilience Report and the Santam 2018 and 2019 ClimateWise Reports.



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:

#### 🕒 **Group Sustainability Committee**

The Committee uses a Sustainability Management Framework, which supports the business strategy, to identify and manage 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 Personal Finance, Sanlam Pan Africa and Santam monitor climate change matters through work undertaken in the Sanlam Group-level committees listed above.

In addition, Santam's management monitors climate change matters through the participation in the group the Strategy Unit and in various committees, including the Social, Ethics and Sustainability Committee; the Investment Committee and the Risk Committees (discussed above in the Level 2 response to Sub-principle 1.1).

#### 🕒 **Facilities Manager**

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 also participates in the Group Environmental Sustainability Committee.



## Demonstrating planned activities

Sanlam Group is currently investigating areas for improvement related to the allocation of responsibilities for, and monitoring of, climate-related matters at both a corporate group level and at the respective cluster levels. Sanlam Group is also considering formalising and publishing a group climate change position statement.

Santam is planning on finalising the integration of the material matters identified in the Future Fit 2025 process at group, business and functional unit levels, in 2019. The integration will include the setting of financial and non-financial targets and metrics for the new planning period.

## 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.

The timeframes related to climate change risks and opportunities are defined as follows:

- ⌚ Short-term climate change risks and opportunities are considered to have a timeframe of 1-2 years. These timeframes are aligned with business plans, which focus on short term changes and actions. This term also aligns with annual reduction targets and capex budgeting to implement projects.
- ⌚ Medium-term climate change risks and opportunities are considered to have a timeframe of 2-5 years. This 5-year horizon is used in forward looking business plans which include a longer-term view of operations, reduction targets and project identification, design and approval of capital for implementation.
- ⌚ Long-term and opportunities climate change risks are considered to have a timeframe of 5-10 years. This term aligns with a more strategic view of climate-related risks and opportunities.



**Level 1 - Describe priority climate-related risks and opportunities across the business (considering relevance to the nature of the business) over the short, medium, and long term.**

## Response<sup>11</sup>

### 🕒 Asset Owner

#### Sanlam Group's priority climate change risks

Sanlam Group is undertaking a series of initiatives, such as the development of a group climate position statement and activities required to complete this report, to assess and articulate climate-related risks to Sanlam's owned assets (such as investments in stocks, bonds, shares).

#### Sanlam Group's priority climate change opportunities

Long-term opportunities:

1. 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. Sanlam Group therefore has the opportunity to invest in long-term sustainable businesses, for example through the Climate Investor One Development Fund and Construction Equity Fund which respectively enable the financing of renewable energy projects and public infrastructure projects in the green economy. For example, Sanlam deployed R4 billion in capital in 2018 to support expanded transformational infrastructure in South Africa. This includes targeted investments in affordable housing and agricultural development, which are measures that may assist communities and local government adapt to climate change impacts. Given the significant infrastructure investment needs across emerging economies, public infrastructure 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 is participating 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).

#### Sanlam Investments' priority climate change opportunities

Medium to long-term opportunities:

1. 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 and the South African Phoenix InfraWorks, in the Climate Fund Manager (a global clean energy asset manager), manage a €160 million fund. The investment is spread across the Climate Investor One

<sup>11</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report; internal knowledge within Sanlam and the Santam 2018 and 2019 ClimateWise Reports.



Development Fund and Construction Equity Fund vehicles, to enable the financing of renewable energy projects.

## 🕒 Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa will be considering climate-related risks and opportunities on their respective customer bases going forward.

### **Santam's (non-life insurance) priority climate change risks**

As part of the annual strategy review for 2016, Santam's executive team initiated a cross-group Insurance 2025 Future-sketch Scenario Process which considered the impacts of megatrends (including climate change) in shaping financial services, including insurance, for defined contexts.

The outcome was an acknowledgement that environmental, social and governance risks are increasing and will show an accelerated impact on the risk universe. Global climate risks and related water and food shortages were listed as key drivers. The potential knock-on effects identified include impacts on infrastructure and business, potentially in the long-term, leading to dysfunctional and overwhelmed urban governments. Santam recognises that climate risks present a 'risk protection gap', where insurance products and the nature of underwritten risks will need to change to adapt to this context, with a direct effect on underwriting philosophy, approach and processes.

Long-term climate change risks:

1. Clients are at risk of physical climate change impacts: severe weather events may result in physical impacts which may be material for Santam's clients in the agricultural sector. Water scarcity is recognised as top risks and is being actively monitored to determine mitigating actions and potential interaction with other perils due to the potential wider impacts. Physical climate impacts may also reduce customer income levels and resulting ability to make monthly premium payments and repayments of loans. Additionally, clients could be at risk of physical climate change impacts (for example damage to assets or infrastructure) as well as operational cost increases related to the supply of goods (such as electricity and fossil fuels) which are subject to the South African carbon tax. The impacts of these climate change risks could be a reduction in disposable income and the ability of clients to repay premiums. The impacts of these climate change risks could result in 'uninsurability' or reduce disposable incomes and the ability of clients to repay premiums.

### **Santam's (non-life insurance) priority climate change opportunities**

Short to medium-term climate change opportunities:

1. Development of climate adaptation and insurance risk solutions: environmental issues such as climate change represent specific market opportunities for the insurance sector because it can service needs that arise due to climate change. For example, Santam is the main driver behind the Resilient Investment Fund, which now also attracts other third-party funds. To date R86 million has been allocated to the fund since 2013, which invests in companies that have a direct positive impact on environmental, social and governance risks. Done well, improving customers' resilience to climate change can be a substantial win-win situation that reduces the likelihood of incidents such as flood or fire reaching catastrophic proportions, thereby leading to fewer losses and, ultimately, fewer claims. More stable climate resilient local communities could also translate into potential growth in demand for insurance and other risk management products, and help to deliver better-quality, long-term investment opportunities.



## Facilities Manager

### Priority climate change risks to facilities

Short and medium-term climate change risks:

1. Chronic changes in weather patterns: 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, compounded by increased variability in rainfall patterns. In particular, the Western Cape is particularly affected. Without drastic measures to further drive down consumption, Cape Town is set to experience critical water shortages and the possibility of taps being turned off – a scenario known as ‘Day Zero’<sup>12</sup>. This will have a devastating impact on Sanlam Group’s business should facilities be forced to shut down due to lack of water supplies.

### Priority climate change opportunities for facilities

While there are opportunities to continue implementing resources 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.

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

### Response<sup>13</sup>

#### Asset Owner

Sanlam Group will be considering climate change risks on its owned assets going forward. Impacts of the climate change opportunities on Sanlam Group’s business operations include:

Opportunity	Evidence of impact on:	
	Business strategy	Financial planning
<b>Development and/or expansion of low emission goods and services. The potential financial impact is estimated to be about R15.5 billion, which is the value invested in environmental sustainability projects.</b>	Continuation and/or development of environmental/climate change investment funds, such as the, Sanlam Capital Markets renewable energy fund; the Climate Investor One fund and the Construction Equity Fund.	Located within Sanlam Investments (detailed below).

<sup>12</sup> <https://theconversation.com/day-zero-is-meant-to-cut-cape-towns-water-use-what-is-it-and-is-it-working-92055>

<sup>13</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report; internal knowledge within Sanlam and the Santam 2018 Integrated Report.



<b>Level of impact:</b>	High
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### 🔗 Asset Manager

Sanlam Investments will be considering climate change risks on its owned assets going forward. Impacts of the climate change opportunities on Sanlam Investments' operations include:

Opportunity	Evidence of impact on:	
	Business strategy	Financial planning
<b>Development and/or expansion of low emission goods and services. The potential financial impact is estimated to be about R15.5 billion, which is the value invested in environmental sustainability projects.</b>	Continuation and/or development of environmental/climate change investment funds, such as the, Sanlam Capital Markets renewable energy fund; the Climate Investor One fund and the Construction Equity Fund.	R7,9 billion invested in renewable energy and climate-related funds.
<b>Level of impact:</b>	High	

### 🔗 Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa will be considering climate change risks on their client bases going forward, as well as potential business opportunities.

#### Santam:

**Impacts of the climate change risks and opportunities on Santam's operations include:**

Climate change risk	Evidence of impact on:	
	Business strategy	Financial planning
<b>Severe weather events: physical climate change impacts may result in 'uninsurability' or reduce disposable incomes and the ability of clients to repay premiums.</b>	Santam recognises that extreme weather events are increasing in intensity and frequency. Unexpected adverse financial events are often not provided for by consumers; which forces a reliance on credit to survive or meet monthly financial commitments should such an event occur. Santam's role as a	Santam contributed to the resilience of clients by settling claims worth R19 billion. For the Knysna fires Santam processed client claims totalling R823 million.



	<p>short-term (non-life) insurer is to pool risk and ensure consumers and businesses are left in the same financial position they were in before the incident that resulted in an insurance claim occurred. Unnecessary debt can be avoided through adequate insurance, thereby freeing up income that can go towards savings and investments, which in turn contributes to sustainable economic growth and a healthier society.</p> <p>Santam has been a member of ClimateWise since 2009 and a founding member of the UN Environment's Principles for Sustainable Insurance since 2012.</p>	
<p><b>Level of impact:</b></p>		<p>Medium</p>

<p><b>Opportunity</b></p>	<p><b>Evidence of impact on:</b></p>	
	<p><b>Business strategy</b></p>	<p><b>Financial planning</b></p>
<p><b>Development of climate adaptation and insurance risk solutions by improving customer resilience to climate change impacts. The potential financial impact of this opportunity is R35 million, which is the amount by which Santam's profits could increase through early fire detection and prevention.</b></p>	<p>Santam is increasing its product offering which will positively impact revenues. For example, the Partnerships for Risk and Resilience Programme initiative helps municipalities develop disaster resilience through a range of pragmatic preventive measures. Done well, this can be a substantial win-win situation that reduces the likelihood of flood or fire reaching catastrophic proportions, thereby leading to fewer losses and, ultimately, fewer claims. Partnerships for Risk and Resilience Programme identifies and reduces systemic climate change risk at municipal level through on-the-ground initiatives to protect the lives of vulnerable communities and people living in disaster-prone,</p>	<p>In an effort to aid in the abilities of municipalities to adapt to climate change and become more resilient Santam has invested approximately R6 million, to install more than 6,400 smoke alarms and provide disaster risk management training. Santam helped the original 24 municipalities respond more appropriately and timeously to the risk of fire and flood. The programme has been expanded to assist 53 local municipalities in disaster-prone, high-risk areas over the next five years. This will positively impact the lives of five million people between now and 2020.</p> <p>Santam invested R11.5 million in CSI projects in 2018, with the</p>



	<p>high-risk areas. In addition, Santam is supporting local authorities to respond to climate change as required by the Department of Environmental Affairs' draft Climate Adaptation Strategy. Santam is supporting the launch of the Green Book, an online tool that shows how various factors such as population growth, temperature, water availability and other factors will likely change over time, and how this affects the risk profile of various regions in a municipality.</p>	<p>majority allocated to environmental and development programmes.</p>
<b>Level of impact:</b>		Medium-low

**Level 3 - Evidence that members are developing a business strategy on implications of climate-related issues, considering longer time-frames.**

**Response<sup>14</sup>**

**Asset Owner**

The continuation and/or development of environmental/climate change investment funds, such as the, Sanlam Capital Markets renewable energy fund; the Climate Investor One fund and the Construction Equity Fund demonstrates that Sanlam Group is developing its business strategy on the basis of climate-related issues. These funds provide long-term finances for environmental and sustainable development projects.

Sanlam Group will also be considering further climate change risks and opportunities on its owned assets going forward. As an example, Sanlam will be participating in the Embedding Project in 2019, the outcome of which will provide the group with the opportunity to identify gaps in its sustainability processes and the integration of sustainability into its long-term business strategy.

**Asset Manager**

Sanlam Investments' business strategy is developed and driven at the Sanlam Group level.

**Insurance Companies**

Sanlam Personal Finance and Sanlam Pan Africa will be considering the impacts of climate change risks and opportunities on the long-term business strategy going forward.

<sup>14</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report and internal knowledge within Sanlam.



Santam's long-term business strategy has been shaped by climate change aspects because Santam's non-life insurance client-base is exposed to climate change risk. Fundamental drivers include population growth, urbanisation, energy, water and food shortages, and failed or failing levels of governance. Insurance products and the nature of underwritten risks will need to change to adapt to this context, with a direct effect on underwriting philosophy, approach and processes. Santam has partnered with the Embedding Project, which explored how Santam is integrating environmental and social factors into its business. This assessment was part of a PhD study and further informed the Embedding Project CEO decision-making guide, providing Santam with an opportunity to identify gaps in its sustainability processes.

Further examples of how Santam is developing its long-term business strategy on the basis of climate-related issues include Santam's Partnerships for Risk and Resilience Programme. Through this programme and others, such as the Green Book (discussed above), Santam and its BEE Trust are supporting local authorities respond to climate change as required by the Department of Environmental Affairs draft Climate Adaptation Strategy. The strategy behind the programme is the recognition that as extreme weather events become more common, insurance-related costs will rise. This compels insurers to consider how they cover such risks, and how they price the coverage. Santam's business strategy therefore strives to improve models and data to meet different client needs, while ensuring long-term sustainability of the business.

#### Facilities Manager

Sanlam Group has identified severe weather/climate change as one of the top-10 material group risks in the 2018 financial year. 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.

The Environmental Pillar of the framework considers how Sanlam Group's direct environmental footprint contributes to climate change. Within the Responsibility to Society and Products and Services pillar, elements of the indirect environmental impacts are addressed.

Sanlam has implemented a Space Acquisition Strategy – the principle is to investigate the possibilities of consolidating office space from inefficient buildings into green buildings. This strategy demonstrates how Sanlam is incorporating climate aspects into long-term business planning. While the financial impacts of consolidating office spaces into green buildings is considered to be medium-low, Sanlam recognises that a successful climate response requires different actions and is committed to taking such actions.

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

### **Response<sup>15</sup>**

<sup>15</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report and internal knowledge within Sanlam.



## 🕒 Asset Owner

Since 2007 Sanlam Group has collaborated with WWF-SA to create awareness of water-related issues and catalysing concerted action from all sectors around the responsible management of marine and freshwater resources.

The Water Balance Programme in particular aims to rehabilitate critical water catchment areas to improve the healthy functioning of rivers and ecosystems across the country. 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

## 🕒 Asset Manager

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

## 🕒 Insurance Companies

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

With regards to Santam, the group has a long-standing association with the South African farming community and is listed along government and non-profit organisations as a resource to farmers in terms of weather and climate advice. Santam's dedicated agricultural meteorologist forecasts eminent weather seasonally to aid farmers and also provides training and advice to farmers on how to manage the pending weather.

Santam also sits on the Board of both the UN Environment's Principles for Sustainable Insurance Initiative and ClimateWise. All relevant and pertinent information gathered from these committees is shared with South African Insurance Association, either through the various committees or via the leadership. Santam also collaborates with universities and public research institutions. Through research studies, Santam has links with the National Disaster Management Centre and the Municipal Infrastructure Support Agency.

In addition, in Santam hosted a South African Risk Protection Gap Laboratory. The event brought together leading thinkers from the insurance sector, the regulatory space, the science community, as well as from disaster risk management and local government. The Laboratory's main objective was to understand the South African risk protection gap, with a focus on climate-drivers, and to explore how the gap can be narrowed. The CSIR introduced the Green Book at the Risk Protection Gap Laboratory, and it was considered as one of the initiatives that can support the closing of the Risk Protection Gap.



### Facilities Manager

The initiatives for encouraging better 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 metrics used to measure and manage climate-related risks and opportunities

#### Response<sup>16</sup>

#### Asset Owner

Sanlam Group is planning to undertake further assessments of the group's climate-related risks and opportunities across its different assets. Sanlam Group is considering the use of scenario analyses to support the assessments and future planning processes.

Sanlam Group currently uses the following metrics to measure and manage climate-related opportunities:

Climate change opportunity	Metric
<b>Development and/or expansion of low emission goods and services.</b>	Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)
<b>Cost to realise this opportunity:</b>	<i>The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.</i>

#### Asset Manager

Sanlam Investment will be considering climate change risks on its managed assets going forward. Sanlam Investments has however considered climate change opportunities.

Climate change opportunity	Metric
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<sup>16</sup> Sources of information for this response include the Sanlam 2018 CDP Submission; the Sanlam 2018 Integrated Report and the Santam 2019 ClimateWise Report.



<b>Development and/or expansion of low emission goods and services.</b>	Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)
<b>Cost to realise this opportunity:</b>	<i>R7,9 billion invested in renewable energy and climate-related funds. For example, Sanlam Investments, has committed in excess of R2,5 billion to South Africa's renewable energy programme. These investments include the Soul City Sishen and ACWA Bokpoort projects for R83 million and R500 million respectively.</i>

### 🔗 Insurance Companies

Sanlam Personal Finance, Sanlam Pan Africa and Santam will be considering climate change risks and opportunities on their customer bases going forward. The insurers are further considering the use of scenario analyses to support the assessments and future planning processes.

Santam has undertaken climate-related analyses in the recent past and uses the following metrics to measure and manage climate-related risks and opportunities across its customer base:

Climate change risk	Metric
<b>Severe weather events: physical climate change impacts may result in 'uninsurability' or reduce disposable incomes and the ability of clients to repay premiums.</b>	Write-offs and early retirement of existing assets (e.g. damage to property and assets in "high-risk" locations).
<b>Cost to manage this risk:</b>	<i>Santam group's Specialist Business portfolio includes an Agri unit, which covers 51% of the crop insurance market in South Africa. This leadership position is due to a long-term commitment to the market for example the investments in an experimental farm and the employments of a full-time agricultural meteorologist. The Santam meteorologist forecasts seasonal climate variability to identify extreme weather events that may impact crops to aid for farmers. In addition, training and advice is provided to farmers on adaptive farming methods given the anticipated climate conditions. The costs of managing this risk are largely borne in-house. The costs are being quantified and will be reported upon once finalised.</i>



Climate change opportunity	Metric
<b>Development of climate adaptation and insurance risk solutions by improving customer resilience to climate change impacts.</b>	Increased revenue through new solutions to adaptation needs.
<b>Cost to realise this opportunity:</b>	<i>Santam is considering developing water-efficient practices and providing parametric insurance solutions. The costs of managing this risk are largely borne in-house, in the Specialist Business portfolio as discussed above. The costs are being quantified and will be reported upon once finalised.</i>

🕒 **Facilities Manager**

Climate change risk	Metric
<b>Chronic changes in weather patterns: water scarcity may lead to temporary closure of offices.</b>	Reduced revenue from decreased production capacity.
<b>Cost to manage this risk:</b>	The cost of managing this risk is currently R3 million, which is the cost of capital investments in water saving initiatives.

**Level 2 - Evidence of a narrative relating to the performance made over the past year. Metrics should be provided for historical periods to allow for trend analysis.**

**Response<sup>17</sup>**

🕒 **Asset Owner**

Sanlam Group will be considering climate change risks on its owned assets going forward. Sanlam Group uses the following metrics to track performance in managing climate change related opportunities:

Climate change opportunity	Performance over the last year

<sup>17</sup> Sources of information for this response include the Sanlam 2018 CDP Submission and the Sanlam 2018 Integrated Report.



<b>Development and/or expansion of low emission goods and services.</b>	The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.
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🕒 **Asset Manager**

Sanlam Investment will be considering climate change risks on its managed assets going forward. Sanlam Investments uses the following metrics to track performance in managing climate change opportunities:

Climate change opportunity	Performance over the last year
<b>Development and/or expansion of low emission goods and services.</b>	Sanlam Investments continues to invest in sustainable and socially responsible funds. In 2018 Sanlam Investments increased investments in renewable energy by nearly 40% (up from R5.7 billion in 2017 to R7.9 billion in 2018).

🕒 **Insurance Companies**

Sanlam Personal Finance and Sanlam Pan Africa will be considering climate change risks and opportunities on its customer base going forward.

Santam uses the following metrics to measure and manage climate-related risks and opportunities across its customer base:

Climate change risk	Performance over the last year
<b>Severe weather events: physical climate change impacts may result in 'uninsurability' or reduce disposable incomes and the ability of clients to repay premiums.</b>	Santam continues to invest in climate change initiatives that mobilise communities and catalyse actions. These initiatives are typically cross-cutting issues that may fall under different categories related to the business. As such, Santam is quantifying the climate related measures and will report on these once finalised.

Climate change opportunity	Metric
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<p><b>Development of climate adaptation and insurance risk solutions by improving customer resilience to climate change impacts.</b></p>	<p>Increased revenue through new solutions to adaptation needs. The costs of realising this opportunity are largely borne in-house. The costs are being quantified and will be reported upon once finalised.</p>
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**Level 3 - Evidence of targets set to manage climate-related risks and opportunities, and a description around performance against targets.**

**Response<sup>18</sup>**

**🔍 Asset Owner**

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.

Sanlam Group has various facility-level climate change targets, discussed below.

**🔍 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 has various facility-level, absolute environmental targets set for 2020, based on 2014 as the baseline year. Progress against these targets is discussed in Level 3 of Sub-principle 4.3.

Sanlam Group anticipates setting science-based targets to reduce scope 1 and/or scope 2 emissions in the next two years.

<sup>18</sup> Sources of information for this response include the Sanlam 2018 CDP Submission and the Sanlam 2018 Integrated Report.



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

**Response<sup>19</sup>**

**Asset Owner**

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.

**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 Sustainability Management Office and the Group Environmental Sustainability Committee which are responsible for the management of these targets.

**Level 5 - Describe how climate-related metrics are incorporated into remuneration policies.**

**Response<sup>20</sup>**

**Asset Owner**

Sanlam Group provides the following incentives for the management of climate-related issues:

Employee	Type of reward	Activity

<sup>19</sup> Sources of information for this response include the Sanlam 2018 CDP Submission and the Sanlam 2018 Integrated Report.

<sup>20</sup> Sources of information for this response include the Sanlam 2018 CDP Submission and the Sanlam 2018 Integrated Report.



<b>Chief Executive Office</b>	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.
<b>Environment/ Sustainability manager</b>	Monetary	
<b>All employees</b>	Monetary	Behavior change related indicator: responsible for reducing business kilometres travelled.

#### 🔍 **Asset Manager**

Climate-related incentives are determined at Sanlam Group level.

#### 🔍 **Insurance Companies**

Climate-related incentives are determined at Sanlam Group level.

#### 🔍 **Facilities Manager**

<b>Employee</b>	<b>Type of reward</b>	<b>Activity</b>
<b>Facilities Manager</b>	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.



## Sub-principle 2.3

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

### Levels 1-3

#### Response<sup>21</sup>

##### 🕒 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 them over the next year in adopting such climate-related scenario analyses for reporting in its annual integrated reporting procedures and other platforms

##### 🕒 Asset Manager

Sanlam Investments will consider adopting climate change scenario analyses in the near future.

##### 🕒 Insurance Companies

Sanlam Personal Finance, Sanlam Pan Africa and Santam will consider adopting climate change scenario analyses in the near future.

With regards to Santam, the group Strategy Unit, executives and managers are working with additional stakeholders, such as the South African Insurance Association and the Prudential Authority, to understand and appropriate response to climate risk. Santam's group Strategy Unit is evaluating the climate risk recommendations from the experts which will shape Santam's response as per the TCFD recommendations, including the development of and response to climate risk scenarios.

##### 🕒 Facilities Manager

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

## Demonstrating continuous improvement (planned activities)

Sanlam Group plans to:

- 🕒 Short-term Undertake further assessments of the group's climate-related risks and opportunities across its different assets. Sanlam Group is considering the use of scenario analyses to support the assessments and future planning processes. In addition, Sanlam will be participating in the Embedding Project in 2019,

<sup>21</sup> Sources of information for this response include the Sanlam 2018 CDP Submission and the Sanlam 2018 Integrated Report.



the outcome of which will provide the group with the opportunity to identify gaps in its sustainability processes and the integration of sustainability into its long-term business strategy.

- Investigate whether the borehole water can be used for an HVAC chilled water system. Numerous storage tanks and a filtration system will also be installed. The water from both the borehole as well as the chamber will be pumped via the filtration system into the storage tanks and in turn up to the make-up tanks on the roof of the Main and Admin buildings to feed the chillers.

Sanlam Investment plans to:

- Mobilise further commercial funds (with the Global Climate Fund support of the Climate Investor One fund) and build approximately 30 renewable energy projects over its lifetime, delivering an estimated 1 600 MW of additional capacity in 11 target countries.

### 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 practice and processes for identifying and assessing climate-related risks.**

#### Response<sup>22</sup>

##### Asset Owner

Sanlam Group (and its subsidiary Santam) are founding members and the only two South African insurers currently part of the UN Environment Programme Principles of Sustainable Insurance initiative.

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 therefore integrates climate change into multi-disciplinary, company-wide risk identification, assessment and management processes which are channelled into the group wide Enterprise Risk Management process.

Climate change risks and opportunities are prioritised through the group Enterprise Risk Management Forum and categorised into either General/Financial or Business specific risks. A sub-category of risks is

<sup>22</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017, 2018 and 2019 ClimateWise Reports; the Sanlam 2018 Integrated Report and the Sanlam Investment Manager 2017 Responsible Investment Report.



then identified, with feedback from key business owners, stakeholder, and regulation into primary risk categories: Strategic/Market/Operational/Reputational/Credit.

Sustainability risks are filtered into this process and prioritised based on materiality and impact to the business. Substantive financial or strategic impact is defined in Sanlam's risk appetite statement.

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 the 2018 financial year, severe weather/climate change was identified as one of the top-10 material risks to the group.

Engagement activities with investee companies are undertaken at the Sanlam Investments level (discussed below), with a view to encouraging better disclosure and practices related to climate-related risks to improve data availability and Sanlam Group's ability as the asset owner to assess climate-related risks.

### 🔍 Asset Manager

Sanlam Investments 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.

Sanlam Investments' Policy on Environmental Sustainability similarly requires that environmental, sustainability and governance factors be incorporated into the investment approval process. Sanlam Investments therefore assesses the risk of climate change, water shortages, land degradation, pollution and other environmental, social and governance issues as part of its decision-making process to better understand the potential for companies to deliver their cash flows into the future.

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;
- 🔍 Vote all proxies where clients have investments;
- 🔍 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;



- ④ Disclose Sanlam Investments' environmental sustainability efforts to clients;
- ④ Promote industry best practice, including management of conflicts of interests, should they occur.

### ④ Insurance Companies

Sanlam Personal Finance, Sanlam Pan Africa and Santam also incorporate environmental, sustainability and governance 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.

Santam has specific processes for identifying and assessing climate-related risks. In determining Santam's strategic risks, the group and business units each have detailed risk appetite policies with criteria that consider financial and non-financial risk. This indicates how much risk Santam is willing to take on in the pursuit of its strategic and operational objectives. It also quantifies the amount of capital Santam is willing to put at risk to create value. Climate risk, including catastrophe events and extreme weather, was identified as highly ranked strategic insurance risk in the 2018 financial year.

Santam group's Specialist Business portfolio covers large and complex risks in niche market segments, conducted through an underwriting management business model. Two of the underwriting managers, namely Mirabilis (specialist engineering underwriter) and Emerald (specialist corporate property underwriter) provide insurance cover for the renewable energy sector. Refer to the Santam 2019 ClimateWise Report for further details.

### ④ 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 - Describe current business practice and processes for managing climate-related risks.

### Response<sup>23</sup>

#### ④ Asset Owner

The Sanlam Board adopted the three lines of defence model for managing risks which defines the roles, responsibilities and accountabilities for managing, reporting and escalating risks and other matters throughout the Group. The model incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk. This approach ensures that risk

<sup>23</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017, 2018 and 2019 ClimateWise Reports and the Sanlam 2018 Integrated Report.



management is embedded in the culture and daily activities of business units and provides assurance to the Board and Executive committee that climate change risks are managed effectively.

#### 🔍 Asset Manager

Sanlam Investments utilises the principles entrenched in the Policy on Environmental Sustainability (described above) to manage material climate-related risks for the investments under its management.

#### 🔍 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's current business practices and processes for managing climate-related risks rest at Sanlam Group level.

Santam has specific processes for managing climate-related risks. Santam managed climate-change through actively participating in national and international climate risk initiatives, such as ClimateWise. Santam is also a founding signatory of the UNEP FI Principles for Sustainable Insurance and supports the Code for Responsible Investing in South Africa.

Santam was the first African insurer to mobilise the short-term (non-life) insurance industry in response to increasing climate and weather risk. Santam Group provides crop insurance to farmers which acts as a hedge against climate, environmental and other risks. Financial settlements for weather damage make it possible for growers to continue their livelihoods and help stabilise the region's food supply. To underwrite these agricultural policies, Santam uses its risk assessment expertise and decades of weather-related data to estimate the frequency of major weather events. Furthermore, Santam's Group Strategy Unit and Agri team have supported an online course with Yale University, the Natural Capital Course, for a number of years. The Santam crop insurance case study forms part of the course material and assignment work for a distance learning MBA. Crop insurance in a developing world context provides for an illustrative example of how climate change can affect businesses and stakeholders. Two Santam employees (the Head of the Group Strategy Unit and the Head of Agri Business Development) were guest lecturers on this course held in 2019. The case study is set to be updated over the 2019/2020 period.

In addition, as part of the global insurance industry, Santam is formalising the company's response to increasing climate risk and aligning its initiatives accordingly. Santam has signed memoranda of understanding with several municipalities and the South African Local Government Association and collaborates with universities and public research institutions. Through research studies, Santam has links with the National Disaster Management Centre and the Municipal Infrastructure Support Agency.

#### 🔍 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 installed a web-based energy management system to measure real-time consumption per building, in specific sections such as HVAC, data centres and lights.



### Level 3 - Describe how these current business practice and processes are integrated into the organization's overall risk management framework.

#### Response<sup>24</sup>

##### 🕒 Asset Owner

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, discussed above.

At a company level the identification of material economic, social and environmental risks and opportunities, inclusive of climate change, is undertaken as part of the annual Sustainability Management Framework review. The review prioritises the most material issues that require a strategic response from the Group in order to build sustainable value. This internal management tool is used to identify key material issues of the business according to GRI G4 reporting guideline and the results are reviewed regularly. The SES board reports have been aligned to the Sustainability Management Framework to ensure holistic oversight of the Groups material issues.

##### 🕒 Asset Manager

Sanlam Investments' Policy on Environmental Sustainability (described above) is used to manage material climate-related risks for the investments under its management.

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. These funds provide retail and institutional clients in South Africa (and the United Kingdom and elsewhere in Europe) access to a comprehensive range of specialised investment management and risk management expertise, with a focus on prioritising investments in businesses that meet the climate or environmental-related criteria in the Policy on Environmental Sustainability.

##### 🕒 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's current business practices and processes for managing climate-related risks rest at Sanlam Group level.

Santam integrates material matters into the strategy process. An example is the review and finetuning of Santam's Vision 2020 strategy and the forward-looking review process towards the 2025 planning horizon, which will conclude during 2019.

Santam's Partnership for Risk and Resilience Programme is an example of the integration of the Vision 2020 strategy into the organization's overall risk management framework. The Partnership for Risk and Resilience Programme brings together the company's proactive risk management and is fully aligned with the 'Manage the Risk Pool' leg of Santam's strategy. The programme aims to: (1) drive community risk awareness through partnerships to address the drivers of climate change risk and inculcate appropriate climate change risk response behaviour; (2) partner with appropriate entities to increase capacity for

<sup>24</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017 ClimateWise Report; the Santam 2018 Integrated Annual Report and the Sanlam 2018 Integrated Report.



disaster response and disaster relief in vulnerable communities; (3) assist with the improvement of technology to enable communities to use early warning systems to drive proactive climate change risk management behaviour; and (4) address the causes of fire risks in communities by providing safer alternatives, and where appropriate, assist neighbourhood watches with the necessary equipment to improve their service to communities.

A further example of the integration of the Vision 2020 strategy into the organization's overall risk management framework is Santam's scientific experimental farm that conducts accurate, in-depth hail damage simulation research on crops in order to ensure accurate damage assessments. Santam's research entails specific analyses of crop damage at different growth stages that are unique to South Africa's climate, soil and cultivars.

#### 🕒 Facilities Manager

The current business practice and processes for managing climate-related risks rest at 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 - Describe the member's role in developing insurance products to support innovation for climate mitigation and adaptation.**

### Response<sup>25</sup>

#### 🕒 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).

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.

The development of insurance products to support adaptation occurs at the Santam level (discussed below), where such measures will have the greatest impact.

<sup>25</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017, 2018 and 2019 ClimateWise Reports and the Sanlam 2018 Integrated Report.



### 🔍 Asset Manager

Sanlam Investments is responsible for managing Sanlam Group's investments. Sanlam Investments manages the Climate Investor One Development Fund and the Construction Equity Fund vehicles, which enable the financing of renewable energy and climate change adaptation projects.

### 🔍 Insurance Companies

Sanlam Personal Finance focusses on retail life and investment business in South Africa and therefore the development of insurance products to support innovation for climate mitigation and adaptation occurs therefore at the Santam level. Similarly, Sanlam Pan Africa's development of insurance products of this nature occur at the Sanlam Group level.

Santam's business focusses on the provision of short (non-life) insurance. The company therefore influences responsible systemic climate risk responses through the development of insurance products to support innovation for climate change mitigation and adaptation activities.

The Santam Group is a member of the Embedding Project community of practice. The intent of this research forum is to foster collaboration between research and practice and so co-create practical scientific knowledge for sustainable business. Santam also participated in the Eden study, which reported that management actions, in particular landscaping actions have a significant effect in ameliorating the impact of extreme weather aggravated by climate change. The study reported that an improvement in management decisions can have a significant climate adaptation effect, reduce climate risk exposure and increase resilience. The Eden study sparked the Business Adopt a Municipality initiative, launched with the Department of Cooperative Governance and Traditional Affairs, in partnership with the South African Local Government Association in 2012. Business Adopt a Municipality initiative laid the groundwork for the Partnerships for Risk and Resilience Programme and investments in the Resilient Investment Fund (discussed above in Sub-principle 2.1).

Details of the work funded and participated in by Santam are provided in Santam's 2019 ClimateWise Report.

### 🔍 Facilities Manager

Not applicable at this level.



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

### Response<sup>26</sup>

#### 🔍 Asset Owner

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. The Journey of Water Campaign 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.

#### 🔍 Asset Manager

To be considered at the Sanlam Group (asset owner) level during the course of future scenario analyses to support the assessments and future planning processes.

#### 🔍 Insurance Companies

Sanlam Personal Finance focusses on retail life and investment business in South Africa and therefore the improvement of data quality issues to inform the research and analytics of climate-related issues occurs at the Santam level. Similarly, Sanlam Pan Africa's development of insurance products of this nature occur at the Sanlam Group level.

Santam is committed to improving data quality issues to inform the research and analytics of climate-related issues because these have direct bearings on the company's business. For example, Santam conducts in-depth hail damage simulation research on South African specific crops in order to ensure accurate damage assessments.

Santam's investments in municipalities to better respond to the risk of fires and floods (through the Partnerships for Risk and Resilience Programme) have also supported research and analytics of climate-related issues. For example, close to 120 traditional leaders have been trained on disaster risk management, which has resulted in fewer informal settlements being built in flood-prone areas. In addition, over 250 high schools have participated in disaster risk reduction debating competitions that raised awareness among high school learners to be more responsible and prioritise proactive climate change risk management initiatives in their communities.

#### 🔍 Facilities Manager

Not applicable at this level.

<sup>26</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017 and the Sanlam 2018 Integrated Report.



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

#### Response<sup>27</sup>

##### 🕒 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.

For example, Sanlam Group's responsible investment initiatives seek to develop new sectors, such as renewable energy technologies, that may create more sustainable sources of jobs and economic growth in a carbon-constrained environment. These 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 Personal Finance's and Sanlam Pan Africa's businesses stands 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.

The development of new products to address climate change reflects one of the cornerstones of Santam's long-term strategy. It is vital for an industry whose core business is to manage risk.

##### 🕒 Facilities Manager

Not applicable at this level.

<sup>27</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017 and the Sanlam 2018 Integrated Report.



## **Demonstrating continuous improvement**

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.



## 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.

#### Response<sup>28</sup>

##### 🔍 Asset Owner

Sanlam Group's Environmental Policy requires that Sanlam extend its influence across its supply chain by encouraging its supplier network to adopt best environmental practice and to positively recognise those suppliers that do.

Sanlam Group therefore undertakes environmental analyses of suppliers according to the group's Procurement Policy. 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.

The Sanlam Group Sourcing Unit is responsible ensuring that goods and services sourced from suppliers comply with the environmental criteria contained in the group's Procurement Policy.

##### 🔍 Asset Manager

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

##### 🔍 Insurance Companies

Sanlam Personal Finance, Sanlam Pan Africa and Santam are required to meet the requirements of the group level Environmental and Procurement Policies.

With regards to Santam, the group's Quality Service and Compliance has a supplier selection criteria guidance. To ensure that suppliers meet the requirements of the selection criteria, high level Safety, Health and Environment criteria are incorporated into 'Site Evaluation' questionnaires and are either verified by means of a physical site evaluation or by means of electronic photographs).

<sup>28</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017; the Sanlam 2018 Integrated Report and the Sanlam Group Environmental Policy (2018).



### 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.

### Response<sup>29</sup>

#### Asset Owner/ Asset Manager/ Insurance Companies/ Facilities Manager

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 (and has set various resource reduction targets discussed in

Sub-principle 2.2 and Sub-principle 4.3).

Sanlam Group (asset owner) and Sanlam Investments (asset manager) also assess the environmental sustainability of their investments, through for example the Climate Investor One Development Fund and the Construction Equity Fund vehicles, which enable the financing of renewable energy projects.

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

### Response<sup>30</sup>

#### Asset Owner/ Asset Manager/ Facilities Manager

Chronic changes in weather patterns and the impact of water scarcity on Sanlam Group’s business have been articulated above in Sub-principle 2.1. Water scarcity will have a devastating impact on Sanlam Group’s business operations should facilities be forced to shut down due to lack of water supplies.

#### Insurance Companies

<sup>29</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017; the Sanlam 2018 Integrated Report and the Sanlam Group Environmental Policy (2018).

<sup>30</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017; the Sanlam 2018 Integrated Report and the Sanlam Group Environmental Policy (2018).



Santam regularly engages with clients along its value chain with regards to environmental and climate-related issues that can have material impacts on its client base to whom Santam provides non-life insurance.

Santam recognises that extreme weather events and natural disasters can cause more damage in emerging markets where city infrastructure is underdeveloped and in poor condition. Santam's focus is on reducing claims related to environmental or climate-related issues. Santam has therefore developed the Partnership for Risk and Resilience Programme (discussed under Sub-principle 3.1) which forms part of the insurance company's strategy to pool risk by engaging with its value chain on environmental and climate-related issues.

In addition, Santam has developed a scientific experimental farm that conducts accurate, in-depth hail damage simulation research on crops in order to ensure accurate damage assessments. This information is shared with Santam's value chain. Santam's research entails specific analyses of crop damage at different growth stages that are unique to South Africa's climate, soil and cultivars.



## 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<sup>31</sup>.

## Response<sup>32</sup>

### Facilities Manager

The 2018 carbon footprint (from 1 January 2018 to 31 December 2018) related to Sanlam's facilities is presented below:

	2018 tCO <sub>2</sub> e
<b>Scope 1 (direct emissions)</b>	163
<b>Scope 2 (energy indirect emissions)</b>	38,022
<b>Scope 3 (other indirect emissions)</b>	38,747
Purchased goods and services	640
Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,448
Upstream transportation and distribution	735
Waste generated in operations	860
Business travel	14,318
Employee commuting	16,200

<sup>31</sup> Santam's 2018 carbon footprint results are available in Annexure B of Santam's 2019 ClimateWise Report.

<sup>32</sup> Sources of information for this response include the Sanlam Group 2018 Carbon Footprint, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



Upstream leased assets	1,740
Downstream leased assets	807

**Level 2 - Disclose Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions with an absolute or intensity target against a baseline.**

**Response<sup>33</sup>**

**Facilities Manager**

Targets related to Sanlam’s facilities are presented below:

<b>Absolute targets</b>	<b>2018</b>	<b>Target year: 2020</b>
<b>Scope 1</b>	163	124
<b>Scope 2</b>	38,022	41,505
<b>Total carbon footprint per year (tCO<sub>2</sub>e)</b>	76,932	60,371
<b>Total carbon footprint (tCO<sub>2</sub>e /FTE)</b>	9.01	7.71
<b>tCO<sub>2</sub>e/m<sup>2</sup></b>	0.45	0.36

<sup>33</sup> Sources of information for this response include the Sanlam 2018 Carbon Footprint, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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

**Response<sup>34</sup>**

**Facilities Manager**

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

	tCO <sub>2</sub> e				
	2014*	2015	2016	2017	2018
<b>Scope 1</b>	115	135	522	260	163
<b>Scope 2</b>	39,584	36,999	44,761	42,122	38,022
<b>Scope 3</b>	13,311	16,850	26,681	23,925	38,747

\* *Baseline year.*

Sanlam Group's direct emissions arise from the combustion of fuels as well as fugitive emissions. The emissions levels in 2018 decreased compared to levels in 2017 due to a decrease in the consumption of fuels and fewer gas refills in air-conditioning and refrigerant equipment which reduced fugitive emissions.

In 2018, Sanlam achieved their 2020 target to reduce their scope 2 emissions to below 41,505 tCO<sub>2</sub>e. Sanlam has also reduced total electricity usage year on year and implemented various energy efficiency initiatives (such as the centralization of the uninterrupted power sources and installing free cooling in the data centre), accounting for the decrease in scope 2 emissions.

Previously, scope 2 emissions were the biggest contributor to Sanlam's carbon emissions. In 2018, scope 3 indirect emissions increased due largely to an increase in the reporting boundary. For example, third party electricity consumption was accounted for under scope 3 and travel claims were included in the report for the first time.

<sup>34</sup> Sources of information for this response include the Sanlam Group 2018 Carbon Footprint, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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

### Response<sup>35</sup>

#### 🕒 Facilities Manager

Sanlam Group's carbon footprint has been completed using 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 includes:

- 🕒 Sanlam: Head Office, Houghton; Sanlam Investment Management, Alice Lane; Glacier, Sanlynn.
- 🕒 Santam: Head Office, Auckland Park, Garsfontein, Alice Lane, Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. The emissions are reported as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). Unless otherwise stated, emission factors are sourced from the Guideline to Defra's GHG Conversion Factors for Company Reporting; Annexes Updated in July 2018.

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<sup>35</sup> Sources of information for this response include the Sanlam 2018 Carbon Footprint, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



## 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 data (not GHGs) used to measure and manage climate-related risks and opportunities within your operations.

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 manager<sup>36</sup>.

#### Response<sup>37</sup>

##### Facilities Manager

Sanlam's facilities measure the following environmental indicators.

Metric	2018	Unit of measurement
Electricity usage	240	kWh/m <sup>2</sup>
Municipal water usage	0.99	kl/m <sup>2</sup>
Paper consumption	41	kg/full time employee
Business travel	7,919	km and hotel nights / full time employee
Waste landfilled	10	kg/ full time employee
Waste recycled	68%	% kilograms

<sup>36</sup> Santam's 2018 environmental data results are available in Santam's 2019 ClimateWise Report.

<sup>37</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017 ClimateWise Report, Sanlam company website and the Sanlam 2018 Integrated Report.



**Level 2 - Evidence of a narrative relating to the environmental performance made over the past year. Environmental data should be provided for historical periods to allow for trend analysis.**

**Response<sup>38</sup>**

**Facilities Manager**

Sanlam's performance related to its monitored environmental metrics are presented below (2014 was set as the base year):

<b>Metric</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Unit of measurement</b>
<b>Electricity usage</b>	312	298	263	256	240	kWh/m <sup>2</sup>
<b>Municipal water usage</b>	0.63	0.53	0.60	0.57	0.99	kl/m <sup>2</sup>
<b>Paper consumption</b>	30.9	36.2	28.0	31.7	41	kg/full time employee
<b>Business travel – air</b>	4,665	5,188	7,560	6,378	7,919	km / full time employee
<b>Business travel – car rental</b>	163	193	169	200	177	km / full time employee
<b>Business travel – hotel</b>	3.20	3.98	3.50	3.60	4.49	hotel nights / full time employee
<b>Waste landfilled</b>	49	44	37	27	10	kg/ full time employee
<b>Waste recycled</b>	51	56	63	73	68	% kilograms

Progress of Sanlam's environmental goals is mixed. Further efforts will be required to meet Sanlam's electricity consumption and waste recycling targets. Of note is Sanlam's progress with regards to achieving zero-waste-to-landfill by 2020 at its head office.

Sanlam's ongoing initiatives to manage its environmental footprint include:

<sup>38</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website; the Sanlam 2018 Integrated Report; the Sanlam 2017 Resilience Report and the Sanlam 2018 Carbon Footprint Statement.



Metric	Ongoing initiatives
<b>Electricity usage</b>	<ul style="list-style-type: none"><li>⦿ Replacement of lights with LED lights</li><li>⦿ Replaced several water pumps with energy efficient pumps</li><li>⦿ Santam replaced all its lighting at Head Office and replaced major components of the air conditioning units</li><li>⦿ Santam kitchen changed from electricity to gas</li></ul>
<b>Municipal water usage</b>	<ul style="list-style-type: none"><li>⦿ Replace internal plants with water wise plants</li><li>⦿ Installed meters for high usage areas</li><li>⦿ Management of water leaks</li><li>⦿ Collection of left-over drinking water from training centres for internal plants</li><li>⦿ Water saving taps at head office and Houghton</li><li>⦿ Borehole water project at various offices with a yield of 20 000 litres of fresh water per hour</li><li>⦿ Use of treated effluent</li></ul>
<b>Business travel</b>	<ul style="list-style-type: none"><li>⦿ Enforcement of the updated travel policy, with more stringent lead times to booking business trips and promoting the efficient use of the trip by arranging multiple appointments at a time.</li></ul>
<b>Paper consumption</b>	<ul style="list-style-type: none"><li>⦿ Training and awareness activities among employees – particularly to create an understanding of the recycling economy and its financial and social benefits</li></ul>
<b>Waste landfilled</b>	<ul style="list-style-type: none"><li>⦿ Sourcing environmentally friendly paper – paper procured by Sanlam is Forest Stewardship Council certified</li></ul>
<b>Waste recycled</b>	



**Level 3 - Evidence of targets set to manage climate-related risks and opportunities (associated with operational impact), and a description around performance against targets.**

**Response<sup>39</sup>**

**Facilities Manager**

Sanlam's performance related to the facility-level environmental targets (against 2014 baseline levels) follow:

<b>Absolute targets</b>	<b>2020 target</b>	<b>Unit of measurement</b>	<b>Progress to date</b>
Electricity: 10% reduction	235	kWh/m <sup>2</sup>	Target exceeded
Municipal water: 10% reduction	0.57	kl/m <sup>2</sup>	Not yet reached
Paper: 10% reduction office paper consumption	27.8	kg/ full time employee	Not yet reached
Business travel: 10% reduction in air	4,199	km/ full time employee	Not yet reached
Business travel: 10% reduction in road travel	147	km/ full time employee	Not yet reached
Business travel: 10% reduction in hotel nights	2.88	hotel nights / full time employee	Not yet reached
Recycled waste: 50% of total waste output	50	% kilograms	Not yet reached

<sup>39</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website; the Sanlam 2018 Integrated Report and the Sanlam 2017 Resilience Report.



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

### Response<sup>40</sup>

#### ⌚ Facilities Manager

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.

#### Level 5 - Describe the organisation's number and nature of impact reduction projects.

### Response<sup>41</sup>

#### ⌚ Facilities Manager

Sanlam has undertaken the following environmental impact reduction projects:

- ⌚ Replaced light fittings with LED fittings at both the Santam and Sanlam Head Offices
- ⌚ Installed natural cooling in the data centre hosting area at the Sanlam Head Office
- ⌚ Replaced underfloor pneumatic dampers with electric controls at the Sanlam Head Office
- ⌚ Installation of a reverse osmosis plant for alternative water supply at the Sanlam Head Office
- ⌚ Installation of borehole that could supply 20,000 litre/hour at the Sanlam Head Office

<sup>40</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.

<sup>41</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



## 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

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

### Response<sup>42</sup>

#### 🔗 Facilities Manager

Sanlam continually encourages staff to reduce their environmental footprint. Sanlam engages in targeted communications, such as training and awareness activities among employees with regards to understanding the recycling economy and its financial and social benefits.

## Demonstrating continuous improvement

Sanlam plans to install a filtration and reverse osmosis plant at its head office in the Western Cape. Sanlam is also currently investigating methods to improve the efficiency of the water consumption from the cooling towers.

<sup>42</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



## 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 policy on climate mitigation and adaptation.**

#### Response<sup>43</sup>

##### 🕒 Asset Owner

Sanlam Group engages in activities that influence climate change through membership and participation in various sectoral committees such as Business Unity South Africa; Business Leadership South Africa; the Association for Savings and Investment South Africa; and various South African Insurance Association committees (Santam's CEO is the current Chairperson of the association) and the United Nations Environmental Programme Finance Initiative. These committees meet frequently throughout the year. In addition, Sanlam is engaging with the Prudential Authority and the PIC (wholly owned by the South African Government) on Sanlam's levels of readiness for TCFD reporting.

The group shares the findings from these committees and engagements which consider the macro and micro factors that impact the general insurance operating environment.

As such, Sanlam has participated in various regional carbon tax workshops held by National Treasury since 2012. The group has also provided comments on the 2nd draft carbon tax legislation.

Furthermore, Sanlam has partnered with WWF-SA on various freshwater and marine projects aimed at conserving South Africa's water systems, including ground water management. The scope of the partnership with WWF-SA includes: strategic advice, joint research, support into water issues affecting the business and society. The partnership also included a focus on influencing greater awareness of water issues in Sanlam's business practices. This has led to a deeper understanding of water risks to drive better insurance and investment practices.

##### 🕒 Asset Manager

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

##### 🕒 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's engagement activities to influence policy on climate mitigation and adaptation are undertaken at the Sanlam Group level.

<sup>43</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



Due to the nature of its services, the provision of non-life insurance, Santam actively engages on activities throughout the year to influence policy on climate mitigation and adaptation. Many of the activities are undertaken in conjunction with Sanlam Group, for example participation in the various industry level committees discussed above and cooperation in the WWF-SA partnership.

Notably, Santam engages with the South African farming community and is listed along government and non-profit organisations as a resource to farmers in terms of weather and climate advice. Santam also participates in the National Fire Resilience Roundtable which consists of 53 local municipalities and 30 other stakeholders, including national and provincial disaster management centres, Working on Fire, the Red Cross, private sector companies and non-governmental organisations (discussed further in response to Level 2 of Sub-principle 5.2).

Santam also hosted the first UNEP Principles for Sustainable Insurance Initiative Regional Market Event for Africa in Johannesburg in April 2018. The aim of the event was to stimulate conversation within the African insurance industry about how to respond to the systemic risks and opportunities presented by global environmental, social and governance trends.

#### 🔍 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 issues.

#### Response<sup>44</sup>

#### 🔍 Asset Owner

Sanlam Group prioritises engagement on carbon tax and water related activities.

#### 🔍 Asset Manager

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

#### 🔍 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's prioritisations of engagements to achieve impact aligned to material issues are undertaken at the Sanlam Group level.

<sup>44</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



Santam prioritises engagement on material climate-related risks facing the company's client base. These priority engagements focus on increasing resilience and adaption, and include engagements with the South African farming community, local government (through the Partnership for Risk and Resilience Programme) and clients at risk of fire (discussed further in response to Level 2 of Sub-principle 5.2).

In 2018 Santam also engaged with the Department of Environmental Affairs on the Draft Climate Change Bill, which aims to address the risks and vulnerabilities associated with climate change. Santam engaged on the bill through the South African Insurance Association, a representative body of the non-life insurance industry in South Africa.

#### 🕒 Facilities Manager

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

Sanlam recognises that water scarcity is one of the greatest risks to the global economy. As one of the 30 most water-stressed countries in the world, this is particularly relevant in South Africa with the Western Cape. Without drastic measures to further drive down consumption, Cape Town is set to experience critical water shortages. This will have a devastating impact on business as both the Sanlam and Santam head offices are located in Cape Town.

As such, Sanlam prioritises engagement on water related activities. The evidence of this priority is Sanlam's investment of over R50 million in its partnership with the WWF-SA discussed above.

### Level 3 - Evidence of a leadership position in the engagement of others on matters relating to climate change.

#### Response<sup>45</sup>

##### 🕒 Asset Owner

Sanlam Group engages others on matters relating to climate change. Engagements with peers in the financial sector occur through participation in various communities such as Business Unity South Africa; Business Leadership South Africa; the Association for Savings and Investment South Africa and the South African Insurance Association.

Sanlam Group also engages wider communities and stakeholders through its partnership with the WWF-SA which undertakes research and raises awareness of water-related issues in South Africa.

##### 🕒 Asset Manager

Engagement of others on matters relating to climate change is undertaken at the Sanlam Group level.

<sup>45</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam 2017, 2018 and 2019 ClimateWise Reports, Sanlam company website and the Sanlam 2018 Integrated Report.



## 🔍 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's engagements of others on matters relating to climate change are undertaken at the Sanlam Group level.

Santam engages a wide range of stakeholders on matters relating to climate change. Santam engages with the South African farming community, local government (through the Partnership for Risk and Resilience Programme) and clients at risk of fire (discussed further in response to Level 2 of Sub-principle 5.2).

Santam also engages with peers in the finance sector. Santam is an active participant in various South African Insurance Association committees. Santam sits on the Board of both the UNEP Finance Initiative Principles for Sustainable Insurance and ClimateWise. All relevant and pertinent information gathered from these committees are shared with the South African Insurance Association (Santam's CEO is the current Chairperson of the association), either through the various committees or via the leadership.

Santam also hosted the first UNEP Principles for Sustainable Insurance Initiative Regional Market Event for Africa in Johannesburg in April 2018. The aim of the event was to stimulate conversation within the African insurance industry about how to respond to the systemic risks and opportunities presented by global environmental, social and governance trends. The 52 participants included Principles for Sustainable Insurance members and other leading insurance organisations (both domiciled in Africa and global organisations with African operations), insurance regulators, city, local and national government officials, key international initiatives, business and industry leaders, civil society organisations and academia.

Santam will also be integrating the guidance provided by the Embedding Project study related to the development of position statements on sustainability issues.

## 🔍 Facilities Manager

Engagement of others on matters relating 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.

**Level 1 - Evidence that the member has supported or undertaken research during the year in question, with a brief description of the research focus and outcomes and an explanation of how this research has been used to inform business strategies.**

### Response<sup>46</sup>

#### 🕒 Asset Owner

Sanlam Group's team of analysts conduct ongoing, in-depth research to gain insights into the fair valuation of assets. These valuations take into account 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 Investments is responsible for using the data to inform business strategies and make investment decisions.

Sanlam's partnership with WWF-SA on various freshwater and marine projects aimed at conserving South Africa's water systems, including ground water management, is evidence of the group's facilitation of research on water related matters. The scope of the partnership with WWF-SA includes strategic advice, joint research, support into water issues affecting the business and society. This has led to a deeper understanding of water risks to drive better insurance and investment practices.

#### 🕒 Asset Manager

Research is undertaken at the asset owner (Sanlam Group) level. Sanlam Investments makes use of this research (which includes climate change considerations on asset valuations) to make decisions that take advantage of market efficiencies.

#### 🕒 Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa undertake research at the asset owner (Sanlam Group) level.

Santam conducts ongoing, annual in-depth research on the climate change impacts that its clients, particularly those in the agricultural sector, could face. Santam engages in hail damage simulation research and uses Geographic Information Systems data to better understand asset exposure to risk perils, such as flooding and drought. This data is used to inform Santam's business strategy and pricing models. Through this work, Santam has become a leader, especially in the field of flood risk management.

Santam also hosted the first UNEP Principles for Sustainable Insurance Initiative Regional Market Event for Africa in Johannesburg in April 2018, discussed in the Level 1 response to Sub-principle 5.1 above.

<sup>46</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



The outcomes of the event included the identification of the following key insurance sustainability concerns in Africa:

- ④ The risk protection gap, and how the industry can reshape business models to address the needs of a larger client base
- ④ Sustainable food systems as the basis of any credible economic development in Africa, and how the industry can collaborate with the agriculture industry, specifically small-scale farmers
- ④ Resilient societies, and how insurers can partner with governments and other stakeholders on data sharing and disaster management, among other things

Santam also undertakes ongoing, annual desktop market research on a regular basis and considers the macro and micro factors that impact the general insurance operating environment, including major trends impacting the industry. Santam's research spans across economic, environmental, social and governance factors, including climate risk. This research forms the basis of strategy formulation and evaluation. Data collected is included in the Group's strategy process and shared every quarter with Exco members and other key internal stakeholders through the Santam Group's Quarterly Contextual Review Report.

#### ④ Facilities Manager

Research is undertaken at the asset owner (Sanlam Group) level.

### Level 2 - Additional requirement to undertake action to pro-actively share the research and engage others in the topic of research.

#### Response<sup>47</sup>

#### ④ Asset Owner

Sanlam Group proactively shares the findings of its research, undertaken at all levels of the organisation across different and targeted audiences.

For example, Sanlam shares information and data with the various committees in which it participates, such as Business Unity South Africa; Business Leadership South Africa; the Association for Savings and Investment South Africa and the South African Insurance Association (Santam's CEO is the current Chairperson of the association).

#### ④ Asset Manager

Research and engagement with other stakeholders on research are undertaken at the asset owner (Sanlam Group) level. Sanlam Investments uses this information to make investment decisions.

<sup>47</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



### 🕒 Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa undertake research and related engagements at the asset owner (Sanlam Group) level.

The climate change impacts on the agricultural sector in Southern Africa are increasingly evident and increasingly material to farmers and insurers alike. Santam therefore has a long-standing association with the South African farming community and is listed along government and non-profit organisations as a resource to farmers in terms of weather and climate advice. Santam pro-actively shares, and engages on, climate-related research with its client base. Santam has employed dedicated staff (such as agricultural meteorologist and hydrologist) to assist in seasonal weather forecasts and the preparation for, and management of, seasonal variations.

Additionally, Santam initiated the National Fire Resilience Roundtable after the unprecedented wildfires in Knysna in 2017. The roundtable consists of 30 stakeholders, including national and provincial disaster management centres, Working on Fire, the Red Cross, private sector companies and non-governmental organisations. Through the roundtable, Santam commissioned research by Stellenbosch University and the Council for Scientific and Industrial Research into the causes of the fires, the firefighting effort and post-fire recovery. The research report, published in February 2019, highlights potential fire hotspots in South Africa and includes recommendations to improve stakeholders' understanding of fire risk, as well as actions to mitigate the increasing risk of fires at the urban-wild interface.

### 🕒 Facilities Manager

Research and engagement with other stakeholders on research are undertaken at the asset owner (Sanlam Group) level.

**Level 3 - Evidence that the research is aligned to more than one aspect of the business and to addressing key risks facing the business. Members are able to demonstrate that the research is an integral part and influence on business strategy.**

## Response<sup>48</sup>

### 🕒 Asset Owner

As discussed above in the Level 1 response to Sub-principle 5.2, the market research undertaken by Sanlam Group's analysts is used to address key investment risks facing the business. The research considers 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. This research influences business strategy, as demonstrated by Sanlam's continued and increased investments in climate change mitigation and adaptation funds, such as the Climate Investor One Development Fund and Construction Equity Fund respectively.

Sanlam Group's research in water scarcity and the impacts on the business has also led to a deeper understanding of water risks posed to the business and has helped to drive better insurance and

<sup>48</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



investment practices. Example in practice include research undertaken at the insurance company levels (discussed further below).

#### 🔍 Asset Manager

Research is undertaken at the asset owner (Sanlam Group) level. Sanlam Investments uses this information to develop business strategies and make investment decisions. Examples of this practice include continued investments in funds like the Investor One Development and Construction Equity Funds.

#### 🔍 Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa undertake research and related engagements at the asset owner (Sanlam Group) level. The business strategies for investment management are made at the asset manager (Sanlam Investments) level.

Santam's climate-related research is aligned to different aspects of the business and addresses key risks facing the business. Climate research is therefore an integral part and influence on business strategy. For example, Santam's uses climate research in the agricultural sector and has recently completed a research study in conjunction with the South African Council for Scientific Industrial Research centre related to the Knysna fires. These studies help to address better insurance and investment practices which are core to the business. Additionally, Santam undertakes field-work and desktop research with regards to the Partnership for Risk and Resilience, which help inform Santam of the climate impacts on the general insurance operating environment.

#### 🔍 Facilities Manager

Sanlam's facility manager collects and analyses greenhouse gas and other environmental related data on an ongoing basis. This research is used to inform Sanlam's strategy to reduce its facility-level impacts of a climate or environmental nature. For example, understanding the carbon and environmental footprint has enabled Sanlam to set various targets to reduce the impacts related to its facilities.

## Demonstrating continuous improvement

Sanlam Group will be participating in the Embedding Project in 2019, the outcomes of which will assist Sanlam in promoting and engaging in public debate on climate-related issues and the need for action.

Going forward, both the Sanlam and Santam Groups will also be considering reporting on climate change matters as per the TCFD recommendations.



## 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.**

#### Response<sup>49</sup>

##### 🔗 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.

Sanlam Group has developed a sustainability portal (<https://www.sanlam.com/investorrelations/sustainability/sustainability2018/Pages/default.aspx>) to communicate the group's beliefs and strategy on climate-related issues to its customers. The portal forms part of Sanlam's Annual Reporting Suite, a combination of target elements made available to stakeholder to enable them to make informed assessments about Sanlam's performance and prospects. The portal provides readers with material information and insights about non-financial performance for the financial year. Sanlam takes a longer-term view to enable readers to effectively assess value creation abilities, sustainability and prospects. This is part of Sanlam's commitment to transparent and relevant stakeholder reporting and is enhanced through personal interaction and feedback.

In addition, using an 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/investorrelations>) and other media. Examples include:

- 🔗 Article by Sanlam CEO, Ian Kirk, in the Scor Focus #25: Combining Science and Technology to Enhance Insurability and Spur Innovation. Title of article: A South African Initiative on the Principles for Sustainable Insurance with the United Nations
- 🔗 Press releases (such as the communications on the Climate Investor One fund)
- 🔗 Environmental, social and governance reporting in public platforms such as the CDP (formerly known as the Carbon Disclosure Project); the Embedding Project and ClimateWise.

##### 🔗 Asset Manager

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

<sup>49</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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 Personal Finance's and Sanlam Pan Africa's communications regarding climate change matters are undertaken at the Sanlam Group level.

Santam actively communicates with its clients on climate-related matters. Santam's Climate Change Position Statement is shared with clients on the group's website. The position statement highlights the impact of climate change on our business and Santam's plan to understand climate-related risks as per the recommendations of the TCFD. Various other communications are prioritised for the South African farming sector, local government (through the Partnership for Risk and Resilience Programme) and other clients exposed to climate-risks such as fire (discussed above in the Level 2 response to Sub-principle 5.2).

Santam also communicates with its clients through web and social media, as well as environmental, social and governance reporting in public platforms such as the CDP; the Embedding Project and ClimateWise. For further details, refer to the Santam 2019 ClimateWise Report.

#### 🔍 Facilities Manager

Communications are undertaken at the Sanlam Group level.

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

#### Response<sup>50</sup>

#### 🔍 Asset Owner

Sanlam Group plans to increase the climate change knowledge and awareness of its shareholders and customers through the communication of ongoing and new research (as discussed above in response to Sub-principle 3.1, Sub-principle 3.2 and Sub-principle 5.2).

Sanlam Group's engagement plan also includes communication across various media platforms, events and environmental, social and governance reporting in public platforms such as the group's Sustainability Portal Link, the CDP; the Embedding Project and ClimateWise.

#### 🔍 Asset Manager

<sup>50</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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

Santam's engagements with clients on climate related matters are aimed at increasing climate change knowledge and awareness, as climate change impacts have the potential to materially affect Santam's clients and Santam's business. Santam plans to continue its robust engagements with the South African farming sector, local governments (through the Partnerships for Risk and Resilience Programme) and other clients affected by climate impacts (for example fires), as discussed above in the Level 2 response to Sub-principle 5.2.

#### 🔗 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.

## Response<sup>51</sup>

#### 🔗 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).

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

Shareholders and clients are encouraged to provide comments and feedback directly to Sanlam Group on the group's disclosures.

#### 🔗 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.

<sup>51</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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

#### 🔗 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's disclosures are undertaken at the Sanlam Group level.

Sanlam's public disclosures also allow the company 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). Refer to Santam's 2019 ClimateWise Report for further details.

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

Shareholders and clients are encouraged to provide comments and feedback directly to Santam on the company's disclosure.

#### 🔗 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.

**Level 1 - Evidence to demonstrate how members have identified areas of behaviour change needed to mitigate climate risk.**

### Response<sup>52</sup>

#### 🔗 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.

Sanlam has identified areas of behaviour change needed to mitigate climate risk in its client base, discussed below under the insurance companies' response.

#### 🔗 Asset Manager

<sup>52</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



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 insurance company level, discussed below.

### 🕒 Insurance Companies

Sanlam Personal Finance'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).

Santam's main services include the provision of non-life insurance. Santam's clients could therefore benefit by changing behaviour with a view to increasing their resilience to climate change risks. The nature of the required behaviour changes varies across the different spectrum of clients. For example, Santam's agricultural clients need to consider climate adaptation measures that protect their crops from weather incidences such as hail and droughts. Such measures could include the development of early warning systems or the planting of drought-resistant crops. Santam is actively involved in research activities aimed at informing clients in the farming sector about the risks and management methods related to such risks.

Examples include Santam's participation in the development of the Green Book, an online tool that shows how various factors such as population growth, temperature, water availability and other factors will likely change over time, and how this affects the risk profile of various regions in a municipality, Santam's Partnership for Risk and Resilience is a further example, which aims to (1) drive community risk awareness through partnerships to address the drivers of climate change risk and inculcate appropriate climate change risk response behaviour; (2) partner with appropriate entities to increase capacity for disaster response and disaster relief in vulnerable communities; (3) assist with the improvement of technology to enable communities to use early warning systems to drive proactive climate change risk management behaviour; and (4) address the causes of fire risks in communities by providing safer alternatives, and where appropriate, assist neighbourhood watches with the necessary equipment to improve their service to communities.

### 🕒 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. Where possible this should be tailored to the key risks facing their geographical location.**

## Response<sup>53</sup>

### 🕒 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. The different business divisions therefore tailor-make communications and tools to their respective clients (see, for example, response related to Sanlam's insurance companies below).

Sanlam Group also communicates climate-related risks to its shareholders and clients in its company reports, such as the integrated annual reports, through the sustainability portal (<https://www.sanlam.com/investorrelations/sustainability/sustainability2018/Pages/default.aspx>), different media platforms and environmental, social and governance reporting such as the CDP; the Embedding Project and ClimateWise.

### 🕒 Asset Manager

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.

### 🕒 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's engagements with end-customers to encourage climate awareness and promote resilience takes place at the Sanlam Group levels.

Santam actively engages with end-customers to encourage climate awareness and promote resilience, specifically across different geographical locations. Santam's support in the development of the Green Book, an online risk and vulnerability tool based at municipal level, is such an example.

In addition, Santam engages with fire, safety, disaster management and social arms of local government through the Partnership for Risk and Resilience. The aim of this programme is to build climate-resilience within the operations of local government.

Initiated in 2012, the Partnership for Risk and Resilience programme has been expanded to assist 53 local municipalities in disaster-prone, high-risk areas. This will positively impact the lives of five million people between now and 2020. Examples of achievements include the installation of more than 1,400 smoke alarms in the informal settlement community of Wallacedene and over 5,000 smoke alarms in the Sedibeng, Sarah Baartman and Ehlanzeni Districts in South Africa. Close to 120 traditional leaders have been trained on disaster risk management, which has resulted in fewer informal settlements being built in flood-prone areas. Over 250 high schools have participated in disaster risk reduction debating competitions that raised awareness among high school learners to be more responsible and prioritise proactive climate change risk management initiatives in their communities. Additionally, the programme investigated building better decision-making tools in Ehlanzeni Municipality with regard to flood risk. This

<sup>53</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



partnership allowed Santam to instigate flood-risk mapping for the whole district which constitutes a Flood Hazard Index, as well as an active up-to-date GIS system and decision-support tool with multiple data sets.

Santam also engages with clients in the South African farming community and is listed along government and non-profit organisations as a resource to farmers in terms of weather and climate advice. Furthermore, Santam participates in the National Fire Resilience Roundtable which consists of 30 stakeholders, including national and provincial disaster management centres, Working on Fire, the Red Cross, private sector companies and non-governmental organisations (discussed further in response to Level 2 of Sub-principle 5.2). These initiatives encourage climate awareness and promote resilience within Santam's client base.

#### 🕒 Facilities Manager

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.

### 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.

#### Response<sup>54</sup>

#### 🕒 Asset Owner

Sanlam Group's clients that are impacted by climate-change are largely located at the insurance company level, specifically Santam (which provides non-life insurance) – discussed below.

#### 🕒 Asset Manager

Sanlam Investments' main client is Sanlam Group and the respective insurance companies. The provision of tool that assist clients assess climate risk therefore takes place at the insurance company levels (specifically by Santam).

#### 🕒 Insurance Companies

Sanlam Personal Finance's and Sanlam Pan Africa's engagements with end-customers to encourage climate awareness and promote resilience takes place at the Sanlam Group levels.

Santam provides its different tools to its clients to assess their different climate change risks. These tools, discussed above in the Level 2 response to Sub-principle 6.2, include the tools contained in the municipal-level Green Book, the Partnership for Risk and Resilience programme and the National Fire

<sup>54</sup> Sources of information for this response include the Sanlam 2018 CDP Submission, the Santam ClimateWise Report 2017, Sanlam company website and the Sanlam 2018 Integrated Report.



Resilience Roundtable, as well as agricultural research tools to establish future climate trends and the resilience of crops to hail damage (discussed in the Level 3 response to Sub-principle 3.1).

🔍 **Facilities Manager**

Not applicable at this level.

## 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 (discussed further in Table 1 above).

### Sub-principle 7.2

Sanlam's 2019 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 2019 ClimateWise response are contained within the group's annual reports, internet portals and other public documents.



**Sanlam Multi Manager International (Pty) Ltd which is approved as a Discretionary Financial Service Provider in terms of the Financial Advisory and Intermediary Services Act, 2002. (Sanlam Disclaimer)**

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