

2020 ClimateWise Response for the Sanlam Group



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Introduction

This report is Sanlam Group’s second ClimateWise submission. It provides an update on the group’s progress made in the last financial year, 1 January 2019 – 31 December 2019, with respect to current and future measures to address climate change risks and opportunities.

Highlights in 2019 include the financial success of the Climate Investor One Fund; the finalization of the updated group environmental policy (published in 2020) and Sanlam’s ongoing work in developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares. In addition, Sanlam is developing a new water fund, the Climate Investor Two Fund, which will be launched in the near future.

The assessment of climate-related risks and opportunities is an ongoing, iterative process. Sanlam’s 2020 ClimateWise report is part of the group’s suite of measures to address the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Sanlam’s risk and sustainability teams are tasked with improving climate disclosures. While TCFD reporting is fairly new to Sanlam, the risk and sustainability teams are able to leverage off from the group’s extensive experience in reporting and communications. For example, in 2019, Sanlam won the award for Best Reporting and Communication in the Financial Insurance Sector, presented by the Investment Analysts Society of South Africa in 2019. Sanlam won this award 10 times since listing on the Johannesburg Stock Exchange.

Sanlam remains 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.

The group plays a triple role in terms of sustainable development: risk management, risk carrying and investment, as provided for in the UNEP Principles of Sustainable Insurance:

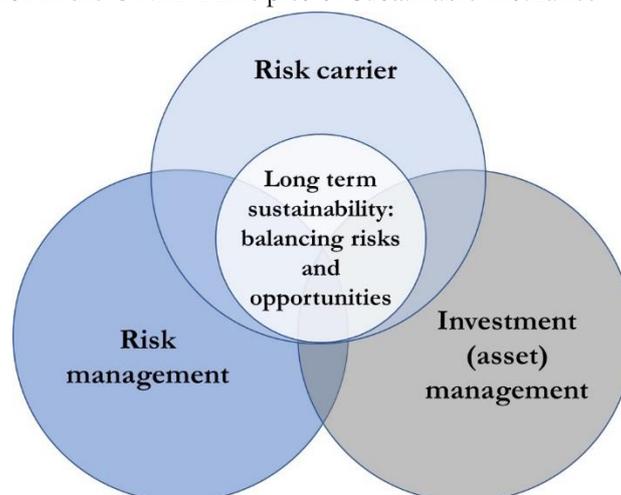


Figure 1: The triple role of insurers for sustainable development (based on UNEP Principles of Sustainable Insurance)

Sanlam has a decentralised management structure and conducts operations through different business clusters. Sanlam’s 2020 ClimateWise response has therefore been provided according to different categories, comprising different business clusters:

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.
Asset* Manager	- Sanlam Investments	<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>
Insurance Companies	- Sanlam Personal Finance - Sanlam Pan Africa ¹	<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>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>
Facilities Manager	Facilities owned and managed by Sanlam Group in South Africa, that form the operational base of the group activities. Sanlam Group may consider reporting on the properties owned by its investment segment as well as properties managed by third-party agents in future.	

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

The Sanlam Group 2020 ClimateWise response excludes the Santam business division (of which it owns 61.5%). Santam discloses progress in climate matter to ClimateWise in a separate report and hence has been excluded from the group submission.

The 2020 ClimateWise 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 Formerly known as Sanlam Emerging Markets.

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 ²
<p>• Asset Owner</p> <p>Sanlam Group is responsible for centralised functions across the different clusters/business units: Sanlam Personal Finance, Sanlam Pan Africa, Sanlam Investments and Sanlam Corporate. Each cluster has its own board of directors. Given Sanlam’s diversified business profile, the challenge for the organisation is to maintain operational controls and governance oversight. Accordingly, the Sanlam Group Business Philosophy defines how the Group acts and behaves as “one firm” with “one brand”. It applies to all Sanlam clusters and subsidiaries and includes a summary of Sanlam’s culture, values and responsibilities, thereby encapsulating the way in which it does business and allocates resources.</p> <p>Sanlam Group recognises that climate change is a material consideration for the ongoing sustainability of its business and the communities which segments serve. A recent milestone for the organisation is the finalisation of the updated group environmental policy (published in May 2020) which articulates Sanlam’s environmental position, long-term visions and quantifiable targets.</p> <p>Accordingly, Sanlam Group 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 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 Sanlam Group and its material stakeholders.</p> <p>The Board exercises its oversight responsibility, rights and obligations through elected representatives in the various companies in which it has invested. The Sanlam Board has the ultimate responsibility to ensure that Sanlam promotes good governance by investing responsibly. The Board achieves this through its Group Executive committee and the respective governance structures within each of the cluster businesses. The cluster executive committees have the responsibility to ensure that Sanlam’s investments are managed in accordance with the policies and investment mandates.</p> <p>Sanlam’s Chair, Johan van Zyl, notes in the 2019 Integrated Report that severe weather/climate change has been listed in the top 10 strategic group risks for the past two years. Furthermore, severe weather/climate change risks featured again in two out of four of Sanlam Group’s strategic pillars: ‘Enhancing resilience and earnings growth through diversification’ and ‘Responsible capital allocation and management’. The continued presence of climate change risks to Sanlam’s strategic pillars is evidence that the Board and board committees continue to consider climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans as well as setting the organization’s performance objectives, monitoring implementation and performance, and overseeing major capital expenditures, acquisitions and divestitures.</p>

² Sources of information for this response include the Sanlam 2019 Integrated Report; the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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 meetings.

Sanlam Group’s allocation of climate change responsibilities demonstrates the close connections between board and climate related management functions. The high-level of oversight enables the Board to monitor and oversee progress against goals and targets for addressing climate-related issues, discussed in the response to Level 2 below.

• 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.

• Facilities Manager

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

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

Response ³
<p>• Asset Owner</p> <p>Performance objectives are set by Sanlam Group. Of note in 2019, Sanlam continued work to develop a group climate position statement. Once finalised, the group climate change position statement will guide the group’s approach to assessing climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares, which will inform the development of group climate goals and targets. Furthermore, in May 2020, Sanlam published the updated group environmental policy, which articulates the group’s environmental position and outlines environmental goals and targets, some of which have links to climate change matters.</p> <p>The oversight and monitoring of progress against goals and targets for addressing climate-related issues currently lies with the Sanlam Group Board, which integrates climate-related issues into formal governance mechanisms. The governance mechanisms including the review and guidance of strategy development and implementation, as well as the setting and monitoring of performance objectives.</p>

³ Sources of information for this response include the Sanlam 2020 Integrated Report and 2020 CDP Submission.

The Board is assisted in overseeing progress against climate-related goals and targets by the SES Committee, the Group Actuarial Risk Management Committee and the Sustainability Committee.

The Chairman of the SES committee attends Sanlam’s annual general meeting. The SES committee reports on the progress of Sanlam’s sustainability journey through quarterly feedback to the Board and to stakeholders through Sanlam’s Annual Reporting Suite.

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.

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. The Group Sustainability Committee 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 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.

• **Asset Manager**

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

• **Insurance Companies**

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

• **Facilities Manager**

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

The 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 quarterly.

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

Response⁴

• **Asset Owner**

⁴ Sources of information for this response include the Sanlam 2020 Integrated Report and the Sanlam 2020 CDP Submission.

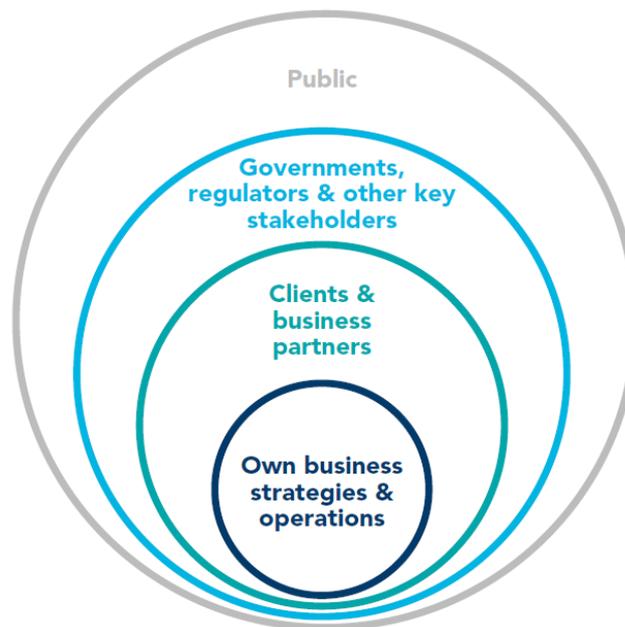
Sanlam Group's Board and board committees endorse the implementation of the group's sustainable development strategy (as per the Sustainability Management Framework). In 2019, the Sanlam Group strategy of investing in long-term sustainable businesses, notably the Climate Investor One Development and Construction Equity Funds, realised significant financial returns for the group. The Climate Investor One Fund mobilised commercial funds to reach \$US850 million. The fund is invested in the development of a number of projects, with two having received construction financing: Cleantech Solar, currently a 116MW Pan-Asian corporate and industrial rooftop solar platform; and Africa Hydro Holdings, a 42MW run-of-river hydro platform in Uganda. The closure of the Climate Investor One Fund in 2019 generated one-off income of R68 million.

In addition, Sanlam Group's continued focus on prioritising environment, sustainability and governance (ESG) principles was recognised in the group's listing 2019 in the top 30 of the FTSE/JSE Responsible Investment Index. Sanlam Group's asset manager, Sanlam Investments, has been pivotal in driving ESG within the group's investment philosophy (see details below in the Asset Manager entry).

Climate change is thus increasingly incorporated into business strategy and planning, at the highest group levels. 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.

Sanlam's four sustainability principles are shown below:



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

Figure 2: Sanlam's four sustainability principles (Source: Score 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 ESG principles since 2013
- Responsible lending policy for hedge funds.
- Group environmental policy (latest version published in May 2020).

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**

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

Mr Robert Roux, CEO of the Sanlam Investment Group, notes in a recent short video on the Sanlam sustainability portal⁵ that there is increasing evidence that companies that have high levels of ESG perform very well over time. He further states that it is imperative for businesses, such as asset managers, to contribute to their local communities and the broader world. Mr Roux reiterates that Sanlam recognises that ESG will create a competitive edge for the group's business because there is a benefit for the organisation.

⁵ Available at: <https://www.sanlam.com/investorrelations/sustainability/sustainability2019/Pages/default.aspx>.

Accordingly, Sanlam Investments has subscribed to the:

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

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

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

• Insurance Companies

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

• Facilities Manager

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

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

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

Sub-principle 1.2

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

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

Response ⁶
<p>• Asset Owner</p> <p>Sanlam Group’s senior managers responsible for climate change matters include the:</p> <ul style="list-style-type: none"> - 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). <p>Sanlam Group has a comprehensive Enterprise Risk Management framework in place, with appropriate risk escalation processes from a business unit to Group level. The Enterprise Risk Management Framework is reviewed annually.</p> <p>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.</p> <p>As such, the Group Sustainability Management Office is tasked with assessing and addressing the compliance risks related to the governance for sustainability. The scopes of the risk are linked to the mandate of the Board appointed SES Committee, in which the social ethics and environmental sustainability impact, on the company and its stakeholders, are driven and monitored quarterly for the Group.</p> <p>All sustainability issues, including climate-related issues, are channelled into Sanlam’s group wide Enterprise Risk Management process. The Group Actuarial Risk Management Committee coordinates the input of climate related risks into enterprise risk process.</p> <p>The Sustainability Management Framework, which supports the business strategy, is the result of the risk and opportunity analyses and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. The nature and outcomes of these engagements feed into the annual performance appraisals of those responsible and inform the integrated and sustainability reporting processes. The Sustainability Management Framework transcends the clusters and draws on established processes and systems.</p> <p>Group Sustainability works cooperatively with business to provide guidance on non-financial matters, including climate-related matters, where relevant. The core focus of the Group Sustainability committee is therefore to ensure that the non-financial value of the business is entrenched and</p>

⁶ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP Submission.

understood internally, and communicated externally. Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

The Group’s Energy Forum 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 quarterly. Aspects with the most material impact on Sanlam’s environmental resource conservation are water and paper usage, and the responsible management of waste.

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.

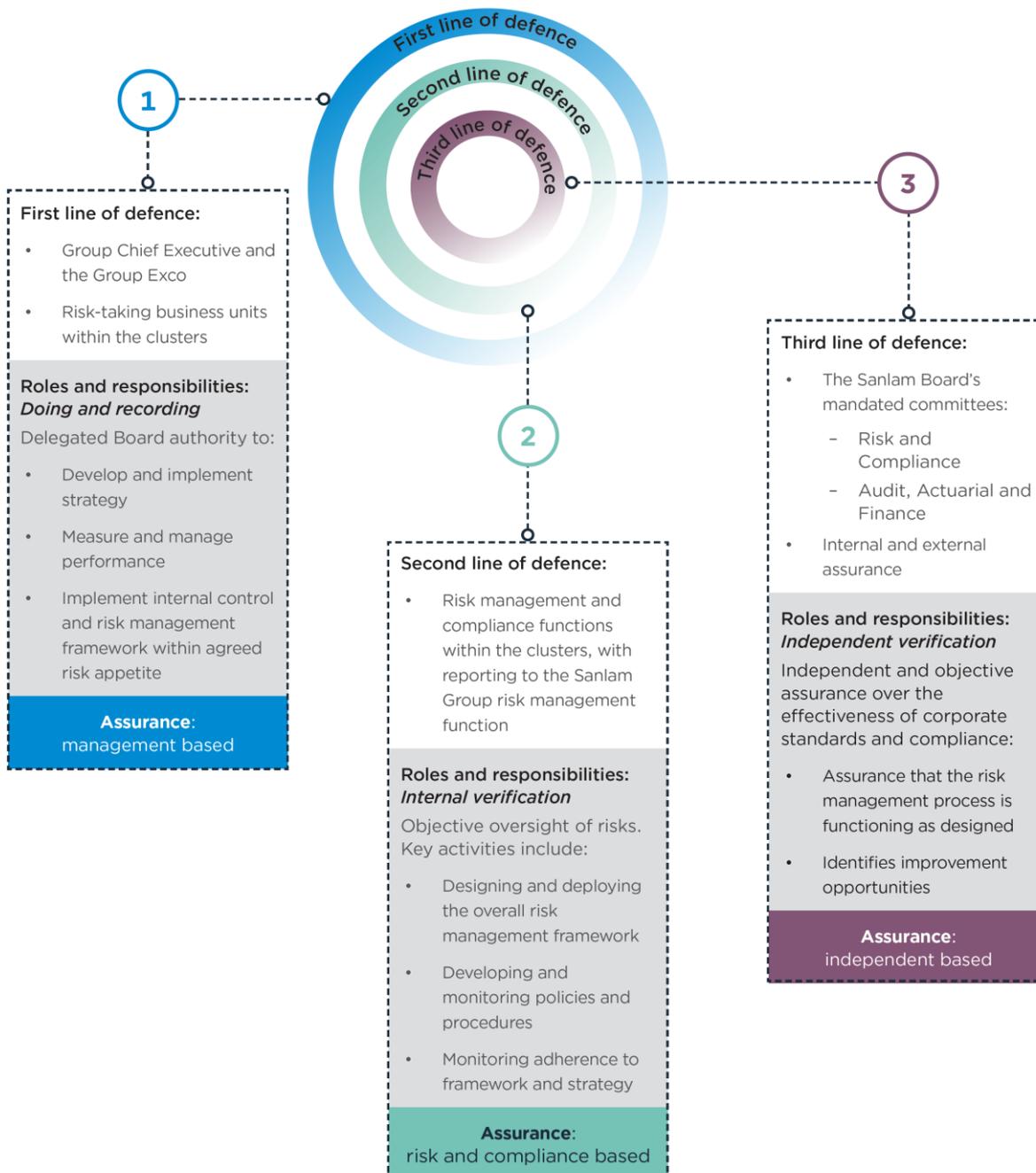


Figure 3: Sanlam's enterprise risk assessment structure (Source: Sanlam Group's 2019 Integrated Annual Report)

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 Group Energy Forum and Group Actuarial and Risk Management Committee are particularly relevant, as they are responsible for assessing and managing climate-related risks and opportunities. Both are required to report to the Board on a quarterly basis.

The following table 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 and Sanlam Pan Africa 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).

• Facilities Manager

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

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

Response⁷

• Asset Owner

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

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

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

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

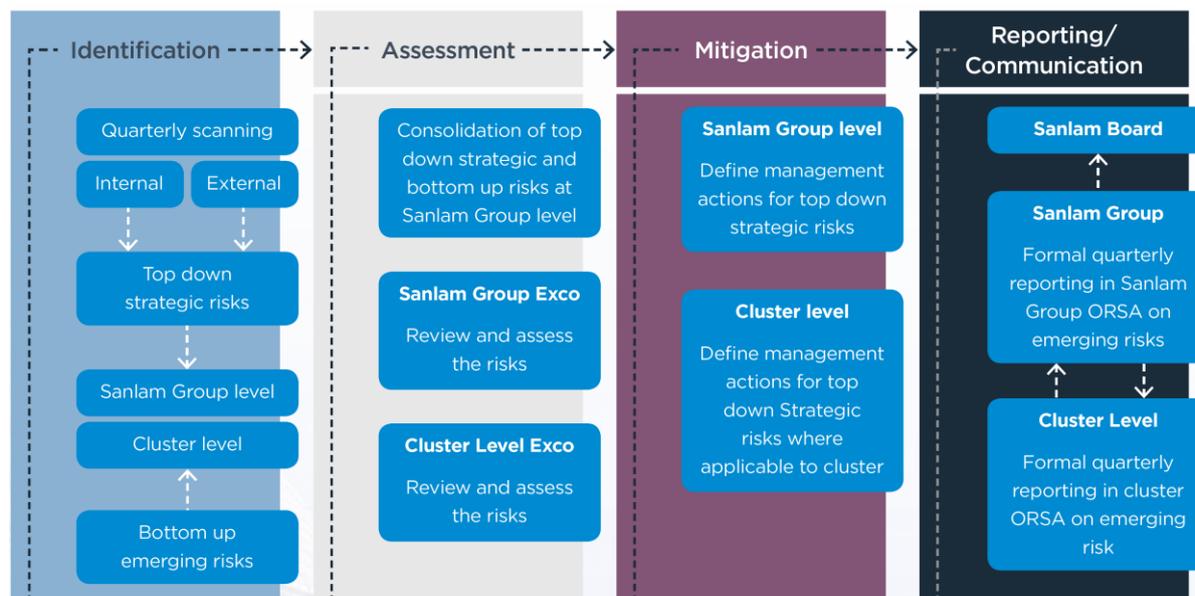


Figure 4: Process to identify emerging risks (Source: Sanlam 2019 Integrated Report)

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).

⁷ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP Submission.

• **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.

• **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 and assesses the implementation of strategic plans, goals and targets agreed by the board/ and or board committees to address climate-related issues.

Response⁸

• **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 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

⁸ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP Submission.

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.

• 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 Continuous Improvement (planned activities)

In 2020 Sanlam Group will continue to refine the allocation of responsibilities for, and monitoring of, climate-related matters at both a corporate group level and at the respective cluster levels. Sanlam Group is actively developing a group climate change position statement. The climate change position statement will articulate Sanlam’s environmental and climate change positions, long-term visions and quantifiable targets.

Furthermore, Sanlam Group (spearheaded by Sanlam Investments) is developing a new water fund (Climate Investor Two), in partnership with the same Dutch development bank which resulted in the development of the highly successful Climate Investor One funds.

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 and its investments (considering relevance to the nature of the business) by sector, geography, business segment and over the short, medium, and long term, defining these time horizons.

Response ⁹
<p>• Asset Owner</p> <p>Sanlam Group incorporates climate-related issues into investment strategies through adherence to the group’s broad policies/guidelines including:</p> <ul style="list-style-type: none"> - Responsible investment guidelines. Climate change impacts and drivers are necessary considerations for responsible investment which not only benefits the environment and communities whom Sanlam Group’s clusters serve by making them more climate-resilient, but also benefits Sanlam Group’s clusters by ensuring that the group’s medium to long-term strategies are sustainable. - Credit Risk Framework which has incorporated ESG principles since 2013 - Responsible lending policy for hedge funds. - Group environmental policy (latest version published in May 2020). <p>The integration of climate risks and opportunities largely lies with the Asset Manager (described below). Sanlam Group is however in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares. Sanlam is well positioned to tackle these matters and evidence for this includes the company’s most recent MSCI ESG A-rating. Scores are based on insured exposure to geographies vulnerable to climate change effects; and integration of climate change risks into product strategy and risk management processes.</p> <p>Short-term climate risks and opportunities are largely operational in nature, and pertinent at Sanlam’s facilities-level, discussed below in the section related to the Facilities Manager. Medium to long-term risks and opportunities are discussed immediately below.</p> <p>Sanlam Group’s priority climate change risks</p> <p>Medium to long-term risks:</p> <p>Severe weather/climate change has been listed in the top 10 strategic group risks for the past two years. Furthermore, severe weather/climate change risks featured again in two out of four of Sanlam Group’s</p>

⁹ Sources of information for this response include the Sanlam 2019 Integrated Report; Sanlam 2020 CDP Submission; Sanlam’s 2020 MSCI ESG Rating Report and internal knowledge within Sanlam.

strategic pillars: 'Enhancing resilience and earnings growth through diversification' and 'Responsible capital allocation and management'.

Strategic risks are risks in the medium to long term. Key strategic risks affecting Sanlam are identified in a top-down approach, at an executive and senior management level. Sanlam also undertakes quarterly scans of external risk reports.

Sanlam's strategic climate risks fall into both the physical risk and transitional risk categories. Physical risks: because of the combined effects of climate change and poor maintenance of infrastructure, risk insurance companies are expected to cover a wider range of risks. Sanlam views risks to insurers potentially high impact (see details in the Insurance Companies response below).

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

Sanlam Group's priority climate change opportunities

Medium to long-term opportunities:

Development and/or expansion of low emission goods and services. Sanlam Group's opportunity in this regard is to increase revenues through access to new and emerging markets (e.g. partnerships with governments, development banks). Global responses to the requirement to meet the Paris Agreement's goal of reducing average temperatures to below 1.5 °C will require drastic changes to local and international energy infrastructure, as well as the infrastructure required to meet climate adaptation goals. 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. Sanlam is further considering the development of a new water fund (Climate Investor Two) in this regard. In addition, Sanlam continues to pursue climate related opportunities by assist local communities address systemic risks that exacerbate climate-vulnerabilities. For example, as of 31 December 2019, Sanlam has:

- Invested R540 million in communities over the past 10 years.
- Pledged R1,5 million in shared value projects in Uganda over the next three years.
- Invested R8,5 million in water security through the group's partnership with WWF-SA.
- Empowered over 50 000 South Africans through the Wage Wise programme
- Assisted in the education of nearly 450 000 children through annual literacy projects and invested R35 million worth of prize money into school legacy programmes.
- Invested R3,4 billion in BEE transactions.

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

Key strategic opportunities are identified in a top-down approach, at an executive and senior management level.

- **Asset Manager**

Sanlam Investments' priority climate change risks

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

Sanlam Investments' priority climate change opportunities

Medium to long-term opportunities:

Development and/or expansion of low emission goods and services: increased revenue through access to new and emerging markets (e.g. partnerships with governments, development banks). Continuation and/or development of environmental/climate change investment funds. Sanlam Investment's partnership with the Development Bank of the Netherlands in the Climate Investor One Development Fund and Construction Equity Fund vehicles has proved particularly successful in 2019, in which \$US 850 million has been mobilised for investments in renewable energy projects. Sanlam is subsequently considering the development of a similar water fund (Climate Investor Two), in partnership again with the Development Bank of the Netherlands. The closure of the Climate Investor One Fund in 2019 generated one-off income of R68 million in the Alternatives business.

Key strategic opportunities are identified in a top-down approach, at an executive and senior management level.

- **Insurance Companies**

Priority climate change risks to insurers

Medium to long-term risks:

Sanlam has identified physical climate risks as strategic risks facing its insurance businesses. Key strategic risks are identified in a top-down approach, at an executive and senior management level. This process has identified the risk that insurance premiums are likely to increase as insurers and reinsurers carry the burden of claims arising from severe weather events. Flood and fire risks, particularly in sub-Saharan Africa are likely to increase. Insurers will have to look at ways of addressing this proactively, including raising awareness around the role insurers can play in risk transfer and risk management. Sanlam is well positioned to tackle these matters and evidence for this includes the company's most recent MSCI ESG rating concludes that Sanlam is better positioned, as of July 2020, to manage risks to insured assets or individuals caused by the physical effects of climate change.

In particular, Sanlam's Santam (non-life insurance) business cluster faces a range of physical climate risks principally to clients in the agricultural sectors. These risks are articulated in the separate Santam submission to ClimateWise.

Priority climate change opportunities for insurers

Short to medium-term climate change opportunities:

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

Sanlam's Santam (non-life insurance) business cluster has identified various opportunities to develop climate adaptation and insurance risk solutions to address physical climate risks. For example, Santam

is the main driver behind the Resilient Investment Fund, which now also attracts other third-party funds. These and other opportunities are articulated in a separate Santam ClimateWise response.

• **Facilities Manager**

Operational climate change risks

Short and medium-term climate change risks:

Chronic changes in weather patterns and severe weather events are physical risks: Water scarcity is one of the greatest risks to the global economy and is particularly relevant in South Africa, which is facing an ongoing drought, compounded by increased variability in rainfall patterns. In particular, the Western Cape is particularly affected. In recent years Cape Town experienced critical water shortages which could have resulted in a scenario known as ‘Day Zero’¹⁰ where the city’s water supplies were expected to run dry. Conversely in 2020, Cape Town experienced one of its wettest seasons on record, with floods and storm damage reported across the country.

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

The operational climate change risks (related to Sanlam’s day-to-day operations) are considered using a bottom-up approach, illustrated in Figure 4 above.

Operational climate change opportunities

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

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

Response¹¹

• **Asset Owner**

Impacts of climate change risks

Sanlam’s strategic climate risks fall into both the physical risk and transitional risk categories. Physical risks are located largely within the insurer and facilities categories, discussed respectively below.

Sanlam has identified transitional risks, related to the transition to a low-carbon economy. Policy, market, technological or reputational factors can affect the value of financial assets and give rise to transition risks. Reputational risks are also a consideration, as stakeholders require more information from companies around how they are addressing increased weather-related risks. Sanlam is in the process of investigating how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations in the near future. The use of climate-related scenario analysis tools will be investigated.

¹⁰ <https://theconversation.com/day-zero-is-meant-to-cut-cape-towns-water-use-what-is-it-and-is-it-working-92055>

¹¹ Sources of information for this response include the Sanlam 2019 Integrated Report; Sanlam 2020 CDP Submission; Sanlam’s 2020 MSCI ESG Rating Report and internal knowledge within Sanlam.

The outcomes of these investigation will include quantifications of material transitional climate change risks, enabling Sanlam to articulate the impacts on the business, strategy and financial planning.

Impacts of climate change opportunities

Impacts of the climate change opportunities on Sanlam Group’s business operations include the development and/or expansion of low emission goods and services. These opportunities are located within Sanlam Investments, as the asset manager, discussed below.

• Asset Manager

Impacts of climate change risks

Sanlam Investments is participating in Sanlam Group’s investigations on how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations. These will include considerations of climate change risks on owned assets.

Impacts of climate change opportunities

Impacts of the climate change opportunities on Sanlam Investments’ operations include:

Opportunity	Evidence of impact on:	
	Business strategy	Financial planning
1. 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.	Continuation and/or development of environmental/climate change investment funds, such as the, Sanlam Capital Markets renewable energy fund; the Climate Investor One Development Fund and the Construction Equity Fund.	- R7,9 billion invested in renewable energy and climate-related funds. - The closure of the Climate Investor One Fund generated one-off income in 2019 of R68 million.
Level of impact:		High

Sanlam is currently developing a new environmental fund, the Climate Investor Two fund, in order to stimulate water infrastructure related projects to address systems water risks. The quantification of the potential impacts and costs of the new fund will be communicated once the development phase is complete.

• Insurance Companies

Impacts of climate change risks and opportunities

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

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

The impacts of Santam's identified climate risks and opportunities are articulated in the separate Santam submission to ClimateWise.

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

Response¹²

• Asset Owner

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

Evidence of Sanlam’s business strategy to address the implications of climate-related issues on both the business and its key stakeholders are underpinned by the listing of severe weather/climate change in the top 10 strategic group risks for the past two years. Furthermore, severe weather/climate change risks featured again in two out of four of Sanlam Group’s strategic pillars: ‘Enhancing resilience and earnings growth through diversification’ and ‘Responsible capital allocation and management’. Accordingly, Sanlam Group is undertaking a series of initiatives, such as the development of a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares.

The long-term plans to address the climate risks to these strategic pillars include the continuation and/or development of environmental/climate change investment funds, such as the, Sanlam Capital Markets renewable energy fund; the Climate Investor One Funds and future water fund, Climate Investor Two (in development), demonstrate 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. Accordingly, the development of investment strategies to address the implications of climate-related issues on both the business and its key stakeholders are therefore driven by the asset manager, Sanlam Investments, discussed below.

• Asset Manager

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

Sanlam Investments is a key driver responsible for the execution of the group’s strategic pillars to ensure the responsible allocation and management of capital as well as the pillar to enhance resilience and earnings growth through diversification. Sanlam Investments plans therefore include the broadening and extension of the group’s investment horizons, guided by the group’s responsible investment policy. For example, the Climate Investor One Fund has a mandate to invest in clean energy projects in emerging markets.

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

¹² Sources of information for this response include the Sanlam 2019 Integrated Report; the Sanlam 2020 CDP Submission and internal knowledge within Sanlam.

• **Insurance Companies**

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

• **Facilities Manager**

Sanlam Group has identified severe weather/climate change as one of the top-10 material group risks in both the 2018 and 2019 financial years. 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 or strong collaboration efforts for encouraging better climate disclosure and further research; demonstrating the use of this information and/or appropriate tools.

Response¹³

• **Asset Owner**

Sanlam has had a partnership with WWF-SA, the world’s largest and most experienced independent conservation organisation, since 2006. The partnership has enabled Sanlam to play a positive and leading role in safeguarding South Africa’s water sources. The WWF-Sanlam partnership has collaborated on marine and freshwater projects – with R50 million invested in water security over the past 12 years. R8,5 million alone was invested in 2019 in water security through the partnership.

With the ongoing severe droughts experienced across the country, water remains a significant and growing sustainability issue that will increasingly impact socio-economic development and the poorest sectors of South Africa’s society over the next 20 years. Sanlam’s partnership with WWF-SA creates opportunities to provide financial support to a body of experts with the knowledge and international reach to make a difference in addressing water-related challenges sustainably and responsibly.

The WWF’s Water Balance Programme in particular aims to rehabilitate critical water catchment areas to improve the healthy functioning of rivers and ecosystems across the country. Since 2014, 700 hectares of land have been cleared of alien plants, with 880 hectares under management. This has created 20 000

¹³ Sources of information for this response include the Sanlam 2019 Integrated Report; the Sanlam 2020 CDP Submission and internal knowledge within Sanlam.

days of employment, and released an estimated 1 billion litres of water back into the rivers and aquifers of affected areas.

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

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

For example, Sanlam is a member of the Just Transition Working Group, administered jointly by the NBI and BUSA. For this working group, the Just Transition is a shift towards environmentally sustainable economies and societies for all. The BUSA Just Transition position paper considers this as "Taking into account the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities". The Just Transition Working Group has developed a draft, aspirational vision related to climate neutrality in South Africa. The group is also undertaking a collaborative study to accelerate green stimulus and create a 'unified voice of South African business' at the United Nation's COP 26 scheduled for late 2021. The Just Transition Working Group represents leading business and industrial players in the South African economy, which is evidence of Sanlam's leadership position and strong collaborative efforts in encouraging better climate disclosure and further research.

• **Asset Manager**

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

• **Facilities Manager**

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

Sub-principle 2.2

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

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

Response ¹⁴									
<p>• 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.</p> <p>Sanlam Group currently uses the following metrics to measure and manage climate-related opportunities:</p> <table border="1"> <thead> <tr> <th>Climate change opportunity</th> <th>Metric</th> </tr> </thead> <tbody> <tr> <td>1. Development and/or expansion of low emission goods and services.</td> <td>Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)</td> </tr> <tr> <td><i>Cost to realise this opportunity:</i></td> <td><i>The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.</i></td> </tr> </tbody> </table>		Climate change opportunity	Metric	1. Development and/or expansion of low emission goods and services.	Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)	<i>Cost to realise this opportunity:</i>	<i>The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.</i>		
Climate change opportunity	Metric								
1. Development and/or expansion of low emission goods and services.	Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)								
<i>Cost to realise this opportunity:</i>	<i>The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.</i>								
<p>• Asset Manager Sanlam Investment will be participating in Sanlam Group’s efforts in considering climate change risks on its managed assets going forward.</p> <p>Sanlam Investments has however considered climate change opportunities.</p> <table border="1"> <thead> <tr> <th>Climate change opportunity</th> <th>Metric</th> </tr> </thead> <tbody> <tr> <td>1. Development and/or expansion of low emission goods and services.</td> <td>Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)</td> </tr> <tr> <td><i>Cost to realise this opportunity:</i></td> <td><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 Bokoport projects for R83 million and R500 million respectively.</i></td> </tr> <tr> <td></td> <td><i>Notably in 2019, the closure of the Climate Investor One Fund generated one-off (increased) income of R68 million in the Alternatives business division.</i></td> </tr> </tbody> </table>		Climate change opportunity	Metric	1. Development and/or expansion of low emission goods and services.	Increased revenues through access to new and emerging markets (e.g. partnerships with governments, development banks)	<i>Cost to realise this opportunity:</i>	<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 Bokoport projects for R83 million and R500 million respectively.</i>		<i>Notably in 2019, the closure of the Climate Investor One Fund generated one-off (increased) income of R68 million in the Alternatives business division.</i>
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	<i>Notably in 2019, the closure of the Climate Investor One Fund generated one-off (increased) income of R68 million in the Alternatives business division.</i>								

¹⁴ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP submission.

• **Insurance Companies**

Sanlam Personal Finance and Sanlam Pan Africa will be considering climate change risks and opportunities on their businesses as part of the Sanlam Group’s investigations into how best to meet the TCFD recommendations for disclosures. The use of scenario analyses to support the assessments and future planning processes may be considered.

• **Facilities Manager**

Climate change risk	Metric
1. Chronic changes in weather patterns: water scarcity may lead to temporary closure of offices.	Reduced revenue from decreased production capacity.
<i>Cost to manage this risk:</i>	<i>The cost of managing this risk is currently R3 million, which is the cost of capital investments in water saving initiatives. These costs are likely to increase in future years. The climate projections for the South Africa, notably for the Western Cape Province, predict chronic changes in weather patterns in the near and medium future, which have the potential to impact Sanlam’s ability to provide insurance services.</i>

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 ¹⁵	
<p>• Asset Owner</p> <p>Sanlam Group is in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares.</p> <p>Sanlam Group uses the following metrics to track performance in managing climate change related opportunities:</p>	
Climate change opportunity	Performance over the last year
1. Development and/or expansion of low emission goods and services.	The cost to realise this opportunity is borne by Sanlam Investments (asset manager), described below.
<p>• Asset Manager</p> <p>Sanlam Investment will be considering climate change risks on its managed assets as part of Sanlam Group’s investigations.</p> <p>Sanlam Investments uses the following metrics to track performance in managing climate change opportunities:</p>	
Climate change opportunity	Performance over the last year
1. Development and/or expansion of low emission goods and services.	Sanlam Investments continues to invest in sustainable and socially responsible funds. <i>Notably in 2019, the closure of the Climate Investor</i>

¹⁵ Sources of information for this response include the Sanlam 2019 Integrated Report and Sanlam 2020 CDP submission.

One Fund generated one-off (increased) income of R68 million in the Alternatives business division.

• Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa will be considering climate change risks and opportunities on their operations as part of Sanlam Group’s investigations into how best to respond as per the TCFD recommendations on climate disclosures.

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

Response¹⁶

• 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.

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

Response¹⁷

• 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.

¹⁶ Sources of information for this response include the Sanlam 2019 Integrated Report.

¹⁷ Sources of information for this response include the Sanlam 2019 Integrated Report.

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

Response¹⁸

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

Employee	Type of reward	Activity
Chief Executive Officer	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.
Chief Sustainability Officer		
Environment/ Sustainability manager		
All employees	Non-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**

Employee	Type of reward	Activity
Facilities Manager	Monetary	Emissions reduction targets: accountable for achieving greenhouse gas, energy, water, waste and paper reduction targets. The achievement of the targets positively impacts bonuses or discretionary pay; hence there exists a strong incentive to reach the emission reduction targets.

¹⁸ Sources of information for this response include the 2020 CDP Submission.

Sub-principle 2.3

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

Levels 1-3

Response ¹⁹
<ul style="list-style-type: none"> • 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 in adopting such climate-related scenario analyses for reporting in its annual integrated reporting procedures and other platforms.
<ul style="list-style-type: none"> • Asset Manager Climate change scenario analyses will be considered at Sanlam Group level.
<ul style="list-style-type: none"> • Insurance Companies Climate change scenario analyses will be considered at Sanlam Group level.
<ul style="list-style-type: none"> • Facilities Manager Climate change scenario analyses will be considered at Sanlam Group level.

Demonstrating continuous improvement (planned activities)

Sanlam is investigating how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations. Sanlam Group is considering the use of scenario analyses to support the assessments and future planning processes.

Sanlam Group is also in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares.

¹⁹ Sources of information for this response include the 2020 CDP submission and internal Sanlam knowledge.

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

Sub-principle 3.1

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

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

Response²⁰

• **Asset Owner**

In 2019, one of the Risk and Compliance committee’s key focus areas during the financial year was to incorporate ESG principles and, in particular, climate change considerations, into the Group’s approach to risk management.

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

As part of identifying and assessing emergent climate risks, Sanlam Group undertakes internal and external scanning of emerging risks on a quarterly basis. Internal scanning includes input from key subject matter experts within the Group regarding emerging risks, whereas the external scanning process focuses on external industry and media risk reports. Emerging risks are therefore constantly tracked and assessed for potential impact. Sanlam’s process for identifying emerging risks is illustrated above in Figure 4.

Sanlam Group further 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. These risks may either be existing or emergent, including emerging regulatory requirements related to climate change.

Determining the risk/opportunity rating: the processes for assessing the potential size and scope of identified climate-related risks and opportunities is initiated through the group Enterprise Risk Management Forum. Risks are categorised into either General/Financial or Business specific risks. A sub-category of risks is 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 both the 2018 and 2019 financial years, severe weather/climate change was identified as one of the top-10 material risks to the group.

The management of risk is undertaken through the Own Risk and Solvency Assessment (ORSA), an overarching process that brings together the results from various processes embedded at the Group

²⁰ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP response.

and cluster level as part of the Group ERM framework (discussed further under Sub-principle 3.1 Level 2 below).

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

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

Sanlam is also subject to regular ESG ratings assessments by independent third-parties, such as MSCI. Sanlam was awarded an A-rating in the latest MSCI assessment (as of July 2020). Such ratings exercises assist Sanlam in identifying potential areas for improvements with regards to its ESG components, such as climate change vulnerability.

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.

Excellent examples of the investment outcomes of Sanlam Group's processes for identifying, assessing and prioritising climate-related risks and opportunities include the development of the renewable energy and water infrastructure funds (Climate Investor One and Climate Investor Two respectively).

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

• **Asset Manager**

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

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.

Therefore, investment risks are assessed as part of the overall ESG risk of the companies the asset manager invests in. This is done through the subscription of ESG research conducted by an external ratings provider. Public information is used to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated either with the company. Water risks are assessed part of the overall ESG assessment of a company, if deemed material to the sector. These findings are factored into the investment process.

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

• Insurance Companies

Sanlam Personal Finance and Sanlam Pan Africa 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.

• Facilities Manager

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

Sub-principle 1.2.

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

Response²¹

• Asset Owner

Sanlam Group’s current business practice and processes for managing climate-related risks are embedded in the organisation’s well-established risk management processes. Sanlam Group currently manages risks on a preventive basis through various risk management activities, including the use of a group wide Enterprise Risk Management process. Sanlam distinguishes between strategic and operational risks, which are mitigated through a mature risk management governance structure:

- The top-down approach is undertaken at an executive and senior management level, and considers the key strategic risks affecting Sanlam in the medium to long term.
- The clusters and business units undertake a bottom-up approach with the assistance of their risk management functions to assess all categories of key risks from an operational perspective.

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 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.

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

Sanlam Group has a specific focus on emerging risks that forms part of the top-down strategic risk assessment process. As part of this process, internal and external scanning of emerging risks is performed on a quarterly basis. Internal scanning includes input from key subject matter experts within the Group regarding emerging risks, whereas the external scanning process focuses on external industry and media risk reports. Emerging risks are therefore constantly tracked and assessed for potential impact. The process to identify emerging risks is illustrated above in Figure 4.

The Own Risk and Solvency Assessment (ORSA) is an overarching process that brings together the results from various processes embedded at the Group and cluster level as part of the Group Enterprise Risk Management framework. The ORSA process consolidates the various outputs and provides an analysis of the risk capital required to be held in respect of the Group’s risks, both currently and over the business planning horizon. The risk and capital assessments in the ORSA take account of the Sanlam’s risk profile, approved risk appetite and business strategy.

The Group risk function manages the ORSA process and drafts a quarterly Group ORSA Update report, which covers assessments and analysis of the Group’s top-down strategic risks, bottom-up operational risks, risk profile, approved risk appetite, corporate credit risk, liquidity risk, current and projected capital and solvency positions, stress and scenario testing, and projections over the business planning horizon. After management review, the report is tabled at the next Sanlam Risk and Compliance committee and Board meetings.

The Group risk function is also responsible to draft the annual Group supervisory ORSA report in accordance with the requirements under the Prudential Standards. The Group supervisory ORSA report is discussed by management and recommended to the Board for approval before submission to the Prudential Authority.

²¹ Sources of information for this response include the Sanlam 2019 Integrated Report and the Sanlam 2020 CDP Submission.

The Group ORSA process is well established and supported by parallel ORSA processes at cluster level. All clusters report on assessments of cluster’s strategic risks, top bottom-up risks, risk profile, risk appetite, emerging risks, issues as well as solvency, stress and scenario testing with forward-looking projections.

Should they materialise, Sanlam’s financial capital is available to absorb the financial impact and ensure that the group remains solvent and able to honour the commitments made to its clients.

The Group continuously reviews and assesses the maturity of the risk management processes across the Group. There continues to be a strong focus on increasing the awareness, capacity and knowledge among Group entities.

This philosophy is demonstrated by Sanlam’s commitment to developing a group climate change position statement, which will articulate climate-related risks to the group’s owned assets (such as investments in stocks, bonds, shares).

• **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.

• **Facilities Manager**

Through responsible property management and proven energy savings, Sanlam Group can unlock operational cost savings. Resource consumption is managed by Sanlam Group’s Facilities Management. Sanlam’s latest measures undertaken in 2019 to conserve resources such as electricity, water, paper as well as various waste minimisation and recycling initiatives are discussed further in the response to Sub-principle 4.3, Level 5.

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

Response²²

• **Asset Owner**

In 2019, one of the Risk and Compliance committee’s key focus areas during the financial year was to incorporate ESG principles and, in particular, climate change considerations, into the Group’s approach to risk management.

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

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

²² Sources of information for this response include the Sanlam 2019 Integrated Report; the Sanlam 2020 CDP Submission and the 2019 Sanlam Governance Report.

identify key material issues of the business according to GRI G4 reporting guideline and are the results are reviewed regularly. The Social, Ethics and Sustainability board reports have been aligned to the Sustainability Management Framework to ensure holistic oversight of the Groups material issues.

In the dynamic process of evolving and assessing the effectiveness of Sanlam Group’s governance approach and structures, Sanlam also considers the criteria used by the following respected ESG reporting and ratings platforms:

- FTSE/JSE Responsible Investment Index Series.
- Dow Jones Sustainability Index;
- ISS-oekom corporate rating.

• 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.

• Facilities Manager

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

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

Response ²³
<p>• Asset Owner</p> <p>The Sanlam Group Board is ultimately responsible for the governance of risk.</p> <p>The Risk and Compliance committee advises and assists the Board in overseeing governance of compliance by setting the direction for how compliance should be approached and addressed in Sanlam. The Sanlam Group compliance policy requires all business cluster boards and employees to comply with applicable laws, non-binding rules, codes and standards in all the jurisdictions in which Sanlam operates.</p> <p>Implementing sound compliance management practices and procedures serve to mitigate compliance risk and improve the Group’s ability to remedy instances of non-compliance that may occur. Creating a sound compliance culture in Sanlam means that compliance is understood for the obligations it creates, and for the rights and protection it affords the Group and its stakeholders.</p> <p>The Sanlam Group compliance policy gives effect to the “tight” aspects of governance in respect of which the Sanlam Group establishes the principles and minimum standards that should be adhered to.</p>

²³ Sources of information for this response include the Sanlam 2019 Integrated Report and the 2019 Sanlam Governance Report.

The Group compliance policy defines principles and minimum standards for the tight aspects of governance that are set and approved by the Sanlam Group Executive committee based on its delegated authority from the Board.

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

The Group compliance officer, with the compliance functions of the business clusters and units, facilitates the management of compliance through analysing statutory and regulatory requirements, and monitoring the implementation and execution thereof. Material deviations are reported to the Risk and Compliance committee.

The Risk and Compliance committee receives regular reports on compliance matters through the Group Compliance Officer, who is suitably skilled and experienced and reports directly to the Group actuary and Group risk officer.

• **Asset Manager**

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

• **Insurance Companies**

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

• **Facilities Manager**

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

Sub-principle 3.2

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

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

Response²⁴

• **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) as well as the Climate Investor Two fund which is in development.

Notably, the Climate Investor Two fund will focus on climate adaptation measures such as²⁵:

²⁴ Sources of information for this response include the Sanlam 2019 Integrated Report.

²⁵ Available at:

- Bulk water supply and potable water treatment for municipalities.
- Wastewater treatment, both for municipalities and for industry, including:
 - Energy production from wastewater
 - Water re-use, in particular for agricultural irrigation
- Ecosystems services for water treatment and coastal protection, for example mangrove restoration.
- Waste and wastewater management.

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

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

<ul style="list-style-type: none"> • Asset Manager <p>Sanlam Investments is responsible for managing Sanlam Group’s investments. Sanlam Investments manages the Climate Investor One and the Climate Investor Two Funds, which enable the financing of renewable energy and water related adaptation projects.</p>
<ul style="list-style-type: none"> • Insurance Companies <p>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.</p>
<ul style="list-style-type: none"> • Facilities Manager <p>Not applicable at this level.</p>

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

<p>Response²⁶</p>
<ul style="list-style-type: none"> • Asset Owner <p>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.</p> <p>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.</p>
<ul style="list-style-type: none"> • Asset Manager <p>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.</p>

https://www.water-energy-food.org/fileadmin/user_upload/files/logos/events/2019/3_Executive_Committee_Meeting_NRD_Programme/190605_FMO_CFM_Water.pdf

²⁶ Sources of information for this response include the Sanlam 2019 Integrated Report.

- **Insurance Companies**
To be considered at the Sanlam Group level during the course of future scenario analyses to support the assessments and future planning processes.

- **Facilities Manager**
Not applicable at this level.

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

Response²⁷

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

Examples on this business strategy included the development of the renewable energy and water infrastructure funds (Climate Investor One and Climate Investor Two respectively), discussed above.

Sanlam Group’s responsible investment initiatives seek to develop new sectors, such as renewable energy technologies and water infrastructure projects that may create more sustainable sources of jobs and economic growth in a carbon and water-constrained environments. These investments are a response to transitional risks in 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.

- **Facilities Manager**
Not applicable at this level.

Demonstrating Continuous Improvement (planned activities)

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

The development of the water infrastructure fund, Climate Investor Two Fund, also marks the initiation of an innovative market opportunity.

²⁷ Sources of information for this response include the Sanlam 2019 Integrated Report.

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 ²⁸
<p>• Asset Owner Sanlam Group’s Procurement Policy stipulates that, to the extent that it is practicable and economically feasible, preference should be given for goods, products or services that conserve natural resources, protect the environment and are energy efficient. Suppliers can be asked to provide proof of their own environmental policies, quantified environmental impact and initiatives to reduce their environmental impact, inclusive of actions to reduce their greenhouse gas emissions. The Group Procurement Policy is applicable across all operations.</p> <p>The updated Sanlam Group Environmental Policy supports the Procurement Policy in that it requires that Sanlam extend its influence across its supply chain by encouraging its supplier network to adopt best environmental practice. The Sanlam Group Environmental Policy is also applicable across all operations.</p> <p>The recently updated Environmental Policy further recognises that climate change presents an important business and global risk that could impact the stability and quality of human society, thereby eroding the financial resilience and prosperity of Sanlam’s clients and the societies in which the business operates in. Sanlam therefore understands that incorporating responsible environmental principles into the group’s business operations is not only the right thing to do, but is essential to ensure the very survival of the business, communities, clients and extended stakeholders into the future.</p>
<p>• Asset Manager Sanlam Investments is required to meet the requirements of the group level Environmental and Procurement Policies.</p>
<p>• Insurance Companies Sanlam Personal Finance and Sanlam Pan Africa are required to meet the requirements of the group level Environmental and Procurement Policies.</p>
<p>• Facilities Manager The facilities manager is required to meet the requirements of the group level Environmental and Procurement Policies.</p>

²⁸ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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

• Response²⁹

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

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

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

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

Response³⁰

• Asset Owner/ Asset Manager/ Facilities Manager

Several environmental/climate-related issues and their physical impacts on Sanlam’s direct operations have been highlighted in Section 2.1. Sanlam’s value chain is likely to experience similar impacts.

Water scarcity is a major climate related issue that could impact Sanlam along several parts of its value chain, such as the following:

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

²⁹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the Sanlam 2020 Group Environmental Policy.

³⁰ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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.

Response³¹

- **Facilities Manager**

Reporting period: Sanlam's financial year (01 January 2019 – 31 December 2019).

Carbon footprint calculation boundary: Sanlam Head Office (at 100%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane.

Methodology: GHG Protocol – Corporate Accounting and Reporting Standard. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary **excludes** Santam facilities. Emissions from Santam are reported in a separate ClimateWise submission.

GHG consolidation approach: Operational Control Approach.

Sanlam's carbon footprint	2019 tCO ₂ e
Scope 1 (direct emissions)	451
Scope 2 (energy indirect emissions)	33 664
Scope 3 (other indirect emissions)	25 794
- Purchased goods and services	515
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,265
- Upstream transportation and distribution	683
- Waste generated in operations	361
- Business travel	8,378
- Employee commuting	11,784
- Downstream leased assets	810
Total Emissions	59 909

³¹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the 2020 Sanlam Group Environmental Policy and the Sanlam 2019 Greenhouse Gas Inventory.

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

Response³²

• **Facilities Manager**

Reporting period: Sanlam’s financial year (01 January 2019 – 31 December 2019).

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

Methodology: GHG Protocol – Corporate Accounting and Reporting Standard.

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

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

Absolute targets	2019	Target year: 2020
Scope 1 (tCO₂e)	2,391	124
Scope 2 (tCO₂e)	41,353	41,505
Total carbon footprint per year (tCO₂e)	78,824	60,371

Intensity Targets	2019	Target year: 2020
Scope 1, 2 & 3 emissions per full-time employee (tCO₂e/FTE)	8.75	7.71
Scope 1, 2 & 3 emissions per square meter of building (tCO₂e/m²)	0.47	0.36

In 2019, Sanlam was not able to reach its overall absolute emission target related to its total combined Scope 1, Scope 2 and Scope 3 carbon footprint, nor either of its intensity targets.

Scope 1 emissions have increased significantly from the previous year, by 1,367%. This is mostly due to a steep increase in the amount of mobile fuel combustion that occurred. This increase in mobile fuel consumption was mainly due to two factors. Firstly, emissions from Sanlam Group and Santam’s vehicle fleets, historically reported under Scope 3, were moved to Scope 1 in 2019 as the fleets are long-term leases and under the respective company’s operational control. Secondly, improved air-conditioning and refrigeration gas refill data sets were available and included in the 2019 GHG inventory. For example, Sanlam Head Office’s fire-suppressant gas, CO₂, was included for the first time.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions increased from 2018, by 9%, even though the actual consumption of purchased electricity decreased slightly. Thus, the increase in emissions is due to the increase in the nation grid emission factor.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased by 69%. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards.

³² Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the Sanlam Group Environmental Policy (2020), the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

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

Response³³

• **Facilities Manager**

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

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

	tCO ² e					
	2014*	2015	2016	2017	2018	2019
Scope 1	115	135	522	260	163	2,391
Scope 2	39,584	36,999	44,761	42,122	38,022	41,353
Scope 3	13,311	16,850	26,681	23,925	38,746	35,081

* **Baseline year.**

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2019 have increased compared to levels in 2018 by 1367%. A large portion of this increase comes from an increase in mobile combustion emissions. These are as a result of two main factors. Firstly, emissions from Sanlam Group and Santam’s vehicle fleets, historically reported under Scope 3, were moved to Scope 1 in 2019 as the fleets are long-term leases and under the respective company’s operational control. Secondly, improved air-conditioning and refrigeration gas refill data sets were available and included in the 2019 GHG inventory. For example, Sanlam Head Office’s fire-suppressant gas, CO₂, was included for the first time.

Sanlam Group’s Scope 2 emissions have also increased from 2018 to 2019, by 9%. This is however due to the increased emission factor related to Eskom’s electricity, as Sanlam’s overall electricity consumption has decreased slightly.

Sanlam Group’s Scope 3 emissions have slightly reduced from 2018 levels, by 9%, despite increasing the number of categories reported on under Scope 3.

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

Response³⁴

• **Facilities Manager**

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

³³ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the Sanlam 2020 Group Environmental Policy, the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

³⁴ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the 2020 Sanlam Group Environmental Policy, the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

The organisational boundary for the 2019 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane.

The organisational boundary for the 2019 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Santam Head Office, Santam Auckland Park, Santam Garsfontein, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO₂e) gases, as required by the GHG Protocol. Unless otherwise stated, all emission factors are provided by Defra, Guideline to Defra’s GHG Conversion Factors for Company Reporting, Annexes, updated in July 2019.

Sub-principle 4.3

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

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

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 manager³⁵.

Response³⁶

- **Facilities Manager**

GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69.02% of total employees for Sanlam Group data. The boundary **includes** Santam facilities. Santam is reported at 100%.

Sanlam’s facilities measure the following environmental indicators.

Metric	2019	Unit of measurement
Electricity usage	237	kWh/m ²
Municipal water usage	1.04	kl/m ²
Paper consumption	38.9	kg/full time employee
Business travel – air	6,420	km / full time employee
Business travel – car rental	184	km / full time employee

³⁵ Targets are set for the performance of Sanlam Group and not for individual division. Thus, the KPIs reported in this Level include Santam’s performance as well.

³⁶ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the 2020 Sanlam Group Environmental Policy, the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

Business travel – hotel	4.53	hotel nights / full time employee
Waste recycled (Head Office)	70%	% kilograms
Waste recycled (total)	54%	% kilograms

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

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

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

Response³⁷							
<ul style="list-style-type: none"> Facilities Manager <p>GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary includes Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s performance, which includes Santam’s emissions, related to its monitored environmental metrics are presented below (2014 was set as the base year):</p>							
Metric	2014	2015	2016	2017	2018	2019	Unit of measurement
Electricity usage	312	298	263	256	240	237	kWh/m ²
Municipal water usage	0.63	0.53	0.60	0.57	0.99	1.04	kl/m ²
Paper consumption	30.9	36.2	28.0	31.7	40.8	38.9	kg/full time employee
Business travel – air	4,665	5,188	7,560	6,378	7,105	6,420	km / full time employee
Business travel – car rental	163	193	169	200	177	184	km / full time employee

³⁷ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the 2020 Sanlam Group Environmental Policy, the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

Business travel – hotel	3.20	3.98	3.50	3.60	4.99	4.53	hotel nights / full time employee
Waste recycled (Head Office)	51%	56%	63%	73%	68%	70%	% kg

Improvement in environmental performance has been achieved for several performance indicators: electricity usage, paper consumption, business travel – air, business travel – hotel, percentage of waste recycled at the Sanlam Head office, and percentage of waste recycled overall.

The electricity emissions per m² had decreased in the last year and is below the 2014 baseline, despite the increased grid emission factor. The percentage of waste recycled at the Sanlam Main building has increased from 51% in 2014 up to 70% in 2019, whilst the overall amount of waste recycled has increased from 35% to 55% in the past year. The consumption of paper has also decreased per full time employee but is not yet below the 2014 baseline.

Performance for business travel impacts is still above the 2014 baseline. Reductions in air and hotel related business travel have been achieved (10% and 9% respectively), whilst car rentals related business travel has increased by 4%.

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

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

Response³⁸																																							
<p>• Facilities Manager</p> <p>GHG consolidation approach: Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69% of total employees for Sanlam Group data. The boundary includes Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s performance related to the facility-level environmental targets (against 2014 baseline levels) follow:</p> <table border="1"> <thead> <tr> <th>Absolute targets</th> <th>2020 target</th> <th>Unit of measurement</th> <th>Progress to date</th> </tr> </thead> <tbody> <tr> <td>Electricity: 10% reduction</td> <td>235</td> <td>kWh/m²</td> <td>Achieved</td> </tr> <tr> <td>Municipal water: 10% reduction</td> <td>0.57</td> <td>kl/m²</td> <td>Not yet reached</td> </tr> <tr> <td>Paper: 10% reduction office paper consumption</td> <td>27.8</td> <td>kg/ full time employee</td> <td>Not yet reached</td> </tr> <tr> <td>Business travel: 10% reduction in air</td> <td>4,199</td> <td>km/ full time employee</td> <td>Not yet reached</td> </tr> <tr> <td>Business travel: 10% reduction in road travel</td> <td>147</td> <td>km/ full time employee</td> <td>Not yet reached</td> </tr> <tr> <td>Business travel: 10% reduction in hotel nights</td> <td>2.88</td> <td>hotel nights / full time employee</td> <td>Not yet reached</td> </tr> <tr> <td>Recycled waste: Head office</td> <td>100</td> <td>% kilograms</td> <td>Not yet reached</td> </tr> <tr> <td>Recycled waste: total waste output</td> <td>50</td> <td>% kilograms</td> <td>Achieved</td> </tr> </tbody> </table> <p>These targets are coming to an end in this calendar year. Sanlam will investigate the setting of new reduction targets. Once complete, the timeline and metrics of the new targets will be defined. The learnings taken from the previous target setting will be used to make relevant targets for Sanlam’s future business operations.</p>				Absolute targets	2020 target	Unit of measurement	Progress to date	Electricity: 10% reduction	235	kWh/m ²	Achieved	Municipal water: 10% reduction	0.57	kl/m ²	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: Head office	100	% kilograms	Not yet reached	Recycled waste: total waste output	50	% kilograms	Achieved
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Business travel: 10% reduction in hotel nights	2.88	hotel nights / full time employee	Not yet reached																																				
Recycled waste: Head office	100	% kilograms	Not yet reached																																				
Recycled waste: total waste output	50	% kilograms	Achieved																																				

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

Response³⁹
<p>• Facilities Manager</p> <p>Each business cluster ensures that appropriate systems are in place to measure and report on their sustainability performance. This includes actions and measures such as the following:</p> <ul style="list-style-type: none"> • The Group Energy Forum incorporates an external company to oversee the accurate measurement of performance and to facilitate a monthly review of all data and actions taken. • Sanlam installed a web-based energy management system to measure real-time consumption per building, in specific sections such as HVAC, data centres and lights. • Continual monitoring is undertaken of essential consumption patterns (energy, water, waste and recycling) and controlled through an internal IT system.

³⁸ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the 2020 Sanlam Group Environmental Policy, the Sanlam 2018 Greenhouse Gas Inventory and the Sanlam 2019 Greenhouse Gas Inventory.

³⁹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the Sanlam Group Environmental Policy (2020).

- Business travel is monitored through a central travel agent.

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

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

Response⁴⁰	
<ul style="list-style-type: none"> • Facilities Manager Sanlam’s ongoing initiatives to manage its environmental footprint include: 	
Environmental Impact	Ongoing initiatives to reduce the existing environmental impact
Electricity usage	<ul style="list-style-type: none"> - Replacement of lights with LED lights - Replace the steam humidity with a water spray system, saving electricity - Replace cooling valves to improve the controls and efficiency of the air conditioning in the Sanlam Main Building. - Install variable speed drives on Sanlam's Air Handling Units (AHUs) to improve controls as well as remove the compressor in the main plant room to reduce energy consumption.
Municipal water usage	<ul style="list-style-type: none"> - Sanlam introduced air cooling in its data center which results in reduced water and energy consumption. This saved 10 kl of water per day in 2019. -
Business travel	<ul style="list-style-type: none"> - Air and road travel as well as overnight accommodation will be reduced by using video- and tele-conferencing where appropriate instead of travelling - Introducing E-sign that allows a client to sign documents electronically in a secure and authenticated way, removing the need for an intermediary to visit a client just to obtain a signature.
Paper consumption	<ul style="list-style-type: none"> - Introducing E-sign that allows a client to sign documents electronically in a secure and authenticated way, reducing paper consumption per sale. - Continue to reduce office paper consumption through technology and behavior changes, such as training and awareness activities among employees - Wasteful printing is contained by means of a print management solution that locks printing and has default duplex page settings. From September 2018 to September 2019 more than 10 million pages have been “saved” by these settings.
Waste landfilled	
Waste recycled	

⁴⁰ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the Sanlam Group Environmental Policy (2020).

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

Response⁴¹

- **Asset Manager**

Sanlam Investments offer Sanlam employees an employment-based retirement scheme that incorporates ESG principles, including climate change. Ongoing engagement activities are undertaken in this regard.

For example, communications include information on how investment risks are assessed as part of the overall ESG risk of the companies the asset manager invests in. This is done through the subscription of ESG research conducted by an external ratings provider. Public information is used to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated either with the company. Water risks are assessed part of the overall ESG assessment of a company, if deemed material to the sector. These findings are factored into the investment process.

In addition, Sanlam Group engages with employees and other stakeholders through the annual Sanlam Benchmark Research Study, considered to be South Africa’s most comprehensive and respected retirement industry study. Sanlam views this engagement to be vital in improving member, including employee, retirement outcomes. This includes the frequency, timing, method and simplification of complex topics.

The survey has been conducted since 1981 via a combination of face-to-face interviews and online studies. Since 2017, the Benchmark study introduced the Sanlam Financial Resilience Index component, which is a diagnostic tool that could be used to determine what obstacles exist that prevent retirement fund members from improving financial resilience. In 2019, Financial Resilience Index research was also conducted among Sanlam employees.

Financial resilience is a complex metric that is determined by different factors. Sanlam’s resilience focus areas include developing responsible financial solutions and strong governance. These topics are inherent to climate change discussions. Accordingly, one of the presentations made at the Benchmark 2019 Symposium by the CEO of Group Risk, Michele Jennings, was titled “Climate change in the Group Risk Industry”⁴². The presentation considers how financial resilience in employee retirement funds can be impacted by climate events that may affect member health and related disability cover.

⁴¹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

⁴² Available at: <https://www.sanlam.co.za/corporate/retirement/benchmarksurvey/Documents/MJ-Presentation-BM-2019.pdf>.

- **Facilities Manager**

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

Sanlam continuously engages with its employees on climate change and environmental issues. Sanlam encourages its employees to make climate/environment wise choices and thus contribute to the company wide (and global) effort to reduce their environmental footprint. Sanlam engages in targeted communications, such as training and awareness activities among its employees. These have helped to initiate behavioral changes that led to reductions in printing as well as increases in recycling rates. Further engagements planned are trustee related training as well as webinars (in light of the COVID-19 pandemic) that will be deployed later this year through six capital consultants.

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

Demonstrating Continuous Improvement (planned activities)

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

- Replacing the steam humidity system with a water spray system, saving electricity; and
- Replacing cooling valves to improve the controls and efficiency of the air conditioning in the Sanlam Main Building.⁴³

Sanlam continues to pursue innovative and effective ideas that will assist it to reduce the environmental footprint. This includes the product/services that Sanlam sells as well as in how Sanlam interacts with its clients.

With respect to the reporting as per asset owner and asset manager, Sanlam Group is in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam's investment products where these are owned assets. These may include investments in stocks, bonds and shares and the metrics used to assess climate-related risks and opportunities in each fund or investment strategy. This process will form part of Sanlam Group's measures to report as per the TCFD recommendations.

⁴³ Sanlam 2020 CDP Submission.

5. Inform Public Policy Making

Sub-principle 5.1

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

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

Response⁴⁴

• Asset Owner

Sanlam Group engages in activities that both influence and respond to climate change through membership and participation in various sectoral committees. Some of the industry associations that Sanlam participates in are BUSA (Business Unity South Africa) and the NBI (National Business Initiative), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.

As such, Sanlam has the ability to influence climate change policy through participating in such groups and the related engagements. For example, the NBI published a study recently outlining several key barriers which impede the growth of green (or sustainable) finance in South Africa. The identified barriers include:

- The need for an all-encompassing national policy for a greener economy, industrial policy and the structure of the financial system as the dominant local factors.
- Shortages of early stage funding, low availability of venture capital and a scarcity of private equity.
- A reliance on concessional loans from local or international banks (both commercial and development banks).

The study and related barriers were subsequently referenced in National Treasury's draft technical paper titled *Financing a Sustainable Economy*⁴⁵, published in 2020. The NBI and the working group on sustainable finance, coordinated by National Treasury, engaged on principles and the NBI study and alignment with National Treasury's draft paper in 2019. The parties concluded that a clear sustainable finance strategy, consistent definitions and understanding of environmental and social risks linked to value creation is needed. This must be supportive of South Africa's climate change objectives, together with the necessary prioritisation of projects and the creation of a commercially viable and sustainable value proposition and more consistent definition of environmental and social risks and value creation.

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

⁴⁴ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the company website (<https://www.sanlam.com/investorrelations/>).

⁴⁵ Available at: <http://www.treasury.gov.za/publications/other/Sustainability%20technical%20paper%202020.pdf>.

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

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

- **Asset Manager**

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

- **Insurance companies**

Sanlam 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.

- **Facilities Manager**

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

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

Response⁴⁶

- **Asset Owner**

Sanlam recognises that climate change can result in a variety of issues. Principally among these, for South Africa, is the increase in water stress as a result of climate change. In response to this, Sanlam has prioritised engagement on water related activities in the form of its ongoing partnership with WWF-SA, since 2006.

Sanlam also joined the WWF-SA Water Balance programme in the George catchment area to help improve the health of the area and its communities. Sanlam’s co-funding unlocked over R2,5 million in government funding for the programme, which provided jobs, facilitated alien clearing and donga rehabilitation which has freed up sources of water in the river on which communities depend.

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

⁴⁶ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the company website (<https://www.sanlam.com/investorrelations/>).

Sanlam’s engagements on water related matters culminated in 2019 in the development of a new investment fund, the Climate Investor Two Fund. Sanlam’s partners on this fund include the same partners in the Climate Investor One Fund, including the Development Bank of the Netherlands.

The water fund’s investment focus will be on⁴⁷:

- Bulk water supply and potable water treatment for municipalities.
- Wastewater treatment, both for municipalities and for industry, including:
 - Energy production from wastewater
 - Water re-use, in particular for agricultural irrigation
 - Fertilizer production
- Desalination, particularly related to solar and wind powered desalination.
- Ecosystems services for water treatment and coastal protection, for example mangrove restoration.
- Waste and wastewater management.

• **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.

• **Facilities Manager**

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

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

Response⁴⁸
<p>• Asset Owner</p> <p>Sanlam Group actively engages and collaborates with partners and stakeholders on matters relating to climate change.</p> <p>Engagements with peers in the financial sector occur through participation in various communities such as BUSA; Business Leadership South Africa; the NBI; the Association for Savings and Investment South Africa and the South African Insurance Association. Sanlam is active on all the Association for Savings and Investment South Africa standing committees and working groups. As discussed above in Sub-principle 5.1, Level 1, Sanlam actively engages with the business community and government departments through BUSA and NBI research and initiatives, such as the Just Transition Working Group in which Sanlam is a participating member.</p> <p>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. Just</p>

⁴⁷ Available at: https://www.water-energy-food.org/fileadmin/user_upload/files/logos/events/2019/3. Executive Committee Meeting NRD Programme/190605_FMO_CFM_Water.pdf

⁴⁸ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the company website (<https://www.sanlam.com/investorrelations/>).

in this past financial year, Sanlam supported WWF-SA with R8.5 million. This partnership has been ongoing for 14 years, since 2006.

The Sanlam Foundation is also working with WWF-SA to develop and distribute an ‘Aqua Champs’ teaching resource that aims promote responsible water stewardship among learners and teachers. The book is designed to take learners on an adventure and create awareness of how they can protect and manage water resources. The content of the textbook reflects the national curriculum and will provide teachers with comprehensive lesson plans, class activities and assessment projects. The effectiveness of this intervention was tested in three schools in Afrikaans, English and isiXhosa. The book will be made available to the general public this year.

- **Asset Manager**

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

- **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.

- **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, the financial year in which any support was given, outcomes and an explanation of how this research has been used to inform business strategies and advance the common interest.

Response⁴⁹

- **Asset Owner**

Sanlam’s market research has enabled Sanlam to identify severe weather/climate change as one of the top 10 strategic Group risks in 2018 and 2019. This internal research highlighted areas where Sanlam can improve its environmental performance as well as possible mitigation and adaptation strategies that Sanlam can employ.

In addition, Sanlam Group annual Sanlam Benchmark Research Study, considered to be South Africa’s most comprehensive and respected retirement industry study, is increasingly posing questions related to climate change perspectives of employees and consultants. The results of the study are presented at the annual Sanlam Benchmark Symposium and made available on the Sanlam web portal (<https://www.sanlam.co.za/corporate/retirement/benchmarksurvey/benchmarksymposium/Pages/benchmark-symposium-2020.aspx#OtherBenchmarks>).

The survey has been conducted since 1981 via a combination of face-to-face interviews and online studies. In 2019, Financial Resilience Index research was also conducted among Sanlam employees in the benchmark survey. Financial resilience is a complex metric that is determined by different factors.

⁴⁹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the NBI website (<https://www.nbi.org.za/communications/reports/>), Sanlam’s 2020 MSCI ESG Ratings Report and the company website (<https://www.sanlam.com/investorrelations/>).

Sanlam’s resilience focus areas include developing responsible financial solutions and strong governance. These topics are inherent to climate change discussions. Accordingly, one of the presentations made at the Benchmark 2019 Symposium by the CEO of Group Risk, Michele Jennings, was titled “Climate change in the Group Risk Industry”⁵⁰. The presentation considers how financial resilience in employee retirement funds can be impacted by climate events that may affect member health and related disability cover.

Sanlam is also a member of the NBI, which has conducted water related research in the past year. Kopano ya Metsi (‘meeting for water’ in Sesotho) was initiated in 2017 by the NBI in partnership with the Confederation of Danish Industry and Voluntas Advisory, to understand how water investment can be unlocked in South Africa. More specifically, it sought to answer the following questions:

- How can water finance be unlocked?
- What is the potential role of formal Public Private Partnerships?
- How can municipal water management be strengthened?
- How can we solve for a specific challenge, wastewater treatment?

Kopano ya Metsi is still ongoing and engages with hundreds of water experts in South Africa through eight major roundtables, conferences and workshops held across four cities (Durban, Pretoria, Johannesburg and Cape Town), as well as a series of individual meetings. Preliminary results are highlighted in a series of reports being published by the NBI (available on <https://www.nbi.org.za/communications/reports/>). For example, a preliminary result suggests that the City of Johannesburg, eThekweni Municipality, City of Cape Town and Ekurhuleni Municipality are the municipalities most suitable for Public Private Partnerships when it comes to water provision.

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. Sanlam supported WWF-SA in the research required for the 2019 update the publicly available Water Risk Filter tool. The product of this research can be found on <https://waterriskfilter.panda.org/>. Other research that was supported included the development of the water resources areas data for the Journey of Water project and the development of the Aqua Champs teaching resource. In total, Sanlam contributed R8.5 million to the WWF-SA in 2019.

• **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. For example, Sanlam recently participated in a peer-based, ESG assessment by ratings entity MSCI. Sanlam was rated as achieving an A-ESG rating by MSCI, as of July 2020. The MSCI ESG rating assessment concluded that Sanlam is better positioned than before to manage risks to insured assets or individuals caused by the physical effects of climate change. The assessment also found that property and casualty insurance lines tend to be linked with fixed assets and real estate and therefore are characterized by relatively more climate change-related risk comparing to life or health insurance. The scores are based on insured exposure to geographies vulnerable to climate change effects; and integration of climate change risks into product strategy and risk management processes.

• **Facilities Manager**

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

⁵⁰ Available at: <https://www.sanlam.co.za/corporate/retirement/benchmarksurvey/Documents/MJ-Presentation-BM-2019.pdf>.

Level 2 - Additional requirement to undertake action to proactively promote knowledge sharing within the industry by sharing the research and engaging others in the research topic.

<p>Response⁵¹</p>
<p>• Asset Owner Sanlam Group proactively shares the findings of its research, undertaken at all levels of the organisation across different and targeted audiences.</p> <p>For example, Sanlam shares information and data with the various committees in which it participates, such as Business Unity South Africa; the National Business Initiative; Business Leadership South Africa; the Association for Savings and Investment South Africa and the South African Insurance Association.</p> <p>For example, the Sanlam Foundation has partnered with WWF-SA to develop and distribute an ‘Aqua Champs’ teaching resource that aims promote responsible water stewardship among learners and teachers. The book is designed to take learners on an adventure and create awareness of how they can protect and manage water resources. The content of the textbook reflects the national curriculum and will provide teachers with comprehensive lesson plans, class activities and assessment projects. The effectiveness of this intervention was tested in three schools in Afrikaans, English and isiXhosa. This book will be made available online this year to all schools.</p> <p>Furthermore, the results of the research conducted in partnership with WWF-SA, such as that conducted for the Water Risk Filter, is made publicly available. For example, in 2018, when the City of Cape Town was facing Day Zero, this partnership resulted in the research and publication of a series of short documents titled Wednesday Water Files. These were aimed at assisting residents of the Western Cape to prepare for Day Zero (https://www.wwf.org.za/bucket_list.cfm).</p>
<p>• 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.</p>
<p>• Insurance Companies Sanlam Personal Finance and Sanlam Pan Africa undertake research and related engagements at the asset owner (Sanlam Group) level.</p>
<p>• Facilities Manager Research and engagement with other stakeholders on research are undertaken at the asset owner (Sanlam Group) level.</p>

⁵¹ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the company website (<https://www.sanlam.com/investorrelations/>).

Level 3 - Evidence that the research addresses key climate-related risks facing the business. Members are asked to demonstrate that the research plays an integral part in influencing on business strategy and advancing the common interest.

Response⁵²

• 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. In particular, Sanlam Group’s annual Sanlam Benchmark Research Study, considered to be South Africa’s most comprehensive and respected retirement industry study, is increasingly posing questions related to climate change perspectives of employees and consultants.

Sanlam Group’s 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 Fund (successfully closed in 2019).

In addition, the research being conducted by the National Business Initiative, of which Sanlam is a member, is also focused on the provision of water in South Africa. One of several impacts that climate change is likely to have is an increase in water stress throughout South Africa. It is in South Africa’s common interest to tackle issues revolving around the provision of water and to reduce the water stress where possible. Access to clean water is an underlying driver both for an individual’s health as well as the health of the economy. Accordingly, Sanlam Investments (asset manager) is developing and Climate Investor Two Fund, which is focussed on water investments and infrastructure programmes.

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 investment practices. It has assisted Sanlam in identifying areas where Sanlam can reduce its water consumption (discussed in more detail under Principle 4). Furthermore, the Water Risk Filter tool created in partnership with the WWF-SA (discussed previously in Subprinciple 5.1 Level 1) has been used for the assessment of over 60 000 facilities and farms worldwide, with more than 16 000 of these occurring in South Africa.

• 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 Climate Investor One Fund (which was closed in 2019) and the development of the Climate Investor Two Fund.

• 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.

• 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.

⁵² Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission, the NBI website (<https://www.nbi.org.za/communications/reports/>) and the company website (<https://www.sanlam.com/investorrelations/>)

Demonstrating Continuous Improvement (planned activities)

Sanlam will continue its partnership with WWF-SA and promote the researching and sharing of knowledge related to water stress in South Africa. The research being conducted by the National Business Initiative is also still underway and should be completed by the end of 2020.

Sanlam is also in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares. This will act as a springboard from which Sanlam can launch its engagement on climate change and climate-related issues with shareholders, clients, industry, stakeholders and the greater public.

Sanlam is also looking at how to meet the new Financial Stability Board’s Disclosure (TCFD) recommendations released in June 2017 in a pragmatic way.

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.

Response⁵³

- **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. In its updated Environmental Policy, Sanlam has committed to improving its reporting on its environmental performance to relevant stakeholders through stakeholder engagement to strengthen its activities and to ensure transparency in its actions.

Sanlam Group has developed a sustainability portal (<https://www.sanlam.com/investorrelations/sustainability/sustainability2019/Pages/default.aspx>) to communicate the group’s beliefs and strategy on climate-related issues to its customers. The portal provides links to several topics revolving around Sanlam’s approach to sustainability, including their response to climate change. It also provides links to videos of several C-suite officers responding to stakeholders’ requests for transparency on several issues regarding Sanlam’s operations, including its approach to ESG aspects when making investment decisions and how it is improving resilience for its customers. The portal also provides downloadable content, such as reports and press releases, that go into greater detail on Sanlam’s approach to sustainability and what it means to Sanlam as well as links to non-financial performance indicators that Sanlam uses to track its environmental performance. This is part of Sanlam’s commitment to transparent and relevant stakeholder reporting and is enhance through personal interaction and feedback. Using an online interactive portal format to communicate with stakeholders helps save paper and money and reduces the group’s carbon footprint.

⁵³ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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:

- Press releases (such as the communications on the Climate Investor Two fund, which is in development).
- Environmental, social and governance reporting in public platforms such as the CDP (formerly known as the Carbon Disclosure Project); the Embedding Project (specifically the African Peer Network) and ClimateWise.
- Social media platforms, such as Facebook, Twitter, YouTube and Instagram.
- Mobile App.

• **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 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.

• **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.

Response⁵⁴

• **Asset Owner**

As discussed above in Level 1 of the Sub-principle 6.1 response, Sanlam Group engages with its customers/clients using various platforms and media outlets. These include the following:

- Annual Report.
- Press releases (such as the communications on the Climate Investor Two fund, which was launched in January 2020).
- Environmental, social and governance reporting in public platforms such as the CDP; the Embedding Project (specifically the African Peer Network) and ClimateWise.
- Social media platforms, such as Facebook, Twitter, YouTube and Instagram.
- Mobile App.

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

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

⁵⁴ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

<ul style="list-style-type: none"> • Asset Manager Engagements are undertaken at the Sanlam Group level. This approach is effective because Sanlam Investments’ main client is Sanlam Group, the owner of the assets managed by Sanlam Investments. Sanlam Group’s clients are those customers that take up the services offered across the group’s business divisions and thus communications are channelled through Sanlam Group or the respective insurance companies.
<ul style="list-style-type: none"> • Insurance Companies Sanlam Personal Finance’s and Sanlam Pan Africa’s engagements regarding climate change matters are undertaken at the Sanlam Group level.
<ul style="list-style-type: none"> • 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.

<p>Response⁵⁵</p>
<ul style="list-style-type: none"> • Asset Owner Public disclosures in integrated annual reports, different media and reporting platforms allow Sanlam Group to target engagements with 100% of its shareholders and clients on climate change matters (as discussed above in the Level 2 response to Sub-principle 6.1). Shareholders and clients are encouraged to provide comments and feedback directly to Sanlam Group on the group’s disclosures. This ensures that all the quarries/needs of Sanlam’s shareholders and clients can be met. Furthermore, the information available on the online platforms, such as Facebook, Instagram, Twitter and Sanlam’s website, is open to the public. This means that any interested party, whether they are shareholders or clients or neither, can access the information. Should the information that an interested party is looking for not be available on the online platforms, then the interested party can email, phone or reach out via social media to Sanlam to have their quarries addressed. These are ongoing disclosures which Sanlam Group will continue to make in the future.
<ul style="list-style-type: none"> • Asset Manager Disclosures are undertaken at the Sanlam Group level. This approach is effective because Sanlam Investments’ main client is Sanlam Group, the owner of the assets managed by Sanlam Investments. Sanlam Group and the insurance companies are therefore responsible for liaising directly with their respective clients.
<ul style="list-style-type: none"> • Insurance Companies Sanlam Personal Finance’s and Sanlam Pan Africa’s disclosures are undertaken at the Sanlam Group level. These are ongoing disclosures which Santam will continue to make in the future.
<ul style="list-style-type: none"> • Facilities Manager Disclosures are undertaken at the Sanlam Group level.

⁵⁵ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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 ⁵⁶
<p>• 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.</p> <p>Sanlam is also participating in Partnerships for Risk and Resilience (P4RR). This is a collaboration between government, municipalities, universities and other stakeholders to initiate projects to better understand and manage risks on the ground. P4RR is embedded in ongoing scientific research to help Sanlam understand the drivers of risks and how to encourage appropriate risk response behaviours.</p> <p>Furthermore, Sanlam, in partnership with WWF-South Africa, has relaunched an updated version of the Water Risk Filter. This tool enables companies or individuals to assess the water risk to different economic activities in different river basins. The assessment tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. The Water Risk Filter can be accessed on https://waterriskfilter.panda.org.</p>
<p>• Asset Manager Sanlam Investments’ main client is Sanlam Group. Identification of areas of behaviour change needed to mitigate climate risk in Sanlam Group’s client base therefore occurs at the Asset Owner level, discussed above.</p>
<p>• Insurance Companies Sanlam Personal Finance’s and Sanlam Pan Africa’s main services include the provision of life insurance and the provision of loans.</p> <p>Clients of these services stand to benefit from climate change adaptation measures, such as improved infrastructure, which can assist clients withstand physical climate impacts (such as severe weather incidents). Sanlam’s insurance companies may investigate these risks in depth in future, as part of Sanlam Group’s measures to respond to the TCFD recommendations.</p>
<p>• 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.</p>

⁵⁶ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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

Response⁵⁷

• 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 through various media. These include company reports, such as the integrated annual reports, and various online platforms, such as the sustainability portal (<https://www.sanlam.com/investorrelations/sustainability/sustainability2019/Pages/default.aspx>), and different media platforms and environmental, social and governance reporting such as the CDP, the African Peer Network of the Embedding Project and ClimateWise.

Sanlam has also diversified its engagement methods to include various social media platforms, such as Facebook, Twitter, Instagram and YouTube. This allows the different divisions of Sanlam from different regions to have their own account from which they can relay information relevant to clients in their geographical location (for example, sanlamnamibia and sanlamtanzania are two different accounts on Instagram).

Sanlam also encourages its clients to make use of various climate risk tools, such as the Water Risk Filter that Sanlam has developed in partnership with WWF-South Africa.

• 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.

• 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.

⁵⁷ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the 2020 Sanlam Group Environmental Policy.

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.

Response⁵⁸
<ul style="list-style-type: none"> Asset Owner Sanlam, in partnership with WWF-South Africa, has relaunched an updated version of the Water Risk Filter. This tool enables companies or individuals to assess the water risk to different economic activities in different river basins. The assessment tells the user the relative threat to this activity, guides farmers and facility managers on how to better mitigate their risk in different areas, and how to become water stewards. The Water Risk Filter can be accessed on https://waterriskfilter.panda.org.
<ul style="list-style-type: none"> Asset Manager Sanlam Investments’ main client is Sanlam Group and the respective insurance companies.
<ul style="list-style-type: none"> 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.
<ul style="list-style-type: none"> Facilities Manager Not applicable at this level.

Demonstrating Continuous Improvement (planned activities)

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

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

5G technology will further revolutionize the speed and amount of communication that is available. Sanlam is investing in improving the operations of its servers in order to ensure that there is no breakdown in communication and service delivery to its customers as it goes through the transition to 5G with the rest of South Africa.

Furthermore, Sanlam is aware of how climate change can influence the lives of its clients as well. Sanlam has been entrusted with the assets of its clients and takes this responsibility seriously. Sanlam Group is in the process of developing a group climate position statement, to assess and articulate climate-related risks to Sanlam’s owned assets, such as investments in stocks, bonds and shares. This will be communicated with stakeholders once finalised.

⁵⁸ Sources of information for this response include the Sanlam 2019 Integrated Report, the Sanlam 2020 CDP Submission and the Sanlam Group Environmental Policy (2020).

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 2020 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 2020 ClimateWise response are contained within the group's annual reports, internet portals and other public documents.