

VERIFICATION OPINION DECLARATION: GREENHOUSE GAS EMISSIONS

To: The Intended Users and Stakeholders of Sanlam Limited

- **Organization:** Sanlam Limited
- **Address:** Sanlam Head Office, 2 Strand Road, Bellville, 7530, South Africa
- **Verification Standard:** ISO 14064-3 'Specification with guidance for the verification and validation of greenhouse gas statements'
- **Verification Criteria:** WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard, 2004, and subsequent Amendments.
- **GHG Consolidation Approach:** Operational Control
- **GHG Inventory Period:** 01 January 2022 to 31 December 2022 (2022)
- **GHG Inventory:** Refer to: 2023-02-27 Sanlam Group GHG Footprint FY2022_VERIFIED 27Feb2023.xlsx

Sanlam Limited ('Sanlam'), together with Santam and several other subsidiaries, is a diversified financial services company founded in South Africa. Core operations include life insurance, long- and short-term insurance, personal finance, and asset management. Globally Sanlam has a direct and indirect presence in more than 40 countries, predominantly in Africa, where it operates in 33 countries.

Sanlam engaged Verify CO₂ to conduct an independent greenhouse gas ('GHG') emissions verification with the objective of providing assurance to a limited level that the company's 2022 *GHG Statement* is accurate and conforms with the stated criteria.

It should be noted that verification activities performed to achieve a limited level of assurance are less extensive in nature, timing and extent than those for reasonable assurance. Furthermore, GHG quantification is subject to inherent uncertainty as the methods used to determine, calculate, sample and estimate GHG data rest upon incomplete scientific knowledge.

This *GHG Verification Opinion Declaration* applies to the information related to the scope of work detailed below.

Responsible Parties

Sanlam nominated a third party¹ to prepare the *GHG Statement* set out below but retains sole responsibility for its preparation and fair presentation in accordance with the stated criteria.

Verify CO₂'s responsibility is to express an independent opinion on Sanlam's 2022 *GHG Statement* regarding:

1. Conformity with the verification criteria, namely the principles and requirements of the WRI/WBCSD *GHG Protocol Corporate Accounting and Reporting Standard*; and
2. Completeness and accuracy of the underlying activity data as well as the GHG emissions quantification.

Verification Scope & Exclusions

- **Organisational Boundary:** No significant structural changes took place during 2022. As in previous years, and in accordance with the Group's *Sustainability Management Framework*, the boundary included 11 offices located in 9 operationally controlled facilities in South Africa, representing +/- 80% of the Group's direct subsidiaries:
 - **Sanlam (7 Offices):** Head Office Campus, Houghton/Sky, Sanlam Investments (SIM), Sanlynn, Alice Lane, Glacier Place, West End D
 - **Santam² (4 Offices):** Head Office/Admin, Auckland Park, Alice Lane³, Glacier Place⁴

¹ Collation of activity data and GHG quantification were carried out by Promethium Carbon on behalf of Sanlam.

² Sanlam is the majority shareholder of Santam and Santam offices are managed by Sanlam Facilities.

³ Sanlam and Santam lease the whole of the Alice Lane building, occupying 66.52% and 33.48% respectively.

⁴ Sanlam and Santam lease part of this site. The rest, all HVAC and backup generators, are controlled by the landlord.

- **Reporting boundary:** All scope 1 and scope 2 GHG emissions associated with the above facilities, and emissions for 6 of the 11 scope 3 categories deemed relevant to Sanlam’s business activities were reported.
 - **Reporting Exclusions - Facilities:** The boundary was limited to operations in South Africa and included only the above-mentioned 11 large regional offices which accounted for approximately 80% of the Group’s operations.⁵
 - **Reporting Exclusions – Sources:** No relevant scope 1 or scope 2 GHG emissions sources were excluded but fuel for +/-22 Sanlam-owned vehicles was not available. For the reported scope 3 categories, incentive travel was excluded (data submitted late).
 - **Verification Exclusions:** All GHG conversions were checked, but due to an unanticipated number of reporting errors and time constraints, source data for courier and waste were not checked. As presented, these accounted for only 1.54% of Sanlam’s reported scope 3 emissions.
- 100% of Sanlam’s reported scope 1 and scope 2 and 98.5% of measured scope 3 GHG emissions were verified.**

GHG Statement

After correction of misstatements, the 2022 *GHG Statement* below was finalized on 27 February 2023:

SANLAM LTD - 2022 GHG Emissions	Metric tonnes CO ₂ e
Scope 1	2 821
Scope 2 (location- & market-based) ⁶	33 605
Total Scopes 1 & 2 (location-based)	36 426
Scope 3 ⁷	22 984
Total Scopes 1, 2 & 3 (location-based)	59 410
Outside of Scopes – HCFC R-22 ⁸	103

Additional Verified Information

Verified for CDP 2023 Climate Change & Water Security Submissions			
Year-on-year change in emissions	Scope 1; Scope 2; Scopes 1 & 2; Scope 3		
Year-on-year emissions intensity figures	2019/2020	2020/2021	2021/2022
2022 Total Energy Consumption: ⁹	41 538 MWh		149 536 GJ
- Consumption of fuels	9 079 MWh		32 685 GJ
- Purchased/acquired electricity ¹⁰	32 459 MWh		116 851 GJ
2022 Municipal Water Consumption:	120 041 kl		

Level of Assurance and Qualifications

- The verification activities provided a limited level of assurance on the final *GHG statement* above.
- A materiality threshold of 5% per emission source was applied.
- The following qualification was raised in relation to the unmodified verification opinion:
 - **Organizational Boundary:** Although consistent with Sanlam’s base year and historical GHG reporting, reported GHG emissions represented only +/- 80% of the Group’s directly controlled global operations and 77% of those in South Africa (based on FTE Office employees).¹¹

⁵ The Group also operates numerous smaller offices around South Africa, but due to data availability and the significant reporting burden relative to their GHG contribution, these sites were once again excluded from the reporting boundary.

⁶ Sanlam did not claim to have purchased any contractual instruments, carbon credits or offsets during 2022.

⁷ Scope 3: Cat.1 Purchased Water – 176 tCO₂e (included from 2021) & Paper – 120 tCO₂e; Cat.3 Fuel-& Energy Related Activities – 4,671 tCO₂e; Cat.4 Upstream Courier Transport – 211 tCO₂e; Cat.5 Waste - 142 tCO₂e; Cat.6 Business Travel - 7,541 tCO₂e; Cat.7. Employee Commuting – 10,213 tCO₂e (includes 1,210 tCO₂e work-from-home emissions).

⁸ Fugitive emissions for refrigerant gases not listed under the Kyoto Protocol (included in Sanlam’s GHG intensity targets).

⁹ No renewable/low carbon energy was purchased or generated on site during 2022.

¹⁰ An additional 193 MWh energy was acquired from landlord-controlled generators used at Glacier Place.

¹¹ Based on number of staff whose primary location is at one of the 11 offices vs. total SA office-based FTE employees in 2022.

GHG Verification Activities

The evidence-gathering procedures carried out during the verification included but were not limited to:

- Risk assessment based on a high-level overview of the initial GHG data relative to historical reporting, as well as a review of selected historical documentation underlying the reported information for 2022.
- Liaison with the CBRE Excellerate utilities and facilities teams to clarify anomalies and deviations and to provide supporting evidence as required.
- Analytical procedures to assess completeness, accuracy and year-on-year variances (e.g., sampling and source data checks, recalculation as well as tracing of primary data to GHG information).
- Evaluation of the appropriateness of emission factors, estimation methodologies and assumptions.
- Evaluation of the accuracy and consistency of the GHG emissions and GHG intensity calculations.
- Evaluation of conformity of the *GHG Statement* with the verification criteria referenced above.
- Liaison with Promethium Carbon to provide feedback on the verification findings and required corrective action.
- Due to time and cost constraints, evaluation of uncertainty and an independent review were not carried out.

GHG Verification Findings

- **GHG Reporting:** Sanlam still does not have a *Base Year Recalculation Policy* in place.
- **Employees:** Headcount per office was based on employees' primary office location during 2022 extracted from the My Workstation system. It was uncertain if these metrics are consistent with those used previously (based on desk count). This must be taken into consideration when comparing year-on-year tCO₂e/FTE intensities.
- **Scope 1:** Scope 1 emissions were initially significantly under-reported as both Sanlam and Santam fleet fuel was omitted as well as some HVAC gas refills. At the close of the audit, fuel consumption for the +/-22 Sanlam-owned vehicles was still outstanding (also not reported in previous years). However, compared to 2021, final scope 1 emissions increased significantly, primarily due to more load shedding incidents resulting in increased use of backup diesel generators.
- **Scope 2:** Emissions decreased by 5.2% due to load shedding and a 2% decrease in Eskom's FY2022 CO₂ emissions factor compared to FY2021.
- **Scope 3:** Emissions increased compared to 2021 due to more business travel and an increase in employee commuting (an updated commuting survey was carried out, more staff returned to the workplace and overall FTE employees increased). However, both activities remained significantly lower than in 2019 (pre-Covid).

Future Recommendations

- **GHG Data Management:** GHG data controls require significant improvement as well as management oversight.
 - It is recommended that a middle management-level in-house person (preferably with some experience in GHG accounting) should be made fully accountable for data integrity, driving improvements, and ensuring that Sanlam's GHG reporting remains aligned with best practice.
 - Unlike what has happened in the past, the data submitted for verification must be final and must remain static throughout the verification process. Data received late and/or changes must be communicated to the verification team for review and inclusion in the corrective action requests.
 - Given the short timeline available to calculate and verify Sanlam's annual GHG emissions, data reliability can be improved by implementing a quarterly or bi-annual internal audit process.
 - To ensure year-on-year consistency in the employee indicator used to calculate commuting emissions and intensity ratios, for each office in the boundary "headcount" should be used. This should be based on the My Workspace "primary office location" employees rather than access card swipes which include visitors.
 - A *Base Year Recalculation Policy* should be drawn up and 2019 GHG emissions recalculated accordingly to reflect the various changes that have taken place since it was compiled.

- **GHG Boundaries:** For completeness, both the organizational and scope 3 reporting boundaries can be extended.
 - Organizational Boundary: Additional Sanlam/Santam office facilities such as Milkwood, Tygerpark 5, Greenacres Boulevard, Rosestad and Wanderers should be included in the Group's reporting.
 - Reporting Boundary: A scope 3 screening exercise should be done to identify additional relevant scope 3 emissions sources, particularly for Category 1: Purchased Goods/Services and Category 15: Investments. The additional reporting burden can be offset by omitting activities with low emissions (e.g., airport transfers).

Conclusion and Final Verifier Opinion - Unmodified

Based on the evidence obtained whilst conducting the limited assurance procedures in accordance with **ISO 14064-3** and the stated criteria, misstatements were identified and duly rectified. Aside from not having a formal *Base Year Recalculation Policy*, there is no remaining evidence that the revised version (dated 27 February 2023) of Sanlam's *GHG Statement* as set out above:

1. has not been prepared in accordance with the principles and requirements of the *WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard*; and
2. does not provide a fair and accurate representation of Sanlam's GHG emissions data and information for the stated inventory period and boundaries.

Verify CO₂ did not conduct any work outside of the agreed scope, and our opinion is therefore restricted to the agreed subject matter.



Signed: Kerry Evans
Lead GHG Verifier
Verify CO₂
Date: 10.03.2023