

# 2023 ClimateWise Response for the Sanlam Group

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T +27 11 778 6186

[Abel.Sakhau@sanlam.co.za](mailto:Abel.Sakhau@sanlam.co.za)

11 Alice Lane, Sandton, 2193

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## Introduction

This is Sanlam's fifth consecutive report submitted to ClimateWise, providing updates on the Group's efforts to address climate change risks and capitalise on opportunities during the financial year from January 1, 2022, to December 31, 2022.

Sanlam is a diverse financial services company that originated in South Africa and now operates in 31 countries, including selected developed markets. With a 104-year history, Sanlam has been instrumental in empowering South Africans and is a trusted advisor to retail and institutional clients across the country. As the largest insurance group in Africa, Sanlam holds the top position in terms of market capitalisation and has been listed on the Johannesburg Stock Exchange (JSE) and the Namibian Securities Exchanges since 1998.

Sanlam offers a range of products, including:

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

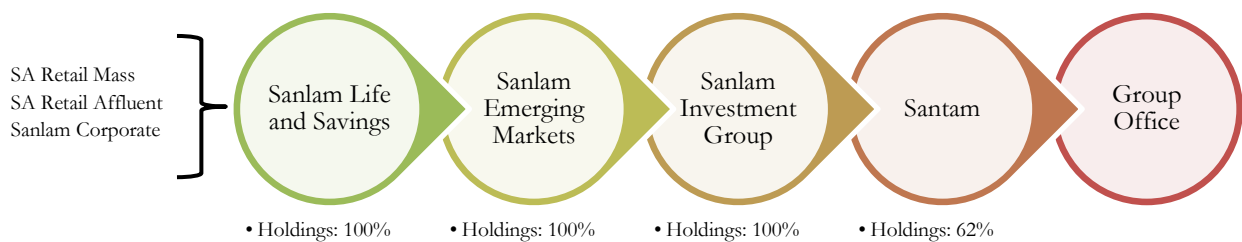
The Group continues to play a significant role in combatting climate change through various initiatives, including the Climate Investor One and the Climate Investor Two financial facilities. Climate Investor One invests in, and is focused on, renewable energy infrastructure such as projects in the wind, solar and run of river hydro sectors. In FY2022, the Climate Investor One fund had a final close of US\$950 million in commercial funds having been allocated, which was 30% above target. Climate Investor Two was launched in 2020 and announced a conditional first close at \$US675 million during COP26 in November 2021, targeting a final close of US\$1 billion. Climate Investor Two is a financing facility mandated to invest in water, sanitation and ocean infrastructure projects. In FY2022, and to date, a total of US\$855 million was raised in two tranches.

Sanlam's progress in 2022 included the:

- Establishment of an Environmental, Social and Governance (ESG) committee to support the governance of ESG issues;
- Finalisation of Sanlam Investment Group's policy position on climate change and fossil fuel investment to decarbonise its investment portfolio;
- Assistance from PwC in understanding climate-related risk and scenario analysis capabilities and actions throughout the clusters;
- Drafting and ongoing review of a Group climate change position statement;

- Partnerships with organisations like Robeco and the proposed partnership with Alliance, which are sustainability leaders, which will help Sanlam accelerate the integration of ESG into the investment and insurance business;
- Participation by Sanlam Investment Group in the Taskforce on Nature-related Financial Disclosures (TNFD) pilot program to help quantify biodiversity and climate transitions risk.

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



**Figure 1: Sanlam's Cluster (Source: Sanlam 2022 Governance report, page 38)**

Sanlam's 2023 ClimateWise response presentation is structured according to the interconnected nature of the company's clusters and their respective categories.

To ensure clarity, the ClimateWise response is structured according to the categories outlined in Table 1 below:

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

Category	Business/cluster	Business division/cluster profile
Asset* Owner	- Sanlam Group (Sanlam Corporate)	Sanlam holds assets on behalf of policy holders. The Group's approach to capital allocation is based on investing responsibly, as Sanlam's long-term sustainability depends on having a resilient balance sheet that can support growth initiatives as well as withstand adverse conditions.

Category	Business/cluster	Business division/cluster profile
<b>Asset* Manager</b>	- Sanlam Investment Group	<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 Investment Group provides retail and institutional clients in South Africa and the Sanlam Emerging Markets cluster, which is segmented into Sanlam Pan-Africa, India and Malaysia, with a comprehensive range of specialised investment management, credit and risk management expertise.</p> <p>Sanlam Investments, one of South Africa’s largest investment management companies, is responsible for managing the Sanlam Group investments. Sanlam Investments offers a comprehensive range of local and offshore investment products to end-investors, financial planners and institutions. The investment options include passively and actively managed unit trusts, hedge funds and segregated and pooled retirement funds.</p>
<b>Insurance Companies</b>	- Sanlam Life and Savings, - Sanlam Emerging Markets <sup>1</sup>	<p>Sanlam Life and Savings is responsible for the Group’s retail and corporate life insurance and investment business in South Africa. It provides clients with a comprehensive range of appropriate and competitive financial solutions, designed to facilitate long-term wealth creation and protection.</p> <p>Sanlam Emerging Markets 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>
<b>Facilities Manager</b>	- Group Office	<p>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.</p>

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

Each business cluster is managed by a Chief Executive, supported by a cluster Exco and support functions that are appropriate to the cluster’s particular operational needs. These Chief Executives form part of the Sanlam Group Exco and are the designated prescribed officers. Sanlam also has a Group Ethics committee which operates as a sub-committee of the Group Executive committee (Group Exco) and is chaired by the Company Secretary. This committee includes representatives of all the clusters and the Group office and meets quarterly to discuss ethics-related aspects, trends, challenges, feedback from cluster representatives, and the outcome of climate surveys.

<sup>1</sup> Sanlam Emerging Markets is divided into “Sanlam Pan-Africa” and “Other International”, comprising mainly India and Malaysia

This Sanlam Group 2023 ClimateWise response excludes the Santam business division, being Sanlam’s short-term insurance sector, as Santam has completed its ClimateWise and carbon disclosure reports in a separate report, which responds to the TCFD-aligned questions on climate action initiatives. Sanlam holds a 62% shareholding in Santam.

## 1. Be Accountable

### Sub-principle 1.1

Ensure that the organization’s board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

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

#### References to supporting evidence:

- Questions in the 2022 CDP climate disclosure: Question C1.1a, C1.1b, C1.2, C2.2, C12.3
- Sanlam Governance report 2022<sup>2</sup>: Pages 2, 5-6, 8, 11-12, 30, 31, 34, 37-38 and 41
- Sanlam Integrated Report 2022<sup>3</sup>: Pages 62, 4, 14, 43, 45, 5, 21
- Sanlam Sustainability Report 2022<sup>4</sup>: Pages 30

#### Response

##### • Asset Owner

The Board of Sanlam is ultimately responsible for overseeing risk management, including climate-related risks and opportunities. The Board has established two committees to assist with this oversight:

- The Risk and Compliance Committee advises the Board on risk governance and the identification, mitigation, and management of climate-related risks.
- The Social, Ethics, and Sustainability Committee advises the Board on climate-related matters and oversees the Group's sustainability strategies and disclosures.

The Chairs of both committees are independent non-executive directors with oversight roles in terms of climate change. The committees meet quarterly and provide feedback at every Board meeting.

The Group Sustainability Management Office (SMO) is responsible for assessing and addressing the compliance risks related to the governance for sustainability, as well as emerging regulation. The SMO also proactively implements any requirements from government or other reporting bodies.

All sustainability issues, including climate-related issues, are channelled into Sanlam's group-wide Enterprise Risk Management process. A Sustainability Management Framework has been developed to support the business strategy and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms.

<sup>2</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>3</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>4</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

The Board ensures that Sanlam is a responsible corporate citizen by having regard for the financial aspects of the business, as well as the impacts business operations have on the Group's stakeholders, natural resources, and the society it operates in. The Board has incorporated ESG principles (particularly climate change considerations) into the Group's approach to risk management and responsible investing.

For example, the Board has considered climate change matters as part of its annual reviews of the Group's strategic risks. The Board has also committed to raising and deploying innovative investment vehicles into investment frameworks to make better, more informed decisions about our investments by rolling out a range of alternative strategies explicitly aimed at investing for impact.

In 2022, Sanlam has taken several steps to further its commitment to sustainability:

- Sanlam Life and Savings and Sanlam Emerging Markets have hired dedicated ESG specialists to collaborate with the sustainability team.
- An ESG committee has been established to provide governance and support for ESG issues.
- A draft of the Group's climate change position statement has been prepared and is currently under review.
- Sanlam has launched the ESG Barometer, a research project aimed at providing valuable insights into the sustainability initiatives undertaken by South African companies.

These steps demonstrate Sanlam's commitment to being a responsible corporate citizen and to playing its part in addressing the challenges of climate change.

#### • **Asset Manager**

Sanlam Investments engages with and oversees climate change matters at the Sanlam Group board level, which includes the board committees as discussed above. The Sanlam Investment Chief Executive, supported by the cluster Exco and support functions, is also responsible for identifying and managing risks faced by the business. They assist the business-level board in fulfilling its responsibilities to the Sanlam Board.

The Sanlam Investment Group provides retail and institutional clients in Africa and the United Kingdom with access to a comprehensive range of specialised investment management, credit, and risk management expertise through its Santam Resilient Investment funds.

In 2022, Sanlam Investment Group took the following notable steps to further its commitment to sustainability:

- Finalisation of its policy position on climate change and fossil fuel investment, with a focus on decarbonising its investment portfolio.
- Active participation in the TNFD pilot programme, contributing to the quantification of biodiversity and climate transition risks. This valuable data is being incorporated into SIG's investment process to enhance its understanding and management of these risks.
- Collaboration with esteemed organisations such as Robeco and the potential partnership with Allianz, both renowned for their commitment to sustainability, to expedite the integration of ESG principles into SIG's investment and insurance operations.

These steps demonstrate SIG's commitment to being a responsible corporate citizen and to playing its part in addressing the challenges of climate change.

#### • **Insurance Companies**

Climate change matters are actively addressed and overseen at the board level of Sanlam Life and Savings and SEM, including the mentioned board committees. Furthermore, the Chief Executives of the different clusters, along with their respective Executive Committees and support functions, play a

crucial role in identifying and managing risks that the business faces. They also provide valuable support to the business-level board in fulfilling its responsibilities to the overall Sanlam Board. Engagement and oversight of climate change matters at Sanlam Life and Savings and Sanlam Emerging Markets occur at the Sanlam Group board level, which includes the abovementioned Board Committees. In addition, the various clusters' Chief Executives, supported by the cluster Exco and support functions, identify and manage risks faced by the business and assist the business-level board in fulfilling its responsibilities to the Sanlam Board.

• **Facilities Manager**

Sanlam's facilities management team is actively involved in monitoring the risks and opportunities associated with its facilities in South Africa, with plans to expand this monitoring across Africa. As part of its commitment to sustainability, Sanlam Group collects greenhouse gas (GHG) data from all of its facilities in South Africa. This data is then reported to the management and executives responsible for overseeing climate-related risks within the facilities, with support from the facilities manager.

The Sanlam Group board is committed to sustainability and has set targets to reduce carbon emissions, waste, and electricity and water consumption at facilities located in South Africa. The board oversees these targets and ensures that they are met. This demonstrates Sanlam's commitment to addressing climate change impacts and promoting sustainable practices within its operations.

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

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

**References to supporting evidence:**

- Questions in the 2022 CDP climate disclosure C1, C2.1, C2.1a, C2.1b, C2.2 and C2.2a
- Sanlam Governance report 2022<sup>5</sup>: Pages 11-13, 16-17, 27, 30-31, 37-38, 51-59
- Sanlam Integrated Report 2022<sup>6</sup>: Pages 20-21, 56, 8
- Sanlam Group Environmental Policy 2020<sup>7</sup> : Page 2
- Sanlam Sustainability Report 2022<sup>8</sup>: Pages 83 and 84

<sup>5</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>6</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/integrated-report/2022/Sanlam-IR-2022.pdf)

<sup>7</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

<sup>8</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-reports/2022/Sanlam-Sustainability-Report-2022.pdf)



## Response

### • Asset Owner

Sanlam Group sets performance objectives for climate-related matters and the Social, Ethics, and Sustainability Committee provides oversight and advises the Board on these matters. The Social, Ethics, and Sustainability Committee is currently reviewing a draft Group climate change position statement, which will outline the Group's understanding of climate change and how it will approach the just transition. 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. This will inform the development of group climate goals and targets.

Sanlam's group environmental policy articulates the Group's environmental position and outlines environmental and climate goals and targets. As part of Sanlam's environmental policy 2020, Sanlam commits to minimising its impact on the environment.

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

The Group Enterprise Risk Management (ERM) Forum initiated the assessment process for evaluating the potential size and scope of identified climate-related risks and opportunities. These risks are categorised into general, financial, or business-specific risks. Afterward, a sub-category of risks is determined with input from key business owners, stakeholders, and regulations, and these are grouped into primary risk categories, such as strategic, market, operational, reputational, or credit risk. The process also includes the incorporation of sustainability risks, which are filtered and prioritised based on their materiality and impact on the business.

Sanlam's risk appetite statement defines the significant financial or strategic impact that the organisation is willing to accept concerning various risks. The Board is responsible for setting the risk appetite statement, and it serves as a key mechanism for establishing limits for the identified risk categories. The Group ERM Forum initiated the assessment process for evaluating the potential size and scope of identified climate-related risks and opportunities. These risks are categorised into general, financial, or business-specific risks. Afterward, a sub-category of risks is determined with input from key business owners, stakeholders, and regulations, and these are grouped into primary risk categories, such as strategic, market, operational, reputational, or credit risk. The process also includes the incorporation of sustainability risks, which are filtered and prioritised based on their materiality and impact on the business.

The Social, Ethics, and Sustainability Committee assists the Board in overseeing progress against climate-related goals and targets. The Social, Ethics, and Sustainability Committee oversees and monitors, on an ongoing basis, how the consequences of Sanlam's activities and outputs affect its status as a responsible corporate citizen. The Social, Ethics, and Sustainability Committee reports on the progress of Sanlam's sustainability journey through quarterly feedback to the Board and to stakeholders through Sanlam's Annual Reporting Suite. This process ensures that performance against targets and goals is tracked at the highest levels.

In addition to the Social, Ethics, and Sustainability Committee, climate targets and goals are also monitored by the Group Sustainability Committee. The Group Sustainability Committee uses a Sustainability Management Framework to manage specific key performance indicators on non-financial matters. The Sustainability Management Framework engagement processes ensure coordinated and effective engagement and feedback mechanisms. The Sustainability Management Framework transcends the clusters and draws on established processes and systems. Currently, aspects with the most material

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impact on Sanlam's environmental resource conservation are water and paper usage, and the responsible management of waste.

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

Recently, Sanlam appointed a Group Executive for Market Development and Sustainability. This position oversees the market development, reputation, social impact, and sustainability activities of the Group in an ecosystem of functions that drive optimal impact in these areas.

The Group's Energy Forum also plays an important role in improving the environmental performance of the Group's South African facilities. The Sanlam Group Energy Forum sets targets for improving the Group's environmental performance and reports to the Business Continuity committee that meets at least quarterly.

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

To enhance Sanlam's internal performance and address climate change effectively, Sanlam recognises the importance of supporting employees in understanding climate-related matters and their relevance to our business. As part of this effort, Sanlam has introduced an online course on climate-related risks and opportunities for employees. The eLearning module covers four main topics: an introduction to climate change, understanding climate-related risks and opportunities, climate scenario analysis, and TCFD (Task Force on Climate-related Financial Disclosures). In 2022, 86% of Sanlam's employees completed this course. This course is just the beginning of Sanlam's commitment to enhancing climate change literacy within the organisation, and Sanlam are planning to offer more educational opportunities in the future.

**• Asset Manager**

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

**• Insurance Companies**

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

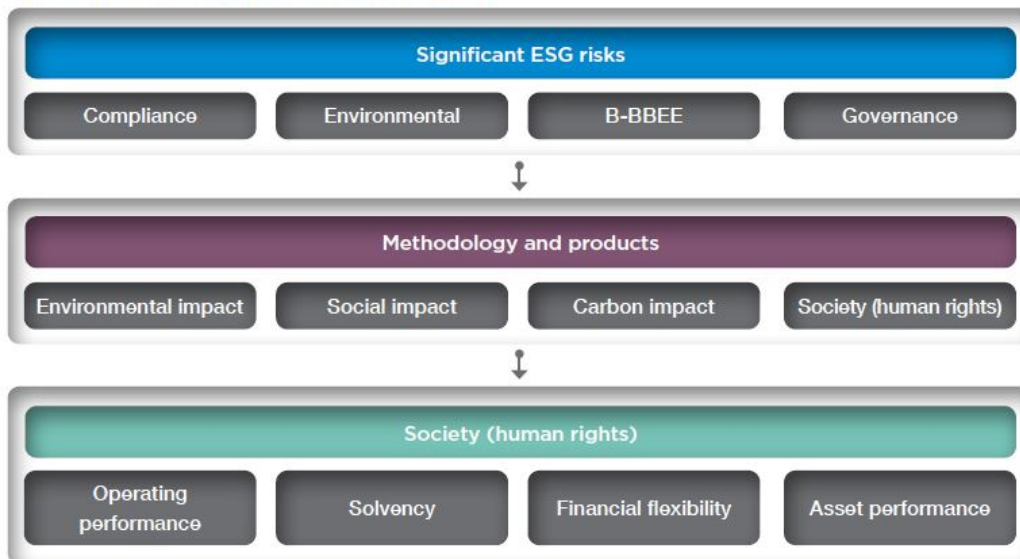
Sanlam's investment activities are largely done through Sanlam Specialised Finance (SanFin) and Sanlam Investment Group for balance sheet and third-party clients respectively. ESG is integrated into the decision-making processes to ensure that positive impacts alongside mandated financial returns are created.

We consider significant ESG risks when assessing a credit investment, starting with a credit application. In addition, we align our methodology with the Sustainalytics ESG risk rating tool (among others), which is aligned with global best practice.

Below shows the typical process and strategy to integrate ESG:

## Response

### Typical process followed to integrate ESG\*



\* Process implemented at SanFin.

#### • Facilities Manager

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

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

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

#### References to supporting evidence:

- Questions in the 2022 CDP climate disclosure: C3.3, C3.4
- Sanlam Integrated Report 2022<sup>9</sup> : Pages 54, 55, 72,733
- Sanlam Integrated Report 2022<sup>10</sup>: Pages 54, 55, 73
- Sanlam Investment Report 2022<sup>11</sup>: Page 27
- Sanlam Sustainability Report 2022<sup>12</sup>: Page 5, 19, 30, 31,75, 77, 78

<sup>9</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>10</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>11</sup> Available at:

[https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf](https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022_SUSTAINABLE_INVESTMENTS_REPORT.pdf)

<sup>12</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](#)

## Response

### • Asset Owner

As an asset owner, Sanlam Group continues to incorporate climate change into its business strategy and planning. The Group's Board and board committees are responsible for this mainstreaming. The Board has endorsed the implementation of the Group's sustainable development strategy, which supports the business strategy. The sustainable development strategy is the result of risk and opportunity analyses and includes specific key performance indicators aimed at ensuring coordinated and effective engagement and feedback mechanisms. During FY2022, the board was given training on climate change matters. This training will become more regular in the future.

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

Products and services that the Sanlam Board and committees implemented include:

- Responsible investment guidelines over the short, medium, and long term. Sanlam's Credit Risk Framework has been incorporating ESG principles since 2013, as well as a responsible lending policy for hedge funds. ESG factors are also factored into the credit approval process. These policies and metrics will ensure that ESG principles are considered when making lending decisions.
- Providing pro-climate funds, such as the Climate Investor One Development and Construction Equity Funds (focus on renewable energy) and the Climate Investor Two Fund (mandated to invest in water, sanitation, and ocean infrastructure projects). These funds are a metric indicating the Board's recognition that Sanlam's long-term sustainability is contingent on the global transition to a low-carbon economy.
- Establishing an oversight committee by Sanlam Investments, known as the Sustainable Investment Steering Committee. This committee drives sustainable investment initiatives and monitor and evaluate the implementation progress of agreed priorities. Sanlam Investments' approach to sustainable investing involves incorporating climate considerations into its valuations and analyses, ensuring that climate risks are thoroughly assessed and factored into its decision-making processes. Rather than applying exclusions, Sanlam Investments employs a financial integration strategy that systematically includes and analyses ESG criteria as part of its investment process. This enables Sanlam Investments to identify and support companies and sectors that prioritise sustainable practices and align with global climate goals.

Operations that the Sanlam Board and committees implemented include:

- Setting targets to reduce office buildings' scope 1 and scope 2 emissions intensity. Sanlam declared a 10% reduction target in Scope 1 and 2 GHG emissions. The scope of the reduction is for South African operations. In 2023 a bottom-up analysis will be done to include other jurisdictions where Sanlam operates. In addition to increasing the coverage scope, a feasibility study will be conducted on Scope 3 GHG emissions focusing mainly on Sanlam's investments.
- Sanlam has also set environmental sustainability targets linked to electricity, water, paper, travel, waste, and recycling at its South African operations.
- From 2023, 10% of Group Exco short-term incentives will be linked to ESG and culture KPIs, split evenly. Sanlam's emission and water reduction targets remained the same for this year (10% reduction against a 2019 baseline to be achieved by 2025).

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

## Response

### • Asset Manager

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

As an example, Sanlam Investments recognises renewable energy projects as financially attractive business opportunities and is committed to developing actively managed funds that bring about social, environmental and economic change through active engagement in South Africa. The expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects - an asset class that delivers long-term assets to meet the long-term cash-flow needs of clients. This is a key metric for the cluster. One example of this is the Sustainable Infrastructure fund, which was launched in 2021. This fund invests in assets across renewable energy, conventional energy, transportation, communication, water, and waste-related assets. Strict ESG criteria are applied to support sustainable development. Infrastructure development contributes to faster, easier, and better access to markets, health, and educational services. Sanlam Investments' strategy invests capital with the intention of also generating a social and environmental impact.

The Group adopts a cohesive ESG reporting approach, integrating Sustainability Accounting Standards Board reporting standards for non-financial reporting in conjunction with the TCFD (Task Force on Climate-related Financial Disclosures) approach.

Another example is the strategic partnership with Robeco, a leading international asset manager. Through Robeco, Sanlam Investments now offers clients a wider range of sustainability solutions, ESG integration, rich data and technology, stewardship, and governance, powered by leading research and insights. Partnerships with organisations like Robeco and the proposed partnership with Allianz, which are sustainability leaders, will accelerate the integration of ESG into Sanlam Investments' investment and insurance businesses.

Sustainability engagements can be scaled, and capabilities expanded to address material issues for both domestic and international exposure through their value enhanced engagements. Sanlam's partnership with Robeco provides access to niche sustainability expertise and the rigor required to track, monitor and influence change.

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

- UNEP FI Principles for Sustainable Insurance (Sanlam is a founding member) and the four sustainable insurance principles.
- Code for Responsible Investing in South Africa and Sanlam Investments 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.

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- Group environmental policy (latest version published in May 2020).

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

Furthermore, the Corporate Governance Unit committee drives the implementation of governance responsibilities on behalf of Sanlam Investments' clients. This includes considering and incorporating ESG 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

As discussed above, the Sanlam Group board is responsible for the incorporation of climate change into the business strategies and planning of Sanlam Life and Savings and Sanlam Emerging Markets. This is done through the Sanlam Group's Sustainability Policy and Framework, which sets out the company's commitment to integrating ESG considerations into its business activities.

Notably, Sanlam is a founding member of the UNEP FI Principles for Sustainable Insurance. The Principles for Sustainable Insurance are a set of four principles that guide insurers in integrating ESG considerations into their business practices. Sanlam's Board and committees subscribe to these principles and use them as key drivers of strategy and planning.

#### The four Principles for Sustainable Insurance principles are:

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>■ <b>Principle 1:</b><br/>We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.</li> </ul>  | <ul style="list-style-type: none"> <li>■ <b>Principle 2:</b><br/>We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.</li> </ul> |
| <ul style="list-style-type: none"> <li>■ <b>Principle 3:</b><br/>We will work together with governments, regulators and other key stakeholders to propose widespread action across society on environmental, social and governance issues.</li> </ul> | <ul style="list-style-type: none"> <li>■ <b>Principle 4:</b><br/>We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.</li> </ul>                                  |

### • Facilities Manager

Sanlam's Group Board and board committees endorse the implementation of the Group's sustainable development strategy, following the guidelines set by the Sustainability Management Framework, concerning the facilities owned and occupied by Sanlam's various segments. The Board and board committees acknowledge that the sustainable development strategy complements the overall business strategy by:

- Enhancing operational efficiency and reducing costs by conserving scarce resources like electricity and water.
- Cultivating and maintaining customer loyalty.
- Attracting and retaining talented employees.
- Identifying and capitalising on strategic business opportunities arising from climate change-induced shifts in consumer behaviour, which may lead to the development of new products or services.



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Moreover, Sanlam Group has made commitments to various climate change and water-related goals and targets, concerning the South African facilities owned and occupied by Sanlam's various segments. It is important to note that Sanlam also possesses properties managed by third-party property managers, which fall beyond the scope of this report.

**Sub-principle 1.2**

Describe management's (below board-level responsibility) role in assessing and managing climate risks and opportunities.

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

**References to supporting evidence:**

- Questions in the 2022 CDP climate disclosure: Questions C1, C1.1a, C1.1b, C1.2, C2.2
- Sanlam Integrated Report 2022<sup>13</sup> : Pages 16, 36, 38,74
- Sanlam Sustainability Report 2022<sup>14</sup>: Pages 10, 30, 31, 82.
- Sanlam Governance report 2022<sup>15</sup> : Pages 3, 6, 48, 58, 60.

**Response**

**• Asset Owner**

As an asset owner, Sanlam recognises the potential impact of climate-related issues on human society and the financial resilience of its clients and communities. To address climate change effectively, Sanlam has assigned ownership and oversight decisions to the Social, Ethics, and Sustainability (SES) Committee, a Board sub-committee consisting mostly of independent non-executive directors. The committee is responsible for recommending, monitoring, and advising on social, ethics, and sustainability matters, including climate change, that significantly affect the Group and its stakeholders.

The SES Committee ensures that the Group CEO is kept well-informed about ESG matters, including climate change. The Group CEO receives feedback directly from the strategy unit team, which reports on ESG matters, performance against ESG goals and targets, and climate change-related aspects. Additionally, the SES Committee provides valuable insights to the Group CEO, overseeing the group's response to ESG matters and climate-related risks and opportunities.

Regular progress updates on climate-related matters are provided to the Board through quarterly feedback sessions, and stakeholders are informed through Sanlam's Annual Reporting Suite. The SES Committee's involvement also extends to endorsing proposed amendments to climate resilience reports, implementing the sustainability strategy, reviewing TCFD reports, identifying and assessing climate-related risks, and publishing carbon footprint reports for the Group. With the support of the SES Committee and direct reporting to the Group CEO, Sanlam is committed to addressing climate change and promoting responsible environmental principles across its operations and solutions.

The core focus of the group sustainability management team is to ensure that the sustainable value of the business is entrenched and understood internally and communicated externally. Each business

<sup>13</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>14</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>15</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

cluster ensures that appropriate systems are in place to measure and report on their sustainability performance.

The Group Exco assists the Group Chief Executive to develop Sanlam's Group Strategy and its risk appetite, after which a recommendation is made to the Board for approval. The strategy and risk appetite are reviewed at least once a year and is supported by frequent monitoring and reporting on implementation and/or execution, with progress reported to the Board and/or Board Committees in alignment with their mandates and oversight roles.

**Multiple functions are involved in ESG and climate risk across the Group:**

- An ESG committee was established in 2022, with its terms of reference to be adopted and finalised in 2023. All clusters and key functions are represented and meet quarterly, report to Group Exco and ensure the sustainability strategy is implemented. The committee aims to improve ESG co-ordination and oversight for greater impact.
- The Group Sustainability Management team forms part of the Group Market Development function, led by a member of Group Exco, and coordinates all ESG matters across the Group, including climate-related risks and opportunities. The team submits quarterly reports to the Social, Ethics, and Sustainability Committee as well as assesses and addresses compliance risks related to the governance of sustainability matters.
- The Group Risk Management committee co-ordinates the input of climate-related risks into the enterprise risk management process.
- The Sanlam Group Energy Forum sets targets for improving the Group's environmental performance. It reports to the Business Continuity committee that meets at least quarterly.
- Sanlam's facilities management team monitors risks and opportunities associated with South African facilities and intends to expand monitoring into Africa. An internal IT system monitors energy, water, waste, and recycling patterns. The facilities manager reports any identified climate change risks or opportunities to the sustainability team.

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

- The Group Chief Risk Officer is responsible for risk management, including identifying, evaluating, reporting and overseeing the external and internal Group risks.
- The Group Executive for Market Development and Sustainability oversees the market development, reputation, social impact and sustainability activities of the Group in an ecosystem of functions that drive optimal impact in these areas.
- The Chief Sustainability Officer is responsible for consolidating and reporting on sustainability aspects relevant to the Sanlam Group and communicating and overseeing the Group's Sustainability Management Framework.

Sanlam's Own Risk and Solvency Assessment (ORSA) is an overarching process that combines the results from various processes embedded at the Sanlam Group and cluster level as part of the Group Enterprise Risk Management framework. The Group risk function manages the ORSA process and drafts a quarterly Group ORSA Update Report, covering assessments and analysis of the Group's top-down strategic risks, bottom-up operational risks, risk profile, approved risk appetite, stress and scenario testing, and projections over the business planning horizon.



• **Asset Manager**

At Sanlam Investments, the main engagement and oversight of climate change matters take place at the Sanlam Group management/committee level, as discussed earlier. Climate change matters are managed by the respective risk/audit and management committees at different levels of Sanlam Investments' management.

• **Insurance Companies**

At Sanlam Life and Savings and Sanlam Emerging Markets, the engagement and oversight of climate change matters take place at both the Sanlam Group management/committee level, as previously discussed, and the respective cluster management levels responsible for climate change, including the clusters' risk/audit and management committees.

• **Facilities Manager**

Sanlam's facilities management team is responsible for monitoring risks and opportunities associated with physical assets (facilities). They employ an internal IT system to continually track essential consumption patterns, including energy, water, waste, and recycling. Any identified climate change risk or opportunity is reported by the facilities manager to the Group's Sustainability Management Office.

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

**References to supporting evidence:**

- Questions in the 2022 CDP climate disclosure: C2.2, FW-FS1.1b
- Sanlam Integrated Report 2022<sup>16</sup> : Page 57, 60
- Sanlam Sustainability Report 2022<sup>17</sup>: Pages 31, 81
- Sanlam Climate Change Resilience Report 2021<sup>18</sup>: pages 16

**Response**

• **Asset Owner**

Sanlam's well-established risk management and governance structure offers a comprehensive and integrated perspective on both strategic and operational risks, including those related to ESG factors. Our effective risk management process enables proactive control of future outcomes, allowing us to identify opportunities arising from the risks we face.

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 top-down, and operational risks are addressed bottom-up, as shown in the figure below:

<sup>16</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>17</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>18</sup> Available at: <https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>

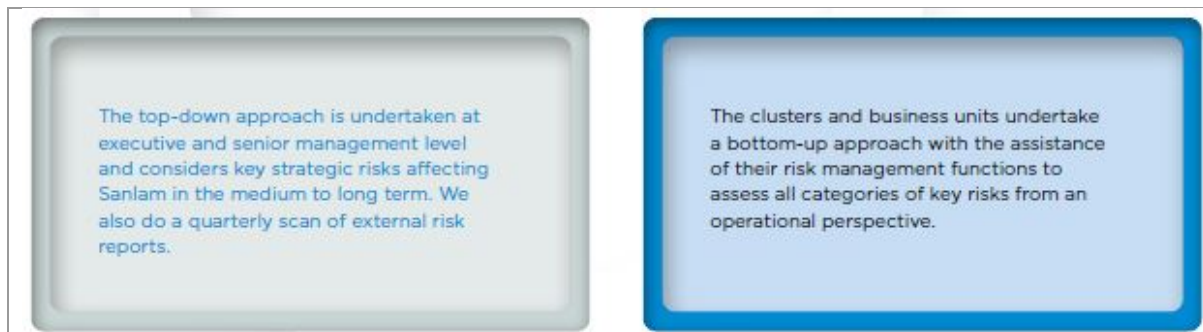


Figure 2: Sanlam's risk management governance structure (Source: Sanlam 2022 Integrated Annual Report, page 57)

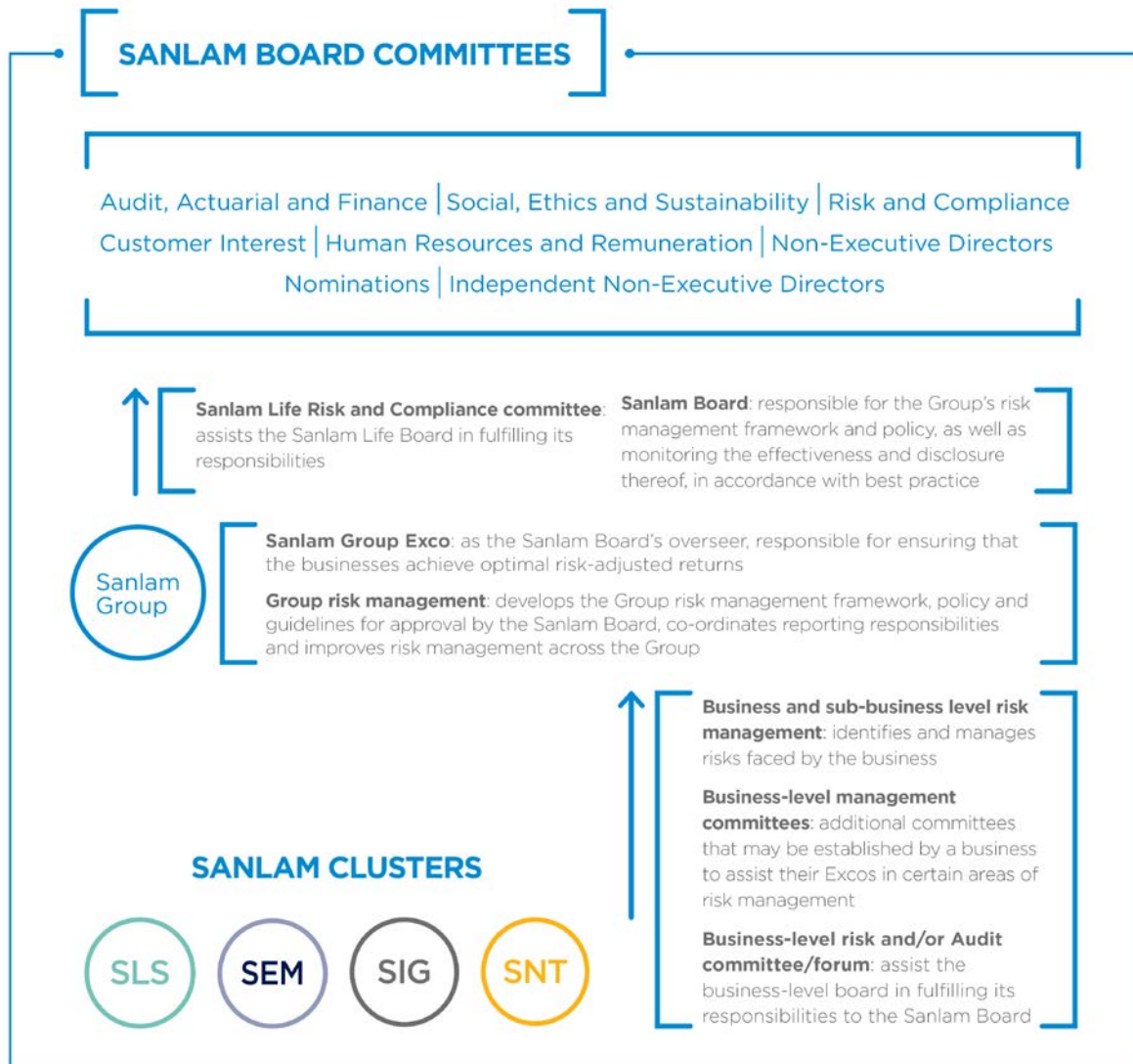
Each cluster's finance and risk committee/forum maintain risk registers and reports, and significant and emerging climate change risks are escalated to the Group level for further consideration.

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.

The quarterly Business Review cluster forums provide financial, strategic, risk, and operational feedback to the Sanlam Life and Limited Boards, along with sustainability-related matters, including climate issues. Through these structures, significant and emerging climate change risks are further escalated to the Group level.

Sanlam Group places special emphasis on emerging risks, which are an integral part of the top-down strategic risk assessment process. This involves quarterly internal and external scanning of emerging risks. Internal scanning involves insights from key subject matter experts within the Group, while external scanning focuses on industry and media risk reports. This ongoing process allows Sanlam to constantly track and assess emerging risks for potential impact, as shown in Figure 3 from Sanlam's



**Figure 3: Process to identify emerging risks (Source: Sanlam Climate Change Resilience Report 2021, pages 16)**

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

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.

**• Asset Manager**

Sanlam Investments' management stays informed about climate-related issues through participation in the group-wide Enterprise Risk Management process and involvement in the group-level committees, as discussed earlier.

**• Insurance Companies**

The management teams of Sanlam Life and Savings and Sanlam Emerging Markets receive information on climate-related issues through their involvement in the group-wide Enterprise Risk Management process and by providing reports to the group-level committees, as mentioned previously. Additionally,

the Group Actuarial Risk Management committee is responsible for coordinating the integration of climate-related risks into the enterprise risk process.

• **Facilities Manager**

Sanlam's facilities management team is responsible for monitoring risks and opportunities associated with physical assets (facilities). They employ an internal IT system for ongoing tracking and control of essential consumption patterns, including energy, water, waste, and recycling. Any identified climate change risk or opportunity is promptly reported by the facilities manager to the Sustainability Management Office.

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

**References to supporting evidence:**

- Questions in the 2022 CDP climate disclosure: C1.2, C1.2a, C2.2a
- Sanlam Governance report 2022<sup>19</sup>: Page 27, 31
- Sanlam Integrated Report 2022<sup>20</sup> : Page 8, 35, 72
- Sanlam Sustainability Report 2022<sup>21</sup>: 31, 75, 78

**Response**

• **Asset Owner**

The table below presents the key management-level positions within Sanlam responsible for climate-related matters. These individuals support the Board in monitoring and evaluating the execution of strategic climate-related plans, goals, and targets. Regular monitoring and reporting to the Board take place on a quarterly basis.

Name of the positions and committees	Reporting line	Responsibility	Coverage of responsibility
<b>Group Chief executive Officer</b>	Reports directly to the Board	Both assessing and managing climate-related risks and opportunities	Risks and opportunities related to our own operations
<b>Chief Risk Officer</b>	Reports directly to the board		
<b>Chief Executive of Group Market Development &amp;</b>	Reports directly to the board		
<b>Chief Sustainability Officer</b>	CEO reporting line		
<b>Facility manager</b>	Operations - COO reporting line		

<sup>19</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>20</sup> Available at: [Sanlam-IR-2022.pdf](#)

<sup>21</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](#)

<b>Group Sustainability Management Office*</b>	Corporate Sustainability/ CSR reporting line		
<b>Group Energy Forum</b>	Operations - COO reporting line		
<b>Social, Ethics and Sustainability Committee</b>	Reports directly to the board		
<b>Group Actuarial and Risk Management</b>	Risk – CRO reporting line	Assessing climate- related risks and opportunities	Risks and opportunities related to our investing activities

*\* Climate matters are monitored 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.*

Sanlam Group is obligated by the Insurance Act of 2017 and related Prudential Standards to conduct forward-looking, risk-based Own Risk and Solvency Assessments. This ongoing process involves identifying, assessing, controlling, monitoring, and reporting the risks the Group faces, including those related to climate change. The regulatory requirements mandate an annual report as documentary evidence of this process.

In addition to the above, the following committees also play a vital role in monitoring climate-related issues and reporting to the Board every six months or more frequently:

- The Group Sustainability Committee operates with the support of the Sustainability Management Framework, which aligns with the business strategy and results from risk and opportunity analyses. It incorporates specific key performance indicators to ensure effective engagement and feedback mechanisms. The committee identifies and manages key performance indicators for non-financial matters and conducts an annual review, engaging with various businesses in the Group to identify existing and emerging stakeholder issues. The outcomes of these engagements contribute to annual performance appraisals for responsible individuals and inform integrated and sustainability reporting processes. These individuals typically oversee management in cluster companies, such as chief executive officers, chief financial officers, and chief risk officers. The Sustainability Management Framework fosters coordinated engagement across clusters, leveraging established processes and systems.
- The Group Energy Forum monitors energy-related resources and targets.
- The Group Actuarial Risk Management Committee coordinates the integration 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 as listed above.

**• Insurance Companies**

Management within Sanlam Life and Savings, Sanlam Emerging Markets 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 management team actively reports identified climate change risks or opportunities to the sustainability team and measure and report GHG emissions data at all facilities, providing valuable insights for managing climate-related risks within the facilities.

## Demonstrating Continuous Improvement (planned activities)

Sanlam demonstrates continuous improvement through various initiatives and commitments. In June 2022, the company published its first Climate Change Resilience Report, emphasising support for Africa's just transition and integrating climate change action, sustainable development, and inclusive growth. However, Sanlam's annual reporting for FY2022 included the Group's climate disclosure, also aligned with the TCFD, in the 2022 Sustainability Report rather than a separate Climate Change Resilience Report. Sanlam also joined the African Natural Capital Alliance and actively participated in developing locally relevant guidelines based on the TNFD recommendations.

A Group Climate Change Position Statement is currently under review, outlining Sanlam's understanding of climate change and its approach to the just transition. This statement addresses the importance of ensuring a smooth transition for vulnerable workers and communities. It will communicate Sanlam's environmental and climate change positions, long-term visions, quantifiable targets, and climate-related risks related to its owned assets. Multiple stakeholders' inputs have contributed to this statement, delaying its publication.

The Social, Ethics, and Sustainability Committee plays a key role in monitoring climate-related issues, reporting to the Board every six months or more frequently. This committee reviews the Group's sustainability strategy and provides recommendations for Board approval. It oversees various ESG matters, including the implementation of the Group's sustainability strategy, setting key metrics with business clusters, reviewing and approving Sanlam's TCFD report, identifying and reviewing the Group's exposure and response to climate-related risks, and publishing Sanlam's 2021 carbon footprint report, which was done in March 2022.

To ensure meaningful incorporation of ESG aspects into decision-making, Sanlam appointed dedicated ESG specialists for Sanlam Life and Savings and Sanlam Emerging Markets in 2022. These specialists work closely with the sustainability function.

In 2022, the company established an ESG committee, representing all clusters and key functions, which meets quarterly and reports to Group Exco. This committee aims to enhance ESG coordination and oversight for greater impact. Sanlam declared a target to reduce energy intensity by 10% annually for Sanlam-owned buildings in South Africa through various interventions in 2022. In 2023, Sanlam plans to announce water intensity targets and expand the scope to include other jurisdictions outside South Africa.

From 2023, 10% of Group Exco short-term incentives will be linked to ESG and culture KPIs, with plans to upskill the Board and Group Exco on climate-related issues and link climate-related



risks and opportunities to strategic Board decisions. The company aims to use live dashboards to display pertinent information, such as real-time energy consumption and water consumption, and will explore science-based targets.

Furthermore, in 2023, Sanlam will launch the Sanlam ESG Barometer, measuring how South African listed companies implement and embed ESG practices in their efforts to create positive social and environmental impacts. These continuous improvement measures illustrate Sanlam’s ongoing commitment to addressing climate change and enhancing its ESG practices throughout the organisation.

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

### Sub-principle 2.1

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

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

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>22</sup>: pages 3, 10, 11, 19, 20, 28, 51, 58, 60, 65
- Sanlam Integrated Report 2022<sup>23</sup>: pages 15, 30, 61, 76, 89
- Sanlam website: <https://www.sanlam.com/sustainability>.

#### Context:

Sanlam Group defines short-, medium- and long-term time horizons as follows:

Time horizon	Description
<b>Short-term: 1-2 years</b>	This is aligned with business plans, which focus on short term changes and actions. This also aligns with annual reduction targets and budgeting for CAPEX to implement projects.
<b>Medium-term: 2-10 years</b>	This horizon is used in forward-looking business plans, which include a longer-term view of operations, reduction targets and project identification, design and approval.

<sup>22</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>23</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](http://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf)

<p><b>Long-term: 10-30</b></p>	<p>This 10-30-year horizon is used in forward looking business plans which include a longer-term view of operations, reduction targets and project design, including the allocation of capital for implementation. This aligns with more visionary strategic view of climate-related risks and opportunities.</p>
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Sanlam’s products are diversified and are therefore expected to experience varied impacts of climate change, depending on the nature of the business. The Board has eight committees, all of which have ESG perspectives as part of their mandate.



Figure 4: Sanlam Sustainability Report, 2022 page 28<sup>24</sup>

The investigations and decisions made by these committees are reported in internal and external communications. Accordingly, Sanlam considers a range of ESG and sustainability frameworks and standards in our reporting. These include:

- The Sustainability Accounting Standards Board;
- Task Force on Climate-Related Financial Disclosures (TCFD);
- United Nations Sustainable Development Goals (SDGs);
- United Nations Global Compact (UNGC).

Sanlam Group developed an ESG committee in 2022, with the aim of improving ESG co-ordination and oversight for greater impact. All clusters and key functions are represented in the committee. The committee meets of a quarterly basis and reports to Group Exco to ensure that the sustainability strategy is implemented.

The involvement of numerous functions enables Sanlam to tackle ESG and climate risks across the Group. For example, the Group Risk Management committee co-ordinates the input of climate-related risks into the enterprise risk manage process. In addition, the Group Sustainability Management team forms part of the Group Development function and is led by a member of the Group exco. This team coordinates all ESG matters across the Group, including the integration climate-related risks and opportunities into our overall strategy.

The following responses are provided according to our four broad business activity categories. Short-term climate risks and opportunities are largely physical and operational in nature, and

<sup>24</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)



pertinent at Sanlam’s insurance and facility-levels. Sanlam’s medium to long-term risks and opportunities are largely transitional and related to the Group’s owned and managed assets.

**Response**

**• Asset Owner**

Sanlam operates as a purpose-driven enterprise, dedicating its efforts to foster a conducive ecosystem for rapid economic revival and sustainable, inclusive economic expansion, resulting in significant social impact and guaranteeing a robust future for everyone across our value chain.

Sanlam’s purpose guides the group strategy, which includes four sustainability pillars:

- Shared value creation,
- Financial inclusion,
- ESG integration in asset management, value chains and ecosystems, and
- Strategic partnerships.

The four strategic sustainability pillars are underpinned by seven themes that are aligned to priority SDGs:

1. Initiatives to support good health and wellbeing
2. Providing quality education through our Sanlam foundation
3. Ensuring sustainable cities and communities through various infrastructure-focused funds
4. Enabling partnership for the goals thorough various strategic partnerships.
5. Ensuring decent work and economic growth through our efforts to make Sanlam an employer of choice by listening closely to our employees
6. Reducing inequalities through ESD initiatives
7. Contributing to climate action through our climate-focused funds and internal efforts.

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

- Responsible investment guidelines. Sanlam places significant emphasis on assessing climate change impacts and factors as essential criteria for investment. This approach not only contributes to the well-being of the environment and the communities served by Sanlam Group's clusters by enhancing their climate resilience, but also ensures the sustainability of the group's medium to long-term strategies, ultimately benefiting the clusters themselves.
- 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).

The integration of group climate risks and opportunities largely lies with the Asset Manager (described below).

**Medium to long-term risks:**

Sanlam’s strategic climate risks related to owned assets fall largely into the transitional risk category. Such risks involve the shift towards a low-carbon economy, driven by policy, market, technological, or reputational factors, which can impact the value of financial assets and give rise to various challenges. Investors are also affected by these transitional risks, as they demand more comprehensive information from companies regarding their approach to managing such risks. This has led to a growing demand for transparent disclosures that incorporate scenario analysis to assess climate-related financial risks and opportunities. Sanlam is actively working to align with the new Financial Stability Board's Disclosure (TCFD) recommendations in the near future.

## Response

**Market Risks:** Market preferences indicate a shift towards goods and services that contribute to global decarbonisation goals. As such, insured emissions from carbon-intensive companies pose a significant transition risk to the group. The likelihood of insured carbon-intensive assets becoming stranded increases as the world shifts towards low carbon economies where these assets devalue each year. The impacts have direct implications on Sanlam's annual financial statements and balance sheet.

Sanlam has a responsible investment policy where sustainability is embedded into core investment processes with broadened and extended investment horizons.

The Sanlam Investment Group, through its Socially Responsible Investment (SRI) funds, provides retail and institutional clients in South Africa, the United Kingdom and elsewhere in Europe access to a comprehensive range of specialised investment management and risk management expertise. Sanlam Investment Group therefore assesses the risk of climate change, water shortages, land degradation, pollution and other ESG issues as part of its decision-making process to better understand the potential for companies to deliver their cash flows into the future.

In terms of active ownership, Sanlam Investment Group further addresses systemic issues in terms of climate for both active and passive investments through engagement and proxy voting. This ultimately improves the quality of returns and the sustainability of the market Sanlam Investment Group invests in. Sanlam Investment Group is looking to deploy R35 billion over the next 10 years via climate change projects, water initiatives and the Investors' Legacy impact range.

Furthermore, expansion into credit assets means that Sanlam is investing more in longer-term infrastructure projects, such as renewable energy, which is driven in part by market demand.

**Reputation Risk:** Sanlam recognises the significant impact that climate change matters can have on reputation. The impact of climate change on consumer behaviour and their preference for service providers is evident, as individuals prioritise organisations that demonstrate a commitment to climate responsibility. It is crucial for Sanlam to evaluate the ESG impact of our owned assets. The approach of asset owners to climate change can shape our relationships with stakeholders, including investors, clients, and communities. Stakeholders increasingly expect Sanlam, as an asset owner, to tackle climate-related risks, demonstrate sustainable practices, and provide relevant disclosures. Failure to meet these expectations can lead to reputational harm and loss of trust. As a listed company on the Johannesburg Stock Exchange, a signatory to the UN Global Compact, Sanlam is obligated to effectively address the challenges posed by climate change. Insufficient response to this challenge would significantly impact our reputation and brand. Difficulties in meeting customer preferences could result in a decline in revenues due to reduced demand for products and services.

In addition, failure to comply with climate change-related disclosures can result in shareholder disinvestment and harm to reputation. Reputational considerations have the potential to influence the value of financial assets and give rise to transition risks. Moreover, stakeholders increasingly demand detailed information from companies regarding their efforts to address the growing risks associated with weather events. Hence, reputational risks are an important factor that businesses must take into account.

In response to these demands, Sanlam has developed a roadmap to align with the recommendations of the TCFD. Sanlam recognises that climate risk is not merely isolated concern but a systemic risk with significant potential economic and social consequences.

### **Medium to long-term opportunities:**

Sanlam sees opportunities within the changing landscape. One notable opportunity for lies in financing a just transition, where ESG investments actively reduce carbon emissions and improve social

## Response

outcomes. As an asset owner and manager, Sanlam believes that proactive investment can drive transformative change. The provision of funds that invest in companies that have positive environmental and climate credentials is therefore a substantive climate-related opportunity for Sanlam. The primary financial impact of these funds is increased access to capital, for the development of largescale climate mitigation and adaptation infrastructure projects.

Sanlam continues to support the allocation of capital to combat climate change in emerging markets. Notable examples include the successful joint venture with Dutch Development Bank, FMO, which developed the blended finance Climate Investor One and Two funds, as well as the Sanlam Sustainable Infrastructure Fund.

The Climate Investor One (CIO) fund was the first such initiative by Climate Fund Managers, Sanlam's joint venture with the Dutch Development Bank, FMO. With the support of broad public and private sector commitment, the funds raised by Climate Investor One have been allocated to renewable energy infrastructure projects, for example, a river-run-off hydro project in Uganda, an offshore wind project in India and a near-shore wind project in Vietnam. Sanlam's opportunity relates to the profits made by the fund, which is aimed at the new and emerging markets arising from efforts to decarbonise the global economy.

Climate Investor Two (CIT) Fund delivers water, sanitation, and oceans infrastructure projects in emerging markets. Initially, the project will oversee a significant expansion of the 133 000 km<sup>2</sup> Galapagos Marine Reserve, protecting one of the most undisturbed and scientifically significant natural ecosystems on the planet.

The Sanlam Sustainable Infrastructure Fund's purpose is to finance projects and companies across the broad spectrum of essential infrastructure sectors. The priority sectors include renewable energy (wind, solar, hydro) and water, among others.

Highlights in terms of Sanlam's key ESG funds:

- Santam's Resilient Investment Fund invested in companies that address ESG needs, including those that reduce long-term systematic risks to our business. Such fund amounted to over R300 million.
- With the support of broad public and private sector commitment, CIO mobilised commercial funds reached US\$950 million (R15.3 billion)– 30% above target.
- CIO is invested in the development of a number of projects, a few of them range from the: Cleantech Solar, currently a 600MW solar platform, Daystar Solar, which is a 100MW Solar PV project, UPC 100MW wind project, Ectotech Wind, currently a 78MW Wind project, and the Konexa Solar Storage and Mini Grids project that consists of a 2.5MW solar platform and distribution site.
- CIT fund is targeting a final close of US\$1 billion (R18 billion). As its second close in December 2022, the fund reached USD\$ 855 million (R15.39 billion) in commitments.
- CIT has invested in numerous projects in the water, sanitation, and ocean sectors. Such projects include the Keep Blue, a Namibian seaweed cultivation project, Bio2Watt, South African waste-to-energy project, Patong, Indonesian non-revenue water project, and the Nijhuis Saur, Pan African industrial wastewater treatment project.

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.

## Response

### • Asset Manager

Sanlam's role as an asset manager is guided by the four strategic pillars and seven themes outlined above in relation to Sanlam's risks and opportunities as an asset owner. In addition, the Group's asset management activities are guided by the same responsible investment approaches and policies.

#### Medium to long-term risks:

Sanlam's strategic climate risks related to owned assets fall largely into the transitional risk category. Such risks involve the shift towards a low-carbon economy, driven by policy, market, technological, or reputational factors, which can impact the value of financial assets and give rise to various challenges.

**Reputational risk:** Sanlam's asset management activities face similar reputational risks to those articulated at the asset owner level.

**Market risk:** As an asset manager, Sanlam acknowledges that the shift towards a low carbon economy presents transition risks. Sanlam is responsible for managing a substantial number of investments on behalf of policyholders, shareholders, and third-party clients. We recognise that some assets are exposed to climate change risks which may be either physical or transitional in nature. Transitional risks are becoming increasingly prevalent as the world transitions towards a low-carbon economy. As an asset manager, Sanlam may face challenges related to shifts in regulations, carbon pricing, changes in consumer preferences, advancements in clean technologies, and evolving market dynamics. These transition risks can impact the value and performance of investments, particularly in carbon-intensive industries. Ultimately, the driver of such risks includes the inability to attract co-financiers and /or investors due to uncertain risks related to climate change.

The Impacts of these risks encompasses the possibility of holding stranded assets, which may result in unexpected write-downs, devaluations, or liabilities due to climate change, resource depletion, climate regulations, shifts in consumer behaviour, and litigation. Climate-related factors can introduce additional volatility into financial markets. Changes in regulations, public sentiment, or physical impacts of climate change can lead to sudden shifts in market dynamics, asset prices, and investor behaviour. This volatility can impact the overall performance of investment portfolios and increase market uncertainty. Sanlam recognizes that failure to incorporate climate-related factors in investment strategies may result in the loss of clients, reduced demand for products, or missed investment opportunities.

To remain proactive in this landscape, Sanlam Investments continues to actively engage in the Sanlam Group's efforts to assess and communicate climate-related risks associated with the group's managed assets, including investments in stocks, bonds, and shares. The findings from these assessments will be summarised in a comprehensive climate change position statement for the entire group.

#### Medium to long-term opportunities<sup>25</sup>:

Climate change also presents a substantial opportunity for forward-thinking investors who opt to invest in emerging and sustainable sectors that show promising growth. Notably, companies with a strong focus on environmental, social, and governance (ESG) aspects have demonstrated the ability to outperform their competitors.

Sanlam Investments has strategically focused on developing and expanding low emission goods and services, leading to increased revenue streams by gaining access to new and emerging markets, often achieved through partnerships with governments and development banks. Additionally, the company

<sup>25</sup> Sanlam Sustainability Report 2022, Page 4, page 58, 60.

**Response**

has been actively involved in the continuation and establishment of environmental and climate change investment funds. These opportunities are articulated in the asset owner description above and considered to be applicable to Sanlam’s asset management activities as well.

In particular, Sanlam Investments' partnership with the Development Bank of the Netherlands in the Climate Investor One Development Fund and Construction Equity Fund has yielded remarkable success in 2019. Through this collaboration, an impressive \$US950 million was mobilised for investments in renewable energy projects by the fund's final close.

Building upon this achievement, Sanlam Investments made further investments in the Climate Investor Two fund, which was launched in January 2020. This fund aims to combat climate change by facilitating climate resilient water, sanitation, and oceans infrastructure in developing countries. As of now, Climate Investor Two has announced raising a substantial US\$855 million across two tranches.

Sanlam investments also provides the MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs) and notably, on 1 September 2021, Sanlam Investments launched a sustainable infrastructure fund. Through this fund, Sanlam Investments sources, assesses and invests in renewable energy, conventional energy, transportation, communication, water and waste-related assets. ESG criteria are applied to support sustainable development. The fund supports the “Just Transition” ambition and builds on investment through our balance sheet to date totalling more than R7 billion across 25+ assets.

• **Insurance Companies**

Sanlam and Santam generate revenue through our insurance activities and investments, serving clients in South Africa and selected emerging markets. In particular, Santam’s comprehensive range of policies includes coverage for crop losses and catastrophe events. Our primary objective is to mitigate risk and safeguard our clients' financial well-being, ensuring that insured losses are covered by investment premiums.

Santam Agriculture is the leading crop insurer in South Africa, specialising in named peril insurance and multi-peril crop insurance. Over the years, the demand for crop insurance has grown significantly, driven by factors such as increased commodity prices. However, increasingly, the agricultural sector is facing adverse impacts, including reduced crop yields and feedstocks, due to water scarcity caused by climate change. This could lead to financial hardships for farmers and agribusinesses, creating a greater need for crop insurance coverage. We are committed to supporting our customers in navigating these challenges and providing them with the necessary protection for their crops and livelihoods.

Santam has continued to expand on the identification and management of risks and opportunities, which are disclosed in a stand-alone ClimateWise disclosure. Santam has also published a TCFD report, at <https://www.santam.com/~/media/Santam/ClimateWise/ClimateWise-TCFD-report-2021.pdf> ..

**Medium to long-term risks:**

**Physical risks:** Over the last four years, severe weather resulting from climate change has consistently ranked among the top 10 strategic group risks. Because of the combined effects of climate change and poor maintenance of infrastructure, insurance companies are expected to cover a wider range of risks. Sanlam notes in the 2022 Sustainability Report (page 3) that general insurance businesses are affected by increased frequency of extreme weather events. Consequently, these business activities recently recorded declines in earnings, with Santam’s results in particular impact by adverse weather conditions including catastrophic floods in the KwaZulu-Natal province of South Africa in 2022.

**Response**

Devastating storms and floods pose severe financial risks to individuals, families, and insurers, threatening Sanlam's business. Even smaller events like hailstorms damage agriculture, infrastructure, housing, and production facilities, leading to increased insurance claims.

While risk mitigation measures help, complete elimination is impossible. The insurance sector assumes this risk by providing coverage against such events. In society, insurance serves as a risk manager, investor, and carrier. General insurance protects consumers and businesses financially after incidents.

Africa, especially the developing world, faces catastrophic climate change impacts. Water shortages hinder future development. Extreme weather events affect Sanlam's general insurance, leading to earnings declines, driven by adverse weather, rising claims, costs, and lower investment returns.

Traditional approaches fail to meet customer needs. A significant protection gap exists between economic and insured losses. Accordingly, the risk of increased severity and frequency of extreme weather means that Sanlam's risks relate to increased liabilities on insurance claims which largely lie within Santam.

Regarding general insurance products: Climate-related risks encompass instances like heightened severity and frequency of weather events such as droughts, floods, and fires, leading to increased insurance premiums and avoidable financial burdens for insurers. Additionally, there are potential reinsurance risks arising from the possibility of payment defaults.

Climate change also affects our business through liability claims, impacts on certain investment portfolios and changing market dynamics. Non-compliance with climate change related disclosures can lead to shareholder disinvestment and reputational damage. There is also a significant potential financial impact on the general insurance sector in terms of severe weather risks. Sanlam perceives these risks as having a potentially significant impact on insurers.

Regarding life insurance products: Climate change is anticipated to impact extreme weather events, mortality trends, environmental degradation rates, and agricultural developments. These changes could lead to elevated mortality rates and consequently affect future mortality claims. As per the Sanlam Integrated Report (page 76), life insurance earnings experienced a robust rebound due to reduced mortality claims compared to 2021, as the effects of Covid-19 waned. Nevertheless, there is a possibility increase life insurance claims in response to the effects of climate change.

**Medium to long-term opportunities:**

Sanlam and Santam generate revenue through our insurance activities and investments, serving clients in South Africa and selected emerging markets. In particular, Santam's comprehensive range of policies includes coverage for crop losses and catastrophe events. Our primary objective is to mitigate risk and safeguard our clients' financial well-being, ensuring that insured losses are covered by investment premiums.

Santam Agriculture is the leading crop insurer in South Africa, specializing in named peril insurance and multi-peril crop insurance. Over the years, the demand for crop insurance has grown significantly, driven by factors such as increased commodity prices. However, increasingly, the agricultural sector is facing adverse impacts, including reduced crop yields and feedstocks, due to water scarcity caused by climate change. This could lead to financial hardships for farmers and agribusinesses, creating a greater need for crop insurance coverage. We are committed to supporting our customers in navigating these challenges and providing them with the necessary protection for their crops and livelihoods.



**Response**

• **Facilities Manager**

**Operational climate change risks**

Short and medium-term climate change risks:

Persistent shifts in weather patterns and extreme weather events pose significant physical risks for Sanlam Group. Among these risks, water scarcity stands out as one of the most critical threats to the global economy, particularly relevant in South Africa, where an ongoing drought situation is compounded by highly variable rainfall patterns.

The demand for freshwater is projected to surpass its supply by 2025, placing immense pressure on freshwater ecosystems. This issue is particularly acute in the Eastern and Western Cape provinces, with Nelson Mandela Bay in the Eastern Cape already experiencing critical water shortages in 2022, leading to the possibility of a dreaded scenario known as 'Day Zero' where the city's water supplies could run dry. Cape Town also faced a similar predicament in recent years. Conversely, the past two years witnessed some of the wettest seasons on record in Cape Town, resulting in floods and storm damage across the country. The analysis of ESG trends indicates an alarming increase in the severity and frequency of weather-related events worldwide, with coastal regions being more vulnerable to such occurrences. A prominent example in South Africa was the devastating KwaZulu-Natal floods in 2022.

In light of these conditions, the potential impact on Sanlam Group's business is severe, as disruptions caused by chronic weather changes and extreme events may force facilities to shut down, posing considerable challenges and risks to the company's operations.

**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 identified impact of climate-related risks and opportunities on members' business, strategy and financial planning.**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>26</sup>: pages 60, 65, 78
- Sanlam Integrated Report 2022<sup>27</sup>: pages 60, 61
- Sanlam website: <https://www.sanlam.com/sustainability>

**Response**

• **Asset Owner**

The impacts of transitional risks and opportunities on Sanlam's asset ownership activities are related to the transition to a low-carbon economy. Evidence of how the identified risks and opportunities impact Sanlam's business, strategy and financial planning are concentrated within the activities of Sanlam Investments, which serves as the asset manager, elaborated below.

<sup>26</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>27</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](http://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf)

• **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. In 2022, Sanlam published the Sanlam Climate Change Resilience Report, including our climate disclosure in line with the TCFD framework, within the sustainability report.

**Impacts of climate change opportunities**

Impacts of the climate change opportunities on Sanlam Investments’ operations include the investment in companies that have positive environmental and climate credentials. Such investment allows an increase in access to capital, for the development of largescale climate mitigation and adaptation infrastructure projects. These opportunities are reflected in both the business strategy and financial planning, where the impacts are quantified:

Impacts on business strategy	Impacts on financial planning <sup>28</sup>
<p>Continuation and/or development of the environmental/climate change investment funds, such as the Sanlam Capital Markets renewable energy fund; the Climate Investor One and Climate Investor Two Funds; the Sustainable Infrastructure Fund and the Santam Resilient Investment Fund.</p>	<ul style="list-style-type: none"> <li>- The closure of the Climate Investor One Fund mobilised US\$950 million of commercial funds that have been allocated to renewable energy infrastructure projects – 30% higher than designated target. The closure of the fund in 2019 generated one-off income of R68 million in the Alternatives business.</li> <li>- Climate Investor Two was launched in January 2020 and announced a conditional first close at US\$675 million during COP26 in November 2021. In 2022, Sanlam announced that a total of US\$855 million has been raised in two tranches for this fund. Climate Investor Two will continue raising funds to reach a final close goal of US\$1 billion while simultaneously putting the capital raised to work. Similarly, Sanlam’s opportunity relates to the profits made by the fund.</li> <li>- The Sustainable Infrastructure Fund, which provides predominantly debt finance, received commitments of R1 billion and aims to provide investors with predictable inflation-beating returns over the long term. Sanlam plans to grow investments in the fund to R6 billion by committing to new assets.</li> <li>- Santam’s Resilient Investment Fund invested in companies that address ESG needs, including those that reduce long-term systematic risks to our business. In the 2022 financial year, the fund amounted to R150 million</li> </ul>

<sup>28</sup> 2021 Integrated Report, pages 4, 55 (<https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>).



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

#### • Insurance Companies

Devastating storms and floods pose severe financial risks to individuals, families, and insurers, threatening Sanlam's business. Even smaller events like hailstorms damage agriculture, infrastructure, housing, and production facilities, leading to increased insurance claims.

The largest singly financial impact of extreme weather events on Sanlam's business in 2022 was R4.4 billion in claims. This was a result of the 2022 floods in the KwaZulu-Natal province, which became the largest natural catastrophe-insured loss in the country's history.

Sustainable insurance entails adopting a strategic approach that encompasses all aspects of the insurance value chain. This approach involves engaging responsibly and proactively with stakeholders while identifying, evaluating, managing, and monitoring risks and opportunities associated with ESG issues.

According to the Swiss Re Institute, natural catastrophes like Hurricane Ian (2022), winter storms in Europe, floods in Australia and South Africa, and hailstorms in France and the US have led to approximately USD 115 billion in insured losses this year. This marks the second consecutive year where insured losses have exceeded USD 100 billion, continuing the trend of an average annual increase of 5-7% over the past decade.

Reinsurance premium rates have increased since 2017, following high volumes of catastrophe events and commercial fires. Santam has subsequently improved its risk survey and underwriting capacity, and tightened the focus on risk selection. The aim was to contain and manage exposures better and improve risk management practices.

While risk mitigation measures help, complete elimination is impossible. The insurance sector assumes this risk by providing coverage against such events. In society, insurance serves as a risk manager, investor, and carrier. General insurance protects consumers and businesses financially after incidents.

Africa, especially the developing world, faces catastrophic climate change impacts. Water shortages hinder future development. Extreme weather events affect Sanlam's general insurance, leading to earnings declines, driven by adverse weather, rising claims, costs, and lower investment returns.

Traditional approaches fail to meet customer needs. A significant protection gap exists between economic and insured losses. Accordingly, the risk of increased severity and frequency of extreme weather means that Sanlam's risks relate to increased liabilities on insurance claims which largely lie within Santam.

Insurance lays the foundation for a sustainable society, encouraging sustainable practices. The UNEP FI's Principles for Sustainable Insurance aim to bridge the gap and support a sustainable economy.

Our subsidiary, Santam, is a founding member of the UNEP-FI principles for sustainable insurance, which entail:

1. Embedding relevant ESG issues in decision-making.
2. Collaborating with clients to raise awareness, manage risk, and find solutions.
3. Engaging with governments and stakeholders to promote action on ESG issues.
4. Demonstrating transparency by publicly disclosing progress in implementing the Principles.

Santam’s response to the UNEP-FI PSI principles for the 2022 financial year can be seen [here](#).

Sanlam is investigating these risks as part of its measures to address the new Financial Stability Board’s Disclosure (TCFD) recommendations, with further publishing a Sanlam TCFD report. In 2022, Sanlam published the Sanlam Climate Change Resilience Report, including our climate disclosure in line with the TCFD framework, within the sustainability report.

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

**References to supporting evidence:**

- Sanlam Sustainability Report<sup>29</sup>: page 52, 61, 78, 79
- Sanlam 2022 Integrated Report<sup>30</sup>: page 15, 21 48

**Response**

**• Asset Owner**

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

Evidence of Sanlam’s business strategy to address the implications of climate-related issues on both the business and its key stakeholders are underpinned by the listing of severe weather/climate change in the top 10 strategic group risks for the past three years. Sanlam Group’s latest mitigation responses in 2022 were as follows:

- Building institutional capacity to meet the requirements of TCFD;
- Working with PwC to help assist the Group in understanding climate-related risks and scenario analysis capabilities and actions throughout the clusters.
- Revising our Group-wide carbon emission targets;
- Implement and continue Partnerships with organisations like Robeco and the proposed partnership with Allianz, which are sustainability leaders. Such investment will accelerate the integration of ESG into the Groups investment and insurance businesses.
- Determining how much underlying carbon is in our investment portfolio while investing in longer-term infrastructure projects, such as renewable energy;
- Partnering with municipalities through Santam to manage fire and flood risks;
- Ongoing partnership with WWF-SA and Coordinating a Group-wide approach towards ESG reporting.

Sanlam’s strategy, as an asset owner, in responding to the identified market and reputational risks centres on our focus on sustainable investing. We believe it will be a key driver of structural change in the countries, companies and the markets in which we operate. Accordingly, Sanlam Investments established an oversight and governance committee, the Sustainable Investments Committee, to drive our sustainable investment initiatives and monitor and evaluate the implementation and progress of the

<sup>29</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<sup>30</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf)

agreed priorities. This committee is made up of some of the most senior individuals within our business and reports into the executive committee and, ultimately, the board of directors.

Sanlam is a founding member of the UNEP FI's Principles for Sustainable Insurance, and accordingly follow four sustainable insurance principles:

- 1) Embed relevant ESG issues in decision-making.
- 2) Collaborate with clients to raise awareness, manage risk, and find solutions. Sanlam is a proponent of active ownership, which entails the use of the rights and position of ownership to influence the activities or behaviour of investee entities. Active ownership can be applied differently in each asset class. For example, for listed equities it would include engagement and voting activities.
- 3) Engage with governments and stakeholders to promote action on ESG issues.
- 4) Demonstrate transparency by publicly disclosing progress in implementing the Principles.

Our sustainable investment strategy also includes negative screening, which excludes entire sectors or industries from the investable universe. In addition, we engage in impact investing, where funds target positive measurable social and/or environmental outcomes as well as financial returns. Notably, the Sanlam Capital Markets renewable energy fund, Climate Investor One and Climate Investor Two Funds, and Sanlam Investments' sustainable infrastructure fund exemplify Sanlam Group's commitment to shaping its business strategy around climate-related concerns.

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

- **Asset Manager**

Sanlam Investments adopts a long-term investment strategy grounded in rational decisions and comprehensive research, enabling the business to function as a value investor with a focus on the future. Current research trends consistently suggest that companies effectively managing their ESG issues tend to outperform their industry peers. In light of this, sustainability is deeply integrated into Sanlam Investments' fundamental investment process, enhancing the ability to assess companies' potential to deliver sustainable cash flows in the coming years.

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

- Responsible investment guidelines that consider climate change impacts and drivers. Sanlam Investments supports responsible investment that benefits the environment and the communities the group serves, by making these communities more climate resilient. Responsible investment also ensures that Sanlam's medium to long-term strategies are sustainable.
- A Credit Risk Framework that has incorporated ESG principles since 2013.
- A responsible lending policy for hedge funds.
- In 2022 Sanlam Investment Group finalised its policy position on climate change and fossil fuel investment to decarbonise its investment portfolio.

Sanlam Investment Group has developed a roadmap with distinct goals and objectives that can be measured to drive ESG incorporation and fostering partnerships with other like-minded organisations such as Robeco, Allianz and Climate Fund Managers. Sanlam Investments is also, for example, affiliated with an investment manager contributing towards mitigating and building resilience to climate change in areas most affected by gender inequality. In 2022, the Sanlam investment group participated in the TNFD pilot programme to help quantify biodiversity and climate transition risks and incorporate this data into the investment process.

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

Sanlam's 2022 Sustainability Report (page 61) notes that the Sanlam Sustainable Infrastructure Fund has nearly R1 billion in new capital to deploy, which is separate to the further R6 billion that the Sanlam balance sheet expects to deploy to new assets in the next two to three years.

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

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

#### • Insurance Companies

Building a sustainable and resilient business requires constant review of emerging ESG risks and opportunities. The sustainability of Sanlam's insurance business and its resilience are highly exposed to ESG factors ranging from social unrest to climate change and pandemics. We work with our strategic partners to mitigate these risks and ensure that we can strengthen the adaptive capacity of our clients to reduce potential ESG-related claims. We are benefiting from these partnerships that seek to drive ESG resilience as more of our clients are becoming aware of ESG risks and see us as a trusted insurance partner and a leader in the ESG space.

Traditionally, the mitigation measures put in place to manage climate risks in the insurance activities form part of the underwriting and (re)pricing, reinsurance and reserving and capital processes for the insurance businesses. The terms over which these mitigation strategies are applied depends on the nature of the product and the risk appetite. For example – it is easier to reprice short term insurance products, versus long term insurance products. The mitigation actions fall under the usual business continuity plans and are tested regularly and is a factor when entering into an outsourced arrangement / procurement process. COVID-19 has been an effective means of testing the robustness of business interruption for the industry.

For catastrophic event such as the flood mentioned above, to mitigate against such risk, Sanlam either excludes the areas with high flood risks or increases the premium associated with individuals in such areas. Our underwriters do extensive data analysis and risk modelling to identify location-based risk factors. This is supported by geographic information systems to understand risk at a particular location, known as geocoding.

By understanding which areas are high-risk (across multiple risk factors) we can price our premiums more accurately, make efforts to de-risk areas, and understand risk trends such as which areas might become uninsurable in the future. In addition to the above, to reduce the risk for the Group and clients, Santam engages with government, municipalities, universities and other stakeholders to initiate projects to better understand and manage these risks. In November 2022, Santam signed an agreement with the eThekweni municipality to bolster the metro's ability to handle future catastrophes such as floods, fires and droughts. This three-year partnership will see Santam providing risk management support, capacity building and advisory services to the municipality. This is part of Santam's Partnership for Risk and Resilience programme (P4RR), which already provides risk management support to 82 municipalities. The objective of the P4RR is to strengthen the institutional and

participatory development capacity of local municipalities to proactively reduce the impact of fire and flood disaster events.

Sanlam is continuing to investigate the impacts of climate change risks and opportunities on the long-term business strategy of its insurance companies in efforts to address the TCFD recommendations. The outcomes of these investigations will result in the development of action plans, as required to address climate risks and opportunities. The climate change report is being drafted and expected to be published in 2022.

Furthermore, in line with its dedication to biodiversity conservation and responsible environmental principles, Sanlam became a member of the African Natural Capital Alliance in 2022. As part of this membership, Sanlam participated in the organisation's pilot program to develop locally relevant guidelines based on the TNFD recommendations. By engaging in this initiative, Sanlam aims to quantify biodiversity and climate transition risks and incorporate this data into its investment processes.

• **Facilities Manager**

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

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

The main strategic response to operational risks includes the provision of capital or operational expenses to climate proof the Sanlam offices. In the reporting year, at Sanlam's Head Office, expansion of the rainwater harvest system occurred, together with the extended water use licence of the borehole. Such activities cost Sanlam a total of R746 000 in the reporting year.

Due to the risk of drought and water shortages in the future, Sanlam implemented an energy and water management programme towards the end of 2021. The programme is managed through the Group-wide Energy Forum monthly. The role of the Energy Forum is to ensure that Sanlam-owned buildings are energy and water efficient by managing consumption and investigating opportunities to integrate renewable energy sources through the direct installation of green energy or power-wheeling agreements. Throughout 2022 the team developed an impressive pipeline of projects, with one focusing on energy and water efficiency.

Sanlam's water reduction target remained the same for this year (10% reduction against a 2019 baseline to be achieved by 2025). In 2023 Sanlam will be announcing water intensity targets and expanding the scope to include other jurisdictions outside South Africa. Our partnership with WWF has gone a long way towards assisting us in mitigating our day-to-day water impacts and risks. We work to reduce our water consumption on a number of levels at our head office in Cape Town as well as our offices in Johannesburg. These efforts include retrofitting water systems with more water efficient fittings, continued harvesting of rainwater for irrigation, as well as recycling our unused drinking water. We also have grey water systems to reduce potable water usage.

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

### References to supporting evidence:

- Sanlam Integrated Report 2022<sup>31</sup>: page 15, 55
- Sanlam Sustainability Report 2022<sup>32</sup>: page 19, 27, 77, 79
- Sanlam’s website: [Sanlam Joins ‘Every Action Counts’ Coalition](#)

### Response

#### • Asset Owner

Sanlam Group continues our long-standing relationship with the World Wide Fund for Nature South Africa (WWF-SA). In 2022, Sanlam embarked on the fourth phase of their journey with WWF-SA. This comes after three successful and value adding phases:

1. The Living Waters Partnership from 2007 to 2011: A total investment of R67 million was leveraged from Sanlam core investment of R11,6 million, creating more than 330 employment opportunities and influencing declaration of 120 000 hectares of marine environment as Marine Protected Area.
2. The Partnership from 2012 to 2014: Sanlam funded critical research undertaken by WWF-SA and CSIR to map out South Africa’s 21 water source areas that provide 50% of our surface water together with establishment of two new WWF-SA freshwater programmes to ensure water security
3. The Partnership from 2015 to 2020: Sanlam became a Water Balance Partner compensating for its water footprint by adopting 87 hectares creating enterprise development and employment in invasive alien plant clearing with an estimated 1 billion litres of water back into the rivers and aquifers of the area per year.

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

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. This is done by investing in the clearing of invasive alien plants that consume large amounts of water. From 2015 to 2020, the Water Balance Partner has compensated Sanlam’s water footprint by adopting 87 hectares creating enterprise development and creating an estimated 1 billion litres of water back into the rivers and aquifers of the area per year.

In 2016, Sanlam and WWF-SA introduced the Water Risk Filter, an accessible online tool tailored to address water risk factors pertinent to South African businesses. Despite being user-friendly for non-water experts, the tool plays a crucial role in aiding businesses to cultivate robust water stewardship strategies. Moreover, the Journey of Water Campaign involves a three-day walk that links urban water users with their often-distant water sources. Through this initiative, awareness is heightened regarding the significance of responsible and sustainable water stewardship practices.

<sup>31</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>32</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](#)



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, and contributes to, and leverages its corporate membership with the different organisations it is affiliated with, such as the National Business Initiative (NBI) and Business Unity South Africa (BUSA), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.

In 2022, Sanlam and Santam joined the initiative Every Action Counts.<sup>33</sup> This partnership connects experts in nature conservation and climate change with some of the world’s leading digital platforms, financial institutions and consumer goods firms to empower global citizens to ‘Live with Confidence’ through purposeful action. The ‘Every Action Counts’ coalition aims to work with like-minded partners including international organisations, private sector corporates and subject matter experts to creatively leverage technology and partnerships to enhance green awareness and green action of 1 billion people around the globe by 2025.

In addition, in 2022, Sanlam rejoined the UNGC, a voluntary initiative based on companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals.

Additionally, the CEO of Sanlam plays a significant role as a champion in the National Business Initiative's Just Transition Pathway for Decarbonising the Economy. The National Business Initiative, in collaboration with Business Unity South Africa and the Boston Consulting Group, has collaborated with corporate leaders to evaluate the feasibility of decarbonising the country's economic sectors by 2050. The aim is to achieve this transformation while bolstering resilience against the effects of climate change and steering the country towards a novel, low emissions development trajectory.

<p>• <b>Asset Manager</b></p> <p>The initiatives for encouraging climate leadership, better climate disclosure and further research are undertaken at the Sanlam Group level.</p>
<p>• <b>Insurance Companies</b></p> <p>Sanlam Life and Savings and Sanlam Pan Africa support the initiatives for encouraging better climate leadership, climate disclosure and further research, which are undertaken at the Sanlam Group level.</p>
<p>• <b>Facilities Manager</b></p> <p>The initiatives for encouraging better climate leadership, climate disclosure and further research are undertaken at the Sanlam Group level.</p>

## 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.**

In 2022, PwC assisted Sanlam in understanding climate-related risks and scenario analysis capabilities and actions throughout the clusters. Interviews and a document review of Sanlam’s

<sup>33</sup> Sources of information from Sanlam’s website : [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

risk registers and public risk documents enabled PwC to capture a high-level understanding of the Groups current approach. The use of climate-related scenario analysis tools is currently under investigation and anticipated to use qualitative and/or quantitative analysis in the next two years.

**References to supporting evidence:**

- Sanlam 2022 Sustainability Report<sup>34</sup>: page 3, 31, 51, 75
- Sanlam Integrated Report 2022<sup>35</sup>: pages 30, 55, 73, 77, 78
- Sanlam Investment Report 2022<sup>36</sup>: Page 17

Response	
<p><b>• Asset Owner</b> The metrics to measure and manage priority climate change risks and opportunities are undertaken at the levels discussed below.</p>	
<p><b>• Asset Manager</b> Sanlam is in the process of investigating key quantitative and qualitative metrics that may be used to measure and manage priority climate-related risks and opportunities on our owned assets, assets under management and on key stakeholders.</p> <p>Typical climate metrics under consideration include:</p> <ul style="list-style-type: none"> <li>- Climate Scenario Analysis: The use of climate models can assist businesses assess the potential impacts of various climate scenarios on their operations and financial performance.</li> <li>- Physical Risk Exposure: Evaluating assets' vulnerability to physical climate-related risks, such as extreme weather events, sea-level rise, and heatwaves.</li> <li>- Transition Risk Assessment: Analyzing risks associated with the transition to a low-carbon economy, such as policy changes, technological advancements, and market shifts.</li> <li>- Supply Chain Resilience: Assessing climate-related risks within the supply chain, as disruptions can affect a company's operations and reputation.</li> <li>- Investment in Climate Solutions: Tracking investments in renewable energy, green technologies, and sustainable practices indicates a commitment to climate action</li> <li>- Disclosure and Reporting: Transparently disclosing climate-related data and targets, following frameworks like the TCFD, is crucial for accountability and building trust with stakeholders.</li> <li>- Others as necessary.</li> </ul> <p>Sanlam Investments has considered climate change opportunities.</p>	
<b>Climate change opportunity</b>	<b>Description of metric</b>
<b>Increased demand for funds that invest in companies that have positive environmental credentials</b>	<p>Increased investments and revenues in climate and environmental projects through, for example, the following funds:</p> <ul style="list-style-type: none"> <li>• Climate Investor One</li> <li>• Climate Investor Two</li> <li>• MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs)</li> </ul>

<sup>34</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-report-2022.pdf)

<sup>35</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf)

<sup>36</sup> Available at: [https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf](https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022_SUSTAINABLE_INVESTMENTS_REPORT.pdf)



- The Sustainable Infrastructure Fund

• **Insurance Companies**

Sanlam's insurance divisions have recognised revenue risks associated with acute physical impacts, such as a rise in the severity and frequency of extreme weather events like cyclones and floods. These systemic risks are expected to escalate insurance claims liabilities across the entire insurance sector.

Climate change risks	Description of metric
<p><b>Acute physical impacts, such as increased severity and frequency of extreme weather events such as cyclones and floods.</b></p> <p><b>These system risks will increase insurance claims liabilities across the insurance divisions.</b></p>	<p>Catastrophic events, such as large-scale fires, floods, and earthquakes, have the potential to cause financial devastation to businesses, families, and individuals. Even smaller events can also inflict harm. Recurrent natural disasters like hailstorms continuously damage vital public infrastructure, housing, and means of production.</p> <p>While individuals, businesses, and governments can take measures to mitigate risks, it is impossible to entirely prevent such occurrences. Consequently, the insurance sector assumes this exposure by providing insurance coverage against these risks.</p> <p>The insurance sector serves three crucial roles in society: risk manager, investor, and risk carrier. In particular, the general insurance sector's role involves pooling risk and ensuring that consumers and businesses can recover financially to the same position they were in before filing an insurance claim.</p> <p>As a result, these systemic risks will increase insurance claims liabilities across various divisions of the insurance industry. The cost of global natural disasters serves as a key metric for measuring this risk.</p>

Furthermore, Sanlam Life and Savings and Sanlam Pan Africa will be considering climate change risks and opportunities on their businesses as part of the Sanlam Group's investigations into how best to meet the TCFD recommendations for disclosures.

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

Climate change opportunities	Description of metric
<p><b>Development of climate adaptation, resilience and insurance risk solutions</b></p>	<p>Sanlam and Santam generate revenue through our insurance activities and investments, serving clients in South Africa and selected emerging markets. In particular, Santam's comprehensive range of policies includes coverage for crop losses and catastrophe events. Our primary objective is to mitigate risk and safeguard our clients' financial well-being, ensuring that insured losses are covered by investment premiums.</p> <p>Santam Agriculture is the leading crop insurer in South Africa, specialising in named peril insurance and multi-peril crop insurance. Over the years, the demand for crop insurance has grown significantly, driven by factors such as increased commodity prices. However, increasingly, the agricultural sector is facing adverse impacts, including reduced crop yields and feedstocks, due</p>

	to water scarcity caused by climate change. This could lead to financial hardships for farmers and agribusinesses, creating a greater need for crop insurance coverage. We are committed to supporting our customers in navigating these challenges and providing them with the necessary protection for their crops and livelihoods.				
<p>• <b>Facilities Manager</b></p> <p>Sanlam’s facility manager has considered climate change opportunities.</p>					
<table border="1"> <thead> <tr> <th data-bbox="193 573 592 618">Climate change opportunity</th> <th data-bbox="592 573 1388 618">Description of metric</th> </tr> </thead> <tbody> <tr> <td data-bbox="193 618 592 1048"> <p><b>Reduce energy costs and Scope 2 emissions.</b></p> </td> <td data-bbox="592 618 1388 1048"> <p>The prospect of higher electricity tariffs or expected energy tax and levies hikes is likely to result in significant operational cost increases in South Africa.</p> <p>Sanlam's Scope 2 emissions account for over 50% of its total carbon footprint, and energy consumption is one of the most substantial operational factors across South Africa.</p> <p>By implementing responsible property management and adopting proven energy-saving measures, Sanlam can unlock substantial operational cost savings. Additionally, the company can take advantage of potential tax allowances offered for using energy-efficient equipment and renewable energy technologies.</p> </td> </tr> </tbody> </table>	Climate change opportunity	Description of metric	<p><b>Reduce energy costs and Scope 2 emissions.</b></p>	<p>The prospect of higher electricity tariffs or expected energy tax and levies hikes is likely to result in significant operational cost increases in South Africa.</p> <p>Sanlam's Scope 2 emissions account for over 50% of its total carbon footprint, and energy consumption is one of the most substantial operational factors across South Africa.</p> <p>By implementing responsible property management and adopting proven energy-saving measures, Sanlam can unlock substantial operational cost savings. Additionally, the company can take advantage of potential tax allowances offered for using energy-efficient equipment and renewable energy technologies.</p>	
Climate change opportunity	Description of metric				
<p><b>Reduce energy costs and Scope 2 emissions.</b></p>	<p>The prospect of higher electricity tariffs or expected energy tax and levies hikes is likely to result in significant operational cost increases in South Africa.</p> <p>Sanlam's Scope 2 emissions account for over 50% of its total carbon footprint, and energy consumption is one of the most substantial operational factors across South Africa.</p> <p>By implementing responsible property management and adopting proven energy-saving measures, Sanlam can unlock substantial operational cost savings. Additionally, the company can take advantage of potential tax allowances offered for using energy-efficient equipment and renewable energy technologies.</p>				
<p>In addition, the following are other key environmental metrics located mainly at the facilities level, monitored on an annual basis:</p>					
<ul style="list-style-type: none"> <li>- Water use (kl/m<sup>2</sup>)</li> <li>- kg/full-time employee paper consumed</li> <li>- CDP climate change score</li> <li>- CDP water security score</li> <li>- Head office landfill waste vs head office recycled/diverted waste</li> </ul>					

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

**References to supporting evidence:**

- Sanlam Integrated Report 2022<sup>37</sup>: pages 15, 21, 28
- Sanlam Investment Report 2022<sup>38</sup>: Page 17
- Sanlam 2022 Sustainability Report<sup>39</sup>: page 20, 60, 61, 64, 75, 76
- Santam 2022 AFS report<sup>40</sup>: page 33

<sup>37</sup> Available at: [www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf](http://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2022/Sanlam-IR-2022.pdf)

<sup>38</sup> Available at: [https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf](https://www.sanlaminvestments.com/about/sustainableinvesting/Documents/2022_SUSTAINABLE_INVESTMENTS_REPORT.pdf)

<sup>39</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](http://sustainability-report-2022.pdf(sanlam.com))

<sup>40</sup> Available at: <https://www.santam.co.za/investor-relations/integrated-report/financial-results-and-reports/>

**Response**

• **Asset Owner**

The comparisons of metrics and performance are undertaken at the levels discussed below.

• **Asset Manager**

Sanlam is in the process of investigating key quantitative and qualitative metrics that may be used to measure and manage priority climate-related risks and opportunities on our owned assets, assets under management and on key stakeholders.

Sanlam Investments currently uses the following metrics to track performance in managing climate change opportunities:

Climate change opportunity	Performance over the last year
<p><b>Increased demand for funds that invest in companies that have positive environmental credentials</b></p>	<p>Increased investments and revenues in climate and environmental projects.</p> <p>Climate Investor One (CIO) mobilised US\$950 million (R16.9 billion) of commercial funds that have been allocated to renewable energy infrastructure projects. The closure of the Climate Investor One Fund generated one-off (increased) income of R68 million in the Alternatives business division.</p> <p>CIO is invested in the development of a number of projects, a few of them range from the: Cleantech Solar, currently a 600MW solar platform, Daystar Solar, which is a 100MW Solar PV project, UPC 100MW wind project, Ectotech Wind, currently a 78MW Wind project, and the Konexa Solar Storage and Mini Grids project that consists of a 2.5MW solar platform and distribution site.</p> <p>Following the success of the Climate Investor One Fund, the Climate Investor Two fund was launched in January 2020, focusing on two areas of impact:</p> <ul style="list-style-type: none"> <li>• Water, sanitation and oceans across emerging markets.</li> <li>• Structure and focus</li> </ul> <p>Climate Investor Two announced a conditional first close at US\$675 million during COP26 in November 2021. In 2022, such fund has a raised a total of US\$855 million in two tranches to date.</p> <p>In addition, the sustainable infrastructure fund, which provides predominantly debt finance, initially received commitments of R500 million, which has since been increased to R1 billion. Such funds aims to provide investors with predictable inflation-beating returns over the long term. The income associated with this fund is still to be determined.</p> <p>Further, Sanlam Investments’ MSCI World and Emerging Market ESG Enhanced exchange traded funds (ETFs) provide sustainable investment opportunities with a positive impact on climate change. They are designed to maximise exposure to positive ESG factors while reducing exposure to carbon dioxide (CO<sub>2</sub>), other GHGs and potential fossil fuel emissions by 30%. The ETFs exclude exposure</p>

	to controversial business activities, using screens to exclude thermal coal, oil sands and other activities.
<p>• <b>Insurance Companies</b></p> <p>Sanlam’s insurance divisions use the following metrics to track performance in managing climate change risks and opportunities:</p>	
Climate change risk	Performance over the last year
<p><b>Acute physical impacts, such as increased severity and frequency of extreme weather events such as cyclones and floods.</b></p> <p><b>These system risks will increase insurance claims liabilities across the insurance divisions.</b></p>	<p>According to the Swiss Re Institute, natural catastrophes like Hurricane Ian (2022), winter storms in Europe, floods in Australia and South Africa, and hailstorms in France and the US have led to approximately USD 115 billion in insured losses this year. This marks the second consecutive year where insured losses have exceeded USD 100 billion, continuing the trend of an average annual increase of 5-7% over the past decade.</p> <p>Reinsurance premium rates have increased since 2017, following high volumes of catastrophe events and commercial fires. Santam has subsequently improved its risk survey and underwriting capacity, and tightened the focus on risk selection. The aim was to contain and manage exposures better and improve risk management practices <sup>41</sup>.</p>
Climate change opportunity	Metric
<p><b>Development of climate adaptation, resilience and insurance risk solutions</b></p>	<p>The gross written premiums for crop insurance in 2022 was R1 566 in comparison to R 1 130 million in 2021. A conservative 5% increase in crop insurance sold could increase premium income by R78 million.</p>
<p>• <b>Facilities Manager</b></p> <p>Sanlam’s facility manager uses the following metrics to track performance in managing climate change opportunities<sup>42</sup>:</p>	
Climate change opportunity	Description of metric
<p><b>Reduce energy costs and Scope 2 emissions.</b></p>	<p>The installed energy efficiency initiatives reduce Sanlam’s electricity consumption by approximately 2,090 kWh in FY2022.</p>
<p>In addition, the following are other key environmental metrics located mainly at the facilities level:</p>	

<sup>41</sup> Source: [Hurricane Ian drives natural catastrophe year-to-date insured losses to USD 115 billion, Swiss Re Institute estimates | Swiss Re](#)

<sup>42</sup> Source: Sanlam 2022 Sustainability Report, ([sustainability-report-2022.pdf \(sanlam.com\)](#)): page 75

Key indicators	2019 <sup>LA</sup>	2020	2021 <sup>LA</sup>	2022
CDP climate change and water <sup>†</sup>	B	A-	A-	B
Electricity used (kWh/m <sup>2</sup> ) <sup>#</sup>	237	188,42	187,18	179,47
Water used (kl/m <sup>2</sup> )	1,04	0,65	0,49	0,67
Paper consumed (kg/full-time employee (FTE))	38,85	6,55	8,30	8.53
Waste from head office to landfill (%)	30	41	46	44%
Water from head office recycled or diverted (%)	70	59	54	56%
Total carbon footprint (tCO <sub>2</sub> e)	84 829	52 723	52 130	59 513,20
Total carbon footprint (tCO <sub>2</sub> e/FTE)	7 857	4 603	4 440	4,58
GHG emissions per m <sup>2</sup>	0,483	0,301	0,29	0,33
Scope 1 (direct GHG emissions) (CO <sub>2</sub> e) <sup>****</sup>	2 391	1 644	1 684,08	2 821,21
Scope 2 (indirect GHG emissions) (CO <sub>2</sub> e) <sup>****</sup>	41 353	34 221	35 460,09	33 605,31
Scope 3 (other indirect GHG emissions) (CO <sub>2</sub> e)	41 086	16 858	14 441,86	22 983,52
Total electricity usage (million kWh)	39,76	33,55	33,44	32,27
Other non-Kyoto GHG emissions <sup>****</sup>	-	-	544,45	103,17
Air travel (km/FTE)	5 357	1 083	594,99	2 300,82
Car rental (km/FTE)	153	41	39,17	73,87
Hotel accommodation (bed nights/FTE)	3,78	0,90	0,65	1,40
FTE <sup>##</sup>	10 797	11 454	11 729	13 008,00
M <sup>2</sup>	175 533	175 377	178 66	179 778

\* CDP performance bands:  
 Leader (A/A-): implementing current best practice  
 Management (B/B-): taking action on climate change  
 Awareness (C/C-): knowledge of the impact  
 Disclosure (D/D-): transparent

\*\* Waste performance in weight, not volume. Relative increased as data for shredded paper was not available for all sites.

\*\*\* 2020 restated as kg paper/FTE rather than kgCO<sub>2</sub>e from paper/FTE.

\*\*\*\* Scope 1 and 2 emissions were measured following the GHG Protocol Corporate Standard from 1 January 2022 to 31 December 2022. The reporting for the following buildings: Sanlam: Head office, Houghton, Sanlam Investment Management, Alice Lane, Glacier, Sanlynn, West End D; Santam: Head office Auckland Park, Alice Lane, Glacier.

\*\*\*\* Non-Kyoto Protocol GHG emissions were reported separately following the GHG Protocol Corporate Standard.

Only includes employees and GLA for the nine buildings included in the GHG reporting boundary.  
<sup>#</sup> Represents kWh/m<sup>2</sup> of total office space included in the reporting boundary, including common areas but excluding consumption by external retail tenants.  
<sup>##</sup> Only includes employees and GLA for the nine buildings in the GHG reporting boundary.  
<sup>LA</sup> Limited Assurance (download Verify CO<sub>2</sub>'s Verification Statement).  
<sup>†</sup> CDP climate change and water security have been combined from 2022.

Figure 5: Key 2022 environmental indicators

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

**References to supporting evidence:**

Sanlam 2022 Sustainability Report<sup>43</sup>: page 51, 58, 78

Response
<ul style="list-style-type: none"> <li> <b>Asset Owner</b>            Sanlam is committed to measuring and reducing the Group’s carbon emissions and encouraging responsible environmental practice in the sphere of influence. Short-term targets are set and monitored at the facilities level, as discussed below.             Sanlam Group is planning to undertake further assessments of the group’s climate-related risks and opportunities across its different assets. Once these are quantified, Sanlam Group will be in a position to consider setting related climate change targets for the medium and long-term. Sanlam is currently in undertaking scenario analyses and thereafter will start work on considering science aligned targets.         </li> </ul>

<sup>43</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

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

• **Asset Manager**

Sanlam’s 2022 Sustainability Report (page 58) notes that Sanlam Investments considers significant ESG risks when assessing a credit investment, starting with a credit application. In addition, we align our methodology with the Sustainalytics ESG risk rating tool (among others), which is aligned with global best practice.

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 2025, based on 2014 as the baseline year. Progress against these targets is discussed in Level 3 of Sub-principle 4.2

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**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	2022 tCO <sub>2</sub> e
Scope 1 (direct emissions)	1,038
Scope 2 (energy indirect emissions)	28,042
Scope 3 (other indirect emissions)	18,632



- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	<b>47,712</b>

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022: page 75

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

<b>Absolute targets</b>	<b>2022</b>	<b>Target year: 2025</b>
<b>Scope 1 (tCO<sub>2</sub>e)</b>	2,821	2,152
<b>Scope 2 (tCO<sub>2</sub>e)</b>	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2</sub>e)</b>	59,513	39,370

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022: page 75
- Sanlam’s Carbon Footprint 2022: Page 14

**Response**

• **Facilities Manager**

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

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

	tCO <sub>2</sub> e						
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022: page 75
- Sanlam’s Carbon Footprint 2022: Page 2, 3, 12, 14

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2</sub>e) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

**Sub-principle 4.3.**

Sanlam is investigating setting science aligned targets to reduce our emissions. These targets will be informed by the scenario analysis in progress.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>44</sup>: page 31, 76

**Response<sup>45</sup>**

**• Asset Owner**

Sanlam Group will consider best suited methodologies to calculate and measure targets should these be required, following the outcome of further scenario assessments of the group’s climate-related risks and opportunities across its different assets.

**• Asset Manager**

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

**• Insurance Companies**

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

**• Facilities Manager**

Sanlam Group’s facility manager monitors consumption patterns (energy, water, waste and recycling) which are recorded through an internal IT system. The Sanlam Group Energy Forum sets targets for improving the Group’s environmental performance. It reports to the Business Continuity committee that meets at least quarterly. The facilities manager reports these metrics to the Group SMO which is responsible for the management of these targets. In this regard, Sanlam regularly sets and monitors their targets and reports progress to the Group Social Ethics & Sustainability Committee. In 2023, Sanlam will be announcing water intensity targets and expanding the scope to include other jurisdictions outside South Africa.

<sup>44</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<sup>45</sup> Sources of information for this response include the Sanlam 2021 Integrated Report and Environmental Policy 2020.

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

### **References to supporting evidence:**

- Questions in the 2023 CDP climate disclosure Questions C1.3, C1.3a, pages 14-15

Sanlam Group provides incentives for the management of climate-related issues, including the attainment of targets.

In 2022, a decision was made to enhance the alignment of the Group Executive Committee's (Group Exco) performance contracts with Environmental, Social, and Governance (ESG) metrics. Starting from 2023, 10% of the key performance metrics for their annual contracts: 5% linked to ESG factors and 5% based on metrics related to people, culture, transformation, and people development.

For example, the Sanlam CEO and corporate executive team are rewarded monetarily based on their progress towards achieving the emission reduction targets set for the period of 2021 to 2025. Incentives are linked to both short-term and long-term incentive plans. These targets are closely monitored on an annual basis.

To ensure accountability and responsibility towards environmental sustainability, key performance indicators related to greenhouse gas emissions, energy consumption, water usage, waste management, and paper reduction are included in the performance scorecards.

The successful achievement of these targets directly influences the bonuses or discretionary pay of the individuals, creating a strong incentive for them to actively work towards meeting the emission reduction goals. This approach reinforces the organisation's commitment to environmental stewardship and incentivises sustainable practices throughout the company.

The Group Human Resources and Remuneration committee will continue to play a crucial role in reviewing the value drivers within the Group. This ensures that incentives provided are directly aligned with strategic objectives and appropriately address the integration of acquired businesses. In making forward-looking policy decisions, the committee prioritizes principles of simplification and transparency to ensure clarity and effectiveness.

### **Sub-principle 2.3**

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

#### **Levels 1-4:**

- **Level 1 - Describe the process for undertaking scenario analysis, taking into consideration different climate-related scenarios, including physical, transition and**

liability risk scenarios. Include scenario analysis methodology timeframes, parameters and key assumptions used.

- **Level 2 - Evidence of how scenario analysis is used to understand the resilience of the organisation's current business strategy against identified material climate risk and how it has been integrated within core risk assessment processes.**
- **Level 3 - Evidence of how the results from the scenario analysis have impacted on key decision making and how strategies might change to address such potential risks and opportunities identified.**
- **Level 4 - Evidence of strong collaboration efforts in the knowledge sharing of risk management and modelling expertise into business (and investment) decision making.**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>46</sup>: page 51, 58, 78

Response
<p>• <b>Asset Owner</b> The integration of formal climate-related scenario analyses into business strategy is a relatively recent development. To incorporate these analyses into its annual integrated reporting and other platforms, Sanlam Group has engaged a service provider.</p> <p>Over the next two years, the adoption of climate-related scenario analysis tools will be explored, with an emphasis on utilising qualitative and/or quantitative analysis methods.</p>
<p>• <b>Asset Manager</b> Climate change scenario analyses will be considered at Sanlam Group level.</p>
<p>• <b>Insurance Companies</b> Climate change scenario analyses will be considered at Sanlam Group level.</p> <p>Santam's substantial efforts will be utilised, particularly concerning the valuable insights gained from collaborative endeavours focused on sharing risk management and modelling expertise for informing business (and investment) decision-making processes. Santam's initiatives in this regard are reported separately to ClimateWise as part of a dedicated disclosure.</p>
<p>• <b>Facilities Manager</b> Climate change scenario analyses will be considered at Sanlam Group level.</p>

**Demonstrating continuous improvement (planned activities)**

Notable Sanlam highlights from 2022 include the publication of our first Climate Change Resilience Report. In addition, Sanlam’s ESG committee was established in 2022 to support the governance of Group ESG issues. Furthermore, to support the integration of ESG additionality into investment decision-making, Sanlam partnered with Business Day and Intellidex to launch a research project called the Sanlam ESG Barometer. The barometer aims to elevate thinking

<sup>46</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

about ESG is practised in South Africa and highlight the opportunities to improve ESG performance.

Sanlam also continued to investigate how to meet the new Financial Stability Board's TCFD recommendations.

Sanlam Group is further investigating the use of scenario analyses to support the assessments and future planning processes. Sanlam reports in its 2022 Sustainability Report (page 78) that PwC is assisting the Group in understanding climate-related risks and scenario analysis capabilities and actions throughout the clusters.

In addition, to allow for employees to better understand the concept of climate-related risks and opportunities, an online course was provided. The eLearning module covered four topics: an introduction to climate change, understanding climate-related risks and opportunities, climate scenario analysis and TCFD. In 2022, 86% employees completed the course. This is the first of many courses Sanlam intends to use to improve climate change literacy within our organisation. Furthermore, to help quantify biodiversity and climate transition risks, Sanlam's Sustainable Investment Group participated in the TNFD. The data gained from such programme will be incorporated into the investment process at Sanlam.

The results of the ongoing scenario investigations will encompass quantifications of priority transitional climate change risks, enabling Sanlam to elucidate their impacts on the business, strategy, and financial planning. This analysis will encompass considerations of climate change risks related to both owned and managed assets. After identifying the material risks and opportunities for each cluster, Sanlam will associate significant opportunities with financial performance indicators, thereby integrating climate-related issues into the long-term business strategy.

The group is committed to crafting and disclosing a net-zero commitment and plan. Collectively, these initiatives will furnish essential information, enabling the Board to link climate-related risks and opportunities with strategic decisions.

Sanlam also intends to sustain its engagements with civil society and business associations to advance climate and environmental agendas. Notable initiatives include Every Action Counts and the National Business Initiative's Just Transition Pathway for Decarbonising the Economy.

Furthermore, Sanlam is exploring the possibility of establishing science-aligned targets to reduce emissions associated with our facilities.



### 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. This should include the use of standard definitions or risk classification frameworks.**

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>47</sup>: pages 30, 31, 75, 77, 78.
- Questions in the 2022 CDP climate disclosure: Question C1.1b, C1.2
- Sanlam Climate Change Resilience Report 2021<sup>48</sup>: pages 16
- Sanlam Governance report 2022<sup>49</sup> : Page 19, 29,30, 31,48, 57, 59, 60
- Sanlam Sustainable Investments Report 2022<sup>50</sup>: page 7, 27, 28, 31, 45, 58, 66
- Sanlam Integrated Report 2022<sup>51</sup>: Page 16, 36, 38, 39, 57, 60, 62

#### Response

##### • Asset Owner

Sanlam's Own Risk and Solvency Assessment (ORSA) is an overarching process that combines the results from various processes embedded at the Sanlam Group and cluster level as part of the Group Enterprise Risk Management (ERM) framework. The Group risk function oversees the ORSA process and produces a quarterly Group ORSA Update Report. This report covers assessments and analyses of the Group's strategic and operational risks, risk profile, risk appetite, stress testing, and projections for the business planning horizon. The report is reviewed by management and presented at the Sanlam Risk and Compliance committee and Board meetings.

The ORSA process is well-established and extends to the cluster level, where each cluster conducts parallel ORSA processes. These cluster-level processes assess strategic risks, operational risks, risk profiles, risk appetites, emerging risks, solvency, and stress testing with forward-looking projections. Climate change risks are also addressed at different organisational levels:

1. Strategic climate change risks are considered using a top-down approach.
2. 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 maintain risk registers and reports. Quarterly Business Review cluster forums provide feedback on financial, strategic, risk, and operational matters

<sup>47</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-report-2022.pdf)

<sup>48</sup> Available at: <https://www.sanlam.com/downloads/reporting-suite/2021/Climate-Change-Resilience-Report-2021.pdf>

<sup>49</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>50</sup> Available at: [2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf \(sanlaminvestments.com\)](https://www.sanlam.com/downloads/sustainable-investments-report-2022.pdf)

<sup>51</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/integrated-report-2022.pdf)

to the Sanlam Life and Limited Boards. These forums also address sustainability-related issues, including climate change risks, which are escalated to the Group level when necessary.

The Group has a particular focus on emerging risks, including those related to climate change, which may not be part of the usual risk framework. Scanning for emerging risks, both internally and externally, is conducted quarterly. Internal scanning involves input from key subject matter experts within the Group, while external scanning focuses on industry and media risk reports.

The Group ERM Forum leads the assessment of potential climate-related risks and opportunities. Risks are categorised as general, financial, or business-specific risks, and further sub-categories are determined with inputs from business owners, stakeholders, and regulations. Sustainability risks are included in this process and prioritised based on materiality and their impact on the business.

Sanlam's risk appetite statement defines the acceptable financial or strategic impact from risks. The Board plays a key role in setting the risk appetite statement and establishing limits for the identified risk categories, including climate-related risks.

The process to identify emerging risks is illustrated below:

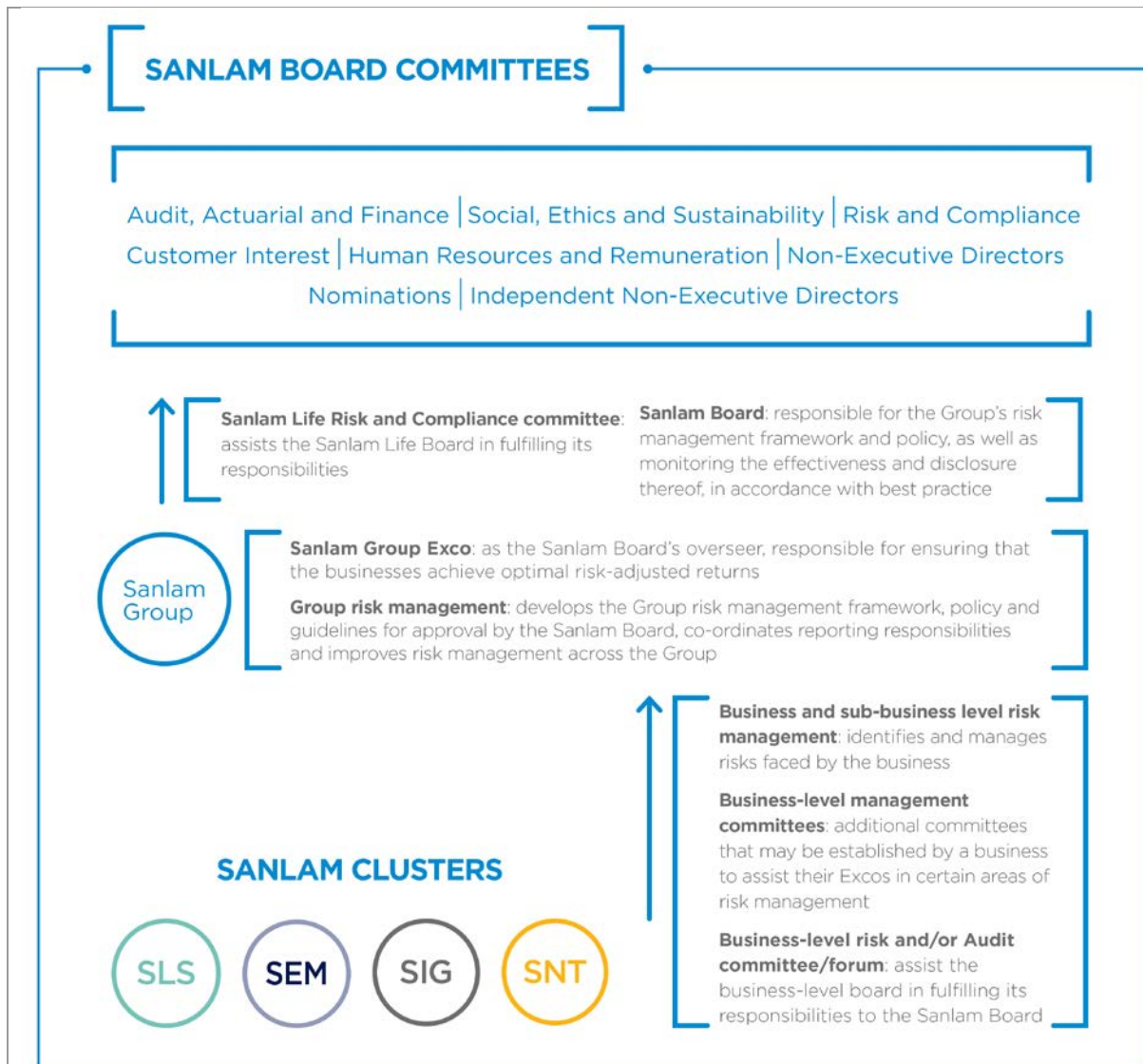


Figure 6: Process to identify emerging risks. Source: Sanlam Climate Change Resilience Report 2021, pages 16

In 2022, Sanlam continued supporting the allocation of capital to combat climate change in emerging markets, building on the successful joint venture with Dutch Development Bank, FMO, through the Climate Investor One and Two funds. In FY2022, the Risk and Compliance committee incorporated ESG (Environmental, Social, and Governance) principles, with a specific focus on climate change considerations, into its approach to risk management and responsible investing. This strategic decision allows Sanlam to integrate ESG principles, including climate change considerations, into the overall framework for risk management and responsible investment practices.

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”.

As part of identifying and assessing emergent climate risks, Sanlam consists of a Social, Ethics and Sustainability (SES) committee. The committee's primary role is to monitor Sanlam's activities and advises the Board on all ESG matters, including climate-related risks and opportunities, as well as ethics and compliance management, social and economic development, good corporate citizenship, stakeholder relations, the environment, the health and safety of Sanlam's employees, transformation, diversity, and other labour-related aspects. Furthermore, they oversee the Group's disclosure on ESG

ratings and considers and reviews Sanlam's sustainability priorities annually. The Board receives regular updates from the Social, Ethics, and Sustainability and Risk and Compliance Committees, providing insights into the risks and opportunities related to their specific mandates and key goals, including ongoing assessments of emerging climate risks. Notably, the Social, Ethics, and Sustainability committee has expanded its scope to encompass ESG matters and climate risks and opportunities. Meanwhile, the Risk committee plays a crucial role in assisting the Board with responsible investment and climate risk evaluation.

Sustainability, with a focus on climate-related concerns, is an integral part of board agendas, and it is mandatory for all business units and subsidiaries to incorporate social, ethics, and sustainability issues into their respective board agendas.

The active engagement and oversight at the Board level facilitate seamless integration among various functions responsible for addressing climate risks across the entire organisation, ensuring a comprehensive and coordinated approach to climate risk management.

Sanlam Group employs several committees to identify, assess, and prioritise climate-related risks and opportunities across its sectors, geographies, and business segments. The Audit committee, consisting of independent non-executive directors with relevant expertise, oversees statutory and oversight responsibilities, including non-financial information preparation. The Actuarial Forum and Finance and Risk Forums function as sub-committees of the Audit committee to further support risk management and control. The Sanlam Chief Audit Executive ensures effective internal audit control function, reporting to the Audit committee and Group Finance Director, and evaluates the performance of the internal audit function annually. Sanlam subscribes to the Code for Responsible Investing in South Africa, encouraging the integration of ESG issues in investment decisions. The Risk and Compliance committee, comprising independent non-executive directors, advises the Board on risk, ethics management, compliance, information management, and IT governance. The Finance committee oversees the Group's combined assurance approach, incorporating various assurance services and functions to cover significant risks and material matters. The combined assurance model is deemed effective and robust, allowing the Board to rely on it for integrity in Sanlam's external reports. These governance structures and committees contribute to identifying and addressing climate-related risks and opportunities throughout Sanlam Group.

In 2022 financial year, climate change risks were ranked outside the top 10 area of specific focus. However, climate change risks and opportunities form part of the Group's investment design, including the consideration for alternative low-carbon energy sourcing and the adaptation required for extreme weather and long-term climate change.

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

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

In 2022, Sanlam made significant progress in understanding and addressing climate-related risks through climate scenario analysis. PwC assisted in evaluating Sanlam's risk registers and public risk

documents to identify current approaches and suggest ways to accelerate action in critical areas. An ESG committee was established to oversee environmental, social, and governance issues and the Sanlam Investment Group finalised its policy position on climate change and fossil fuel investment, aiming to decarbonise its investment portfolio. The Group is in the process of reviewing a climate change position statement, outlining its approach to climate change and the just transition, with a focus on supporting vulnerable workers and communities in Africa. Partnerships with sustainability leaders like Robeco and the proposed partnership with Allianz will enhance the integration of ESG principles into Sanlam's investment and insurance businesses.

Sanlam Investment Group participated in the TNFD pilot program, aiding in quantifying biodiversity and climate transition risks to integrate this data into the investment process. Sanlam also implemented a climate awareness course to educate stakeholders on climate-related matters. To ensure the effective incorporation of ESG considerations, Sanlam Life and Savings and Sanlam Emerging Markets appointed dedicated ESG specialists to work closely with the sustainability function.

Additionally, Sanlam introduced ESG and culture Key Performance Indicators (KPIs) in 2023, linking 10% of Group Exco's short-term incentives to these metrics. The company maintains emission and water reduction targets, aiming for a 10% reduction against a 2019 baseline by 2025. Sanlam's facilities' function diligently tracks consumption patterns and changes related to electricity, water, diesel, petrol, aircon gas, and waste to effectively manage environmental impact. These initiatives demonstrate Sanlam's commitment to addressing climate-related risks and opportunities in a responsible and sustainable manner.

#### • **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. As part of the investment process, Sanlam integrates sustainability considerations, including environmental, social, and governance factors, aiming to deliver risk-adjusted returns while promoting environmental sustainability.

To assess investment risks, Sanlam Investments subscribes to ESG research conducted by an external ratings provider, using public information to evaluate ESG risk. If concerns arise, engagement dialogues with companies are initiated to seek further clarity.

Sanlam Investments actively promotes environmental sustainability by encouraging companies to report on material environmental issues, monitoring their environmental management, and ensuring adherence to relevant laws and guidelines. Sanlam Investments also conducts research on investment-related environmental risks and opportunities, integrating sustainability considerations into their investment process.

In terms of active ownership, Sanlam Investments addresses systemic climate issues through engagement and proxy voting for both active and passive investments, enhancing market sustainability and returns. The escalation policy allows for engagement with companies and collaboration with other investors to address material environmental issues.

Sanlam Investments discloses its environmental sustainability efforts to clients, promotes industry best practices, and aims to manage conflicts of interests effectively.

With a clear roadmap, Sanlam Investments seeks to drive ESG incorporation, forming partnerships with like-minded organisations such as Robeco and Climate Fund Managers. Sanlam Investments plans to invest R35 billion over the next decade in climate change projects, water initiatives, and the Investors' Legacy impact range.

Moreover, Sanlam Investments recognises climate change opportunities and plans to participate in group-level climate scenario analyses to understand impacts on the business, strategy, and financial planning. This analysis will encompass climate change risks and opportunities associated with owned and managed assets, guiding the long-term business strategy.

Through these practices and commitments, Sanlam Investments ensures a comprehensive approach to identifying, assessing, and prioritising climate-related risks and opportunities, spanning various sectors, geographies, and business segments while contributing to a more sustainable future.

**• Insurance Companies**

Sanlam Life and Savings and Sanlam Emerging Markets also incorporate ESG factors into their credit approval processes. To incorporate ESG in decision-useful ways, Sanlam Life and Savings appointed dedicated ESG specialists. These individuals will be working closely with the sustainability function.

The aim is 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**

Sanlam’s facilities management team monitors risks and opportunities associated with South African facilities and intends to expand monitoring into Africa. An internal IT system monitors energy, water, waste, and recycling patterns. The facilities manager reports any identified climate change risks or opportunities to the sustainability team. Sanlam Group measures GHG data at all its facilities. This information is reported to Sanlam management and executives responsible for managing climate-related risks within the facilities, supported by the 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 current business practice and processes for managing and regularly reviewing climate-related risks and opportunities including how this informs key decision making (and investment decisions).**

**References to supporting evidence:**

- Sanlam Sustainability Report<sup>52</sup>: page 19, 24, 25, 26, 30, 31, 75
- Sanlam Governance report 2022<sup>53</sup> Page 12, 13, 29, 60.
- Sanlam Sustainable Investments Report 2022<sup>54</sup>: page 11, 36, 42, 55.
- Sanlam Integrated Report 2022<sup>55</sup>: Page 15, 16, 35, 38, 55, 62, 94.

**Response**

**• 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 distinguishes between strategic and operational risks, which are mitigated through a mature risk management governance structure, that utilises both a top-down and a bottom-up approach, described above in response to the Level 2 disclosure under Sub-principle 1.2.

<sup>52</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-report-2022.pdf)

<sup>53</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>54</sup> Available at: [2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf \(sanlaminvestments.com\)](https://www.sanlam.com/downloads/sustainable-investments-report-2022.pdf)

<sup>55</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/integrated-report-2022.pdf)



**Response**

As discussed above in Level 1 of Sub-principle 3.1, Sanlam Group has a specific focus on emerging risks that forms part of the top-down strategic risk assessment and management process. The ORSA is an overarching process that brings together the results from various processes embedded at the Group and cluster level as part of the Group ERM framework.

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.

• **Asset Manager**

Sanlam Investments current business practices and processes for managing climate-related risks are discussed above in Level 1 of Sub-principle 3.1.

Sanlam Investments is dedicated to sustainable and responsible investments, adhering to the UN Principles of Responsible Investing and the Code for Responsible Investing in South Africa. Sanlam Investments follows a comprehensive approach to managing and regularly reviewing climate-related risks and opportunities and practices are guided by current best practices in sustainable investing and ESG matters, including principles such as the UNPRI, Code for Responsible Investing in South Africa, UN SDGs, IFC Performance Standards on Environmental and Social Sustainability, IFC Interpretation Note on Financial Intermediaries, King IV Report on Corporate Governance, and IFC Operating Principles for Impact Management. These frameworks are considered and applied as relevant, adapting to the local context and priorities of Sanlam Investments operations, who recognises that aligning with the UNPRI can better serve broader societal objectives. The commitment to these principles informs key decision-making processes, including investment decisions, and reinforces their dedication to managing climate-related risks responsibly.

• **Insurance Companies**

At Sanlam Life and Savings and SEM, the involvement and supervision of climate change issues occur at two levels: the Sanlam Group management/committee level, as mentioned earlier, and the cluster management levels responsible for climate change, which encompass the clusters' risk/audit and management committees. Therefore, Sanlam Life and Savings’ and Sanlam Pan Africa’s current business practices and processes for managing climate-related risks rest at Sanlam Group level.

• **Facilities Manager**

Sanlam Group's Facilities Management plays a crucial role in evidencing the current business practices and processes for managing and regularly reviewing climate-related risks and opportunities. Through responsible property management and proven energy-saving measures, the Facilities Management team actively identifies and implements strategies to unlock operational cost savings for the company.

Sanlam Group implemented various resource conservation measures, including efficient use of electricity, water, fuel, paper, and waste minimisation initiatives. These actions demonstrate the commitment to reducing resource consumption and mitigating the environmental impact of their operations.

Furthermore, Sanlam is actively engaged in sustainability initiatives and partnerships that contribute to climate resilience and environmental protection. They are part of the "Every Action Counts Coalition" a collaborative effort that brings together nature conservation and climate change experts with digital platforms, financial institutions, and consumer goods firms. This initiative enhances the understanding of climate-related risks and opportunities and informs key decision-making processes and investment decisions.

One significant partnership is with WWF-SA, the world's largest independent conservation organisation. Through this partnership, Sanlam focuses on safeguarding freshwater sources, a critical resource that is vulnerable to climate change impacts. The collaboration empowers local governments

**Response**

to integrate freshwater protection into their policies and plans, reinforcing Sanlam’s commitment to water stewardship.

By actively participating in these initiatives and partnerships, Facility Managers demonstrate how Sanlam is proactively managing climate-related risks and leveraging opportunities. The insights gained from these efforts inform key decision-making processes, including investment decisions, to align the company's operations with sustainable and climate-resilient practices. Initiatives are discussed further in the response to Sub-principle 4.2

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

**Response**

- Facilities Manager

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**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	2022 tCO <sub>2</sub> e
<b>Scope 1 (direct emissions)</b>	1,038
<b>Scope 2 (energy indirect emissions)</b>	28,042
<b>Scope 3 (other indirect emissions)</b>	18,632
- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	47,712

**Response**

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

Absolute targets	2022	Target year: 2025
Scope 1 (tCO <sub>2e</sub> )	2,821	2,152
Scope 2 (tCO <sub>2e</sub> )	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2e</sub>)</b>	<b>59,513</b>	<b>39,370</b>

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 14**

**Response**

**Response**

• **Facilities Manager**

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

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

tCO <sup>2</sup> e							
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 2, 3, 12, 14**

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam

**Response**

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

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2</sub>e) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

**Sub-principle 4.3**, Level 5.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>56</sup>: pages 30, 31, 75
- Sanlam Sustainable Investments Report 2022<sup>57</sup>: page 11, 39
- Sanlam Sustainable Investments Policy 2022<sup>58</sup>: pages 4, 5, 10
- Sanlam Integrated Report 2022<sup>59</sup>: Page 7, 20, 28, 45, 55, 56, 58, 61

**Response**

**• Asset Owner**

The Sanlam Board, supported by the Risk and Compliance committee, sets and oversees the implementation of Sanlam’s objectives and strategies. In FY2022, the Risk and Compliance committee incorporated ESG principles, with a specific focus on climate change considerations, into its approach to risk management and responsible investing. To support the integration of ESG additionality into investment decision-making, Sanlam partnered with Business Day and Intellidex to launch a research project called the Sanlam ESG Barometer. This strategic decision allows Sanlam to integrate ESG principles, including climate change considerations, into the overall framework for risk management and responsible investment practices.

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 ESG aspects, including climate change, on the sustainability of potential and owned assets. The requirements of the responsible investment policy are actioned by Sanlam Investments, the asset manager, as discussed below.

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

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

**• Asset Manager**

Sanlam Investments’ Sustainable Investments Policy 2022 is used to manage climate-related risks for the investments under its management. Sanlam Investments integrates its current business practices and processes into its overall risk management framework through the establishment of the Sustainable

<sup>56</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<sup>57</sup> Available at: [2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf \(sanlaminvestments.com\)](https://www.sanlaminvestments.com/2022-SUSTAINABLE-INVESTMENTS-REPORT.pdf)

<sup>58</sup> Available at: [Sustainable Investment Policy.pdf \(sanlaminvestments.com\)](https://www.sanlaminvestments.com/Sustainable-Investment-Policy.pdf)

<sup>59</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/Sanlam-IR-2022.pdf)

Investments Committee. Formed in 2021, this committee comprises senior members within the organisation and reports to the executive committee and board of directors. The committee's mandate includes driving the vision on sustainable investing and impact, setting sustainable investment approaches, priorities, and targets, as well as developing policies, guidelines, and positioning statements related to sustainable investing. It also monitors and evaluates the implementation of agreed-upon priorities, outcomes, policies, and impact measurements.

To ensure ongoing progress and alignment with sustainability goals, Sanlam Investments follows a clear roadmap for 2023, which includes identifying outcomes and targets, mapping investments to the SDGs, and aligning with other relevant regiments. Sanlam Investments focuses on setting relevant ESG-themed and asset class policies and position statements, promoting consistency in applying risk management of sustainability matters across all investments, and enhancing enterprise-wide reporting to illustrate their contribution to the United Nations Sustainable Development Goals and other goal frameworks. Sanlam Investments is committed to monitoring, tracking, and measuring its aggregated contribution over time to these goals and frameworks and furthermore, actively engages with key memberships and partnerships, such as Robeco and Climate Fund Managers, to catalyse and enhance sustainability efforts and impact.

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

**• Insurance Companies**

At Sanlam Life and Savings and Sanlam Emerging Markets, the involvement and supervision of climate change issues occur at two levels: the Sanlam Group management/committee level, as mentioned earlier, and the cluster management levels responsible for climate change, which encompass the clusters' risk/audit and management committees. Therefore, Sanlam Life and Savings' and Sanlam Emerging Markets' 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. Sanlam's facilities management team monitors risks and opportunities associated with South African facilities and intends to expand monitoring into Africa.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>60</sup>: pages 30, 83, 84, 85, 86
- Sanlam Integrated Report 2022<sup>61</sup>: Page 38
- Sanlam Governance report 2022<sup>62</sup>: Page 8, 31, 58.

<sup>60</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-report-2022.pdf)

<sup>61</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/sanlam-integrated-report-2022.pdf)

<sup>62</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>



## Response

### • Asset Owner

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

The Risk and Compliance committee advises and assists the Board in overseeing risk governance by setting the direction for how risk management should be approached and addressed at Sanlam. This includes the identification, mitigation and management of climate-related risks to which the Group might be exposed, including emerging regulatory risks. The committee meets quarterly and provides feedback at every Board meeting. The Social, Ethics, and Sustainability Committee monitors and advises the Board on all ESG matters, including climate-related risks and opportunities. 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.

Sanlam demonstrates its compliance with current and emerging regulatory requirements through a proactive approach that involves engaging with regulators and industry bodies in various countries to anticipate legislative changes. The Sanlam Group operates under diverse regulatory, legal, and tax regimes, and the effort required to implement new and updated regulatory measures is addressed through continuous re-evaluation of business models to remain adaptable to the changing regulatory environment. The Group also employs a coordinated approach to achieve consistency and economies of scale. Leveraging technology is a key aspect of the strategy, enabling better data management and compliance with various regulatory and business imperatives, such as IFRS 17. Additionally, Sanlam supports climate change transition regulation and actively participates in transition roadmap projects. Sanlam collaborates with research and industry bodies to stay abreast of best practices and aims to become a leader in adopting new standards. To enhance climate change literacy within the organisation, Sanlam developed an introduction to climate-related risks and opportunities online course for employees, with a remarkable 86% completion rate in 2022. These actions collectively demonstrate Sanlam's commitment to regulatory compliance and its proactive stance in addressing climate-related challenges and opportunities.

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

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

Sanlam ensures its compliance with current and emerging regulatory requirements, including those relating to climate change, through a comprehensive governance and compliance structure. At the group level, the Group Compliance Office, business unit-level compliance, and legal departments manage compliance-related matters, overseeing ethical conduct and adherence to compliance requirements. The Group's Code of Ethical Conduct guides organisational ethics and is frequently reviewed to remain relevant across various markets. Key policies, including the Governance Policy, Code of Ethical Conduct, Compliance Policy, and others, support ethical behaviour throughout the organisation. Ethical risk assessments are conducted biennially to evaluate and assess the ethical climate, with the outcomes aligned with the Barrett Culture Surveys. The Group Compliance Officer leads the compliance function, promoting and monitoring the compliance culture and reporting to the Risk and Compliance Committee and the Board. The Group's compliance policy mandates compliance with applicable laws and standards to uphold Sanlam's reputation as a responsible corporate citizen. Compliance management practices and procedures are designed to detect and mitigate compliance risks, encouraging adherence to applicable laws and non-binding rules. The Group Compliance Officer regularly reports to the Board and relevant committees, ensuring transparency and accountability in compliance matters, with the corporate governance report further providing an overview of

Response
governance and compliance management, focus areas, initiatives, and the addressing of compliance-related risks during the review period.
<ul style="list-style-type: none"> <li>• <b>Asset Manager</b> The assessment of compliance with current and emerging regulatory requirements is undertaken at the Sanlam Group level.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Insurance Companies</b> Sanlam Life and Savings' and Sanlam Emerging Markets' assessment of compliance with current and emerging regulatory requirements rests at Sanlam Group level.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Facilities Manager</b> The assessment of compliance with current and emerging regulatory requirements is undertaken at the Sanlam Group level.</li> </ul>

### 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 the member's role in developing insurance products and/ or new partnerships to support innovation for climate-related issues mitigation and adaptation. This should include an explanation around how the need for these climate-related products and innovation has been identified.**

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>63</sup>: pages 4, 15, 20, 30, 31, 32, 75
- Sanlam Governance report 2022<sup>64</sup>: Page 13, 29, 43, 60.
- Sanlam Sustainable Investments Report 2022<sup>65</sup>: page 5, 27, 28, 45.
- Sanlam Integrated Report 2022<sup>66</sup>: Page 32, 38, 72
- Santam Integrated Report 2022<sup>67</sup>: Pages 1, 5, 12, 14, 32.

Response
<ul style="list-style-type: none"> <li>• <b>Asset Owner</b> Sanlam Group is committed to investing in sustainable businesses that support innovation for climate mitigation and adaptation.</li> </ul> <p>Sanlam's commitment to addressing climate-related challenges and supporting climate change mitigation and adaptation is grounded in the "Just Transition" approach. Sanlam recognises the unique climate transition challenges faced by African countries, which have the lowest adaptive capacity and are particularly vulnerable to the impacts of climate change. While Africa accounts for only 3.8% of global greenhouse gas emissions, the continent faces complex economic, environmental, and social issues, including high unemployment, inequality, and poverty.</p>

<sup>63</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf)

<sup>64</sup> Available at: <https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf>

<sup>65</sup> Available at: [2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf \(sanlaminvestments.com\)](https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf)

<sup>66</sup> Available at: [Sanlam-IR-2022.pdf](https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf)

<sup>67</sup> Available at: [integrated-report-2022.pdf \(santam.co.za\)](https://www.sanlam.com/downloads/governance/2022/Sanlam-Governance-Report-2022.pdf)

## Response

Sanlam's approach aligns with the climate change position of the Group of 77 developing countries, emphasising the importance of addressing climate issues in the context of development and adopting differentiated responsibilities. Sanlam aims to balance climate action with positive social impact, focusing on job creation, resilient infrastructure, food security, financial education, water security, and environmental stewardship.

To execute the impact framework in support of the "Just Transition," Sanlam has established crucial partnerships with organisations like FMO, the Dutch development bank, through the Climate Fund Managers (CFM). With CFM, Sanlam structures, raises, and deploys innovative investment vehicles that facilitate a path to achieving net-zero carbon emissions and building economic and social resilience in developing markets globally.

One of Sanlam's significant global initiatives, Climate Investor One, fosters clean-energy projects in Africa and Asia. Additionally, Climate Investor Two focuses on water, ocean, and sanitation infrastructure projects in emerging markets. Both funds operate with robust impact measurement frameworks to ensure tangible, real-world results that make a sustainable difference in people's lives.

In South Africa, Sanlam further supports climate change action through local partners, the Sanlam Sustainable Infrastructure Fund, and the Sanlam Foundation. These partnerships play a crucial role in financing essential infrastructure projects, including renewable energy initiatives like the Bokpoort Concentrated Solar Power (CSP) plant. By harnessing solar energy, this plant generates electricity and has contributed to job creation and economic transformation in the region.

Another noteworthy project in partnership with CFM is the Damen containerised ballast water treatment system, which addresses the environmental impact of ballast water discharge from marine vessels. This project protects valuable marine ecosystems and coastal environments.

Through these initiatives, Sanlam pursues the development of insurance products and sustainable investments that not only combat climate change but also prioritises social and economic development. Sanlam aims to create positive impacts on society and the environment while ensuring financial sustainability for investors. As a company with historical data, expertise, and a vast network, Sanlam are in a pivotal position to support and spearhead the just energy transition in Africa. The goal is to continue facilitating change and driving greater inclusion and diversity across South African companies, promoting innovation and long-term growth for a sustainable future.

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

- Various industry associations, such as the Business Unity South Africa (BUSA), which have strong mandates to conduct research into climate change matters impacting the South African business environment and wider society.
- Every Action Counts Coalition<sup>68</sup>, which aims to creatively leverage technology and partnerships to enhance green awareness and green action of 1 billion people around the globe by 2025. Sanlam and Santam joined the initiative to connect nature conservation and climate change experts with leading digital platforms, financial institutions and consumer goods firms in 2022.
- The National Business Initiative (NBI) Just Transition Pathway for Decarbonising the South Economy. Our Group Chief Executive is a champion for the NBI's Climate Pathways and a Just Transition for South Africa project.
- The United Nations Global Compact (UNGC), which encourages businesses and organisations worldwide to adopt sustainable and socially responsible policies and practices. By

<sup>68</sup> Sources of information from Sanlam's website : [Sanlam Joins 'Every Action Counts' Coalition](#)

Response
<p>joining the UNGC, Sanlam commit to aligning operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption. The UNGC aims to advance sustainable development and responsible corporate citizenship globally.</p> <ul style="list-style-type: none"> <li>- The United Nations Environment Programme's Principles for Sustainable Insurance, which is a framework introduced by the United Nations Environment Programme's Finance Initiative (UNEP FI) to guide the insurance industry towards sustainable practices. Insurance companies that become signatories to the Principles for Sustainable Insurance commit to incorporating ESG factors into their decision-making processes and risk management strategies. The UN Principles for Sustainable Insurance seek to promote sustainability and resilience within the insurance sector by addressing climate change, social issues, and ethical business practices.</li> <li>- Climate Action 100+, which is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take the necessary action on climate change.</li> </ul>
<p><b>• Asset Manager</b></p> <p>Sanlam Investments is responsible for managing Sanlam Group's investments. Sanlam (through the auspices of the mandate delegated to the Sanlam Investment Group) subscribes to the Code for Responsible Investing in South Africa, which encourages institutional investors and service providers to integrate ESG issues into their investment decisions. Sanlam Investments manages the various funds discussed above at the asset owner level, which enable the financing of renewable energy, water and other related mitigation and adaptation projects.</p>
<p><b>• Insurance Companies</b></p> <p>The development of insurance products to support innovation for climate mitigation and adaptation for Sanlam Life and Savings and Sanlam Emerging Markets occurs at the Sanlam Group level.</p> <p>The development of insurance products to support adaptation occurs at the Santam level (discussed in a separate ClimateWise disclosure), where such measures will have substantive impacts. Examples, include the Partnership for Risk Resilience (P4RR) Programme, which strengthens the institutional and participatory development capacity of local municipalities to proactively reduce the impact of fire and flood disaster events. Santam partners with municipalities, 82 to date, and various stakeholders to assist municipalities to be more resilient through funding and support and to reduce disaster risks caused by fire, flooding and drought, which have a consequential impact on insurance claims. The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to proactively reduce the impact of fire and flood disaster events. Ultimately, Santam's efforts help to contribute to climate adaption efforts by assisting service delivery and providing support to local government infrastructure, economic development, and governance.</p>
<p><b>• Facilities Manager</b></p> <p>Not applicable at this level.</p>

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

**References to supporting evidence:**

- Questions in the 2022 CDP climate disclosure: Questions C1.2, C-FS2.2c, C2.3a, C3.2, C12.3, C12.3c, C12.5, FW-FS2.3a, FW-FS3.2, FW-FS6.1
- Sanlam Sustainability Report 2022<sup>69</sup>: pages 10, 19, 26, 29, 79
- Sanlam Integrated Report 2022<sup>70</sup>: Page 7, 15, 55

<sup>69</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>70</sup> Available at: [Sanlam-IR-2022.pdf](#)

- Santam Integrated Report 2022<sup>71</sup>: Pages 3
- Sanlam Sustainable Investments Report 2022<sup>72</sup>: 38, 39

**Response**

• **Asset Owner**

Sanlam plays a crucial role in improving data quality to inform research and analytics on climate-related issues. The Group demonstrates its commitment to providing stakeholders with reliable information by using the combined assurance process to ensure data integrity. This process includes third-party verification of its GHG emissions inventory, conducted by the sustainability assurance agency Verify CO2. The verification confirms that the data, methodologies, and emission factors used for calculating GHG emissions are accurate and complete. Furthermore, Sanlam collaborates with AQRate to verify its broad-based black economic empowerment (B-BBEE) status, adding credibility to its sustainability efforts.

The Social, Ethics, and Sustainability Committee takes responsibility for ensuring the integrity of sustainability reports and evaluating their preparation and presentation, assuring stakeholders that the reports truthfully reflect Sanlam's sustainability efforts.

Sanlam acknowledges the increasing demand for quality ESG data, particularly related to climate change and social impact, from its shareholders and the investment community. To meet this demand, Sanlam launched the Sanlam ESG Barometer, a research project in collaboration with Business Day and Intellidex. The barometer focuses on ESG additionality and initiatives made by South African companies to improve their ESG performance. This initiative aims to actively drive transformative and measurable ESG change through proactive investments. Regarding cybersecurity risks, Sanlam takes measures to mitigate potential data breaches and protect sensitive client data. Sanlam continuously reviews and enhances cybersecurity risk controls and increases employee awareness of the latest threats. Strategic workforce planning is also implemented to ensure adequate cybersecurity personnel and expertise to counter growing cyberattacks.

Sanlam has been a longstanding partner of WWF for over 15 years, actively supporting various conservation efforts, with a focus on freshwater initiatives in South Africa. Through its investment of over R75 million in WWF-SA, Sanlam has provided crucial funding to support water-related projects and conservation activities. The partnership's shared vision is to foster collaboration among government, civil society, and the private sector to build a sustainable future where healthy freshwater ecosystems are central to South Africa's development. Sanlam's role in this partnership involves advocating for water-related legislation, reducing its own water consumption, and participating in research and monitoring activities. The partnership's initiatives aim to improve freshwater quantity and quality in strategic water source areas, benefiting both ecological systems and local communities. The Sustainability Management Office at Sanlam is directly responsible for overseeing the partnership with WWF-SA, ensuring regular meetings and updates on project aspects, including data quality considerations. By actively promoting water stewardship and conservation, Sanlam's partnership with WWF-SA is making a positive impact on the environment and contributing to the well-being of communities across the country.

Sanlam Group is currently in the process of performing climate scenarios in line with the TCFD recommendations. Once this process has been completed, the outcomes will be made public. This year Sanlam included a TCFD disclosure index table in the Sustainability Report instead of publishing a standalone climate-related report to present a more streamlined and holistic view of

<sup>71</sup> Available at: [integrated-report-2022.pdf \(santam.co.za\)](https://www.santam.co.za/integrated-report-2022.pdf)

<sup>72</sup> Available at: [2022\\_SUSTAINABLE\\_INVESTMENTS\\_REPORT.pdf \(sanlaminvestments.com\)](https://www.sanlaminvestments.com/2022-SUSTAINABLE-INVESTMENTS-REPORT.pdf)

**Response**

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

- BUSA.
- Every Action Counts Coalition.
- NBI's Just Transition Pathway for Decarbonising the South Economy.
- UNGC and UN Principles for Sustainable Insurance
- Climate Action 100+.

**• Asset Manager**

Addressed above at the asset owner level.

Sanlam, through the Chief Sustainability Officer, is currently in the process of performing climate scenarios in line with the TCFD recommendations. Once this process has been completed, the outcomes will be made public. The outcomes will of this process will guide our climate change response more holistically. This analysis will enable Sanlam to delve deeper into the assessment of climate-related risks, including the quantitative analysis of carbon emissions. By doing so, Sanlam will enhance understanding of the potential impacts and align investment strategies with climate-related challenges. The eLearning module of the climate course for employees covered four topics: an introduction to climate change, understanding climate related risks and opportunities, climate scenario analysis and TCFD

**• Insurance Companies**

Sanlam plans to capitalise on the substantial efforts made by Santam, specifically in addressing data quality challenges for informing research and analytics on climate-related matters. Santam's successful experiences, such as the P4RR program mentioned in Level 1 of this sub-principle, will serve as valuable lessons for Sanlam's own Climate Wise submission. These initiatives and learnings will be outlined in a dedicated disclosure to ClimateWise, showcasing the strides taken to enhance data quality and contribute effectively to climate-related issues.

Sanlam Life and Savings and Sanlam Emerging Markets development of insurance products of this nature occur at the Sanlam Group level.

**• Facilities Manager**

Not applicable at this level.

**Level 3 - Evidence of how the development of new products/ partnerships to address climate change impacts the business and addressed the most significant issues or opportunities as identified by the organisation.**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>73</sup>: pages 78
- Questions in the 2022 CDP climate disclosure: Question

<sup>73</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)



**Response**

• **Asset Owner**

Sanlam Group acknowledges the long-term competitive advantage of investing in sustainable and climate-related activities. The development of new products to address climate change showcases the Group's commitment to long-term sustainability and the transition to a lower-carbon economy at both national and global levels. This business strategy includes the creation of various renewable energy, water, and infrastructure funds. These investments are aimed at developing new sectors that offer more sustainable sources of jobs and economic growth in carbon and water-constrained environments. By addressing transitional risks in carbon-constrained environments, such as those faced by the fossil fuel sector, Sanlam Group aims to ensure the long-term sustainability of its portfolio companies, investors, and governments.

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

• **Asset Manager**

The development of new products to address climate change has a positive impact on Sanlam Investments' business. These products, designed to enhance the resilience of businesses and communities to climate change, help Sanlam Investments manage the transitional risks faced by the assets owned by the Sanlam Group. By offering climate-focused investment opportunities, Sanlam Investments positions itself as a leader in sustainable and responsible investment practices, attracting environmentally conscious clients and contributing to the broader transition to a low-carbon economy.

• **Insurance Companies**

Sanlam Life and Savings' and Sanlam Emerging Markets businesses stand to benefit from the development of new products to address climate change. Products that enhance the resilience of businesses and communities to climate change may result in increased disposable income levels which can mitigate risks associated with the non-payment of monthly life-insurance premiums or the servicing of debts provided by the company. Sanlam's insurance businesses, such as Santam, stand to benefit from the development of new products that address climate change. Products aimed at enhancing the resilience of businesses and communities to climate-related risks can result in increased disposable income levels for clients. This, in turn, can mitigate the risks associated with the non-payment of monthly life insurance premiums or servicing of debts provided by the company. By offering insurance solutions that support climate resilience, Sanlam's insurance companies strengthen their value proposition and position themselves as partners in managing climate-related risks for their clients.

• **Facilities Manager**

At this level, the information provided is not applicable to the facilities manager, as the discussion pertains to investment strategies and insurance products.

**Demonstrating Continuous Improvement (planned activities)**

Sanlam's risk management and governance structure provide a comprehensive perspective on strategic and operational risks, including ESG factors, enabling proactive risk management to identify opportunities arising from risks. The Group's risk management process, aligned with the Sanlam Business Philosophy, involves specific structures and roles allocated to clusters, centrally controlled. The Insurance Act of 2017 and related Prudential Standards require Sanlam to conduct a forward-looking, risk-based Own Risk and Solvency Assessment (ORSA) as part of the Group Enterprise Risk Management (ERM) framework, evaluating strategic and operational risks, including climate change risks, presented to the Sanlam Risk and Compliance committee and the Board.

Sanlam's Group-wide ERM process effectively identifies and manages climate change risks at different levels, considering both top-down strategic risks and bottom-up operational risks. Climate change risks are regularly assessed through risk registers and reports maintained by finance and risk committees in each cluster, with significant risks escalated to the Group level. Emerging climate-related risks receive special attention through regular internal and external scans.

Sustainability risks are also integrated into the risk assessment process, prioritised based on materiality and impact, and managed through the Group-wide ERM process. The Group Sustainability Management team coordinates ESG matters, including climate-related risks and opportunities, with quarterly reports submitted to the Social, Ethics, and Sustainability Committee. To enhance internal performance, Sanlam developed an online course to improve climate change literacy within the organisation. Going forward, Sanlam plans to further enhance its approach to identifying and managing climate change risks and opportunities through the use of climate change scenario analyses, once finalised.

The implementation of various funds, such as the water infrastructure fund, Climate Investor Two Fund, and sustainable infrastructure fund, marks the initiation of innovative market opportunities. Sanlam's continuous improvement in addressing climate change is evident through several key initiatives. The company is actively developing a Group climate change position statement and aligning with the recommendations of the TCFD. Additionally, Sanlam sought external support from PwC to understand climate-related risks and scenario analysis capabilities, leading to accelerated actions in risk management.

The establishment of an ESG committee and the finalisation of a policy position on climate change and fossil fuel investment by Sanlam Investment Group demonstrate Sanlam's commitment to sustainability. Collaborations with organisations like Robeco and proposed partnerships with Allianz show efforts to integrate ESG considerations into business operations.

Participation in the TNFD pilot program and the appointment of dedicated ESG specialists further underline Sanlam's commitment to incorporating ESG factors into decision-making. The Group is aligning performance incentives with sustainable practices by linking 10% of the Group Exco short-term incentives to ESG and culture KPIs from 2023.

Sanlam's focus on maintaining emission and water reduction targets and tracking consumption patterns in facilities highlights ongoing efforts to reduce environmental impact. The company plans to upskill the Board and Group Exco on climate-related issues, link climate risks and opportunities to strategic decisions, and expand the process of identifying, assessing, managing, and reporting climate-related risks throughout the value chain. The consideration of live dashboards and science-based targets reflects the company's ambitious and scientifically aligned approach to addressing climate change.

## 4. Reduce the Environmental Impact of Our Business

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

### Sub-principle 4.1

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

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

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>74</sup>: page 17, 75, 78
- Sanlam’s Procurement Policy Document<sup>75</sup>: Page 9
- Sanlam’s Environmental Policy Document<sup>76</sup>: Page 2

Response
<p><b>• Asset Owner</b></p> <p>Sanlam Group's Procurement Policy emphasises the preference for goods, products, or services that promote conservation of natural resources, environmental protection, and energy efficiency, provided it is practical and economically viable. Suppliers may be required to demonstrate their own environmental policies, quantified environmental impact, and efforts to reduce their environmental footprint, including actions to cut greenhouse gas emissions. The Group Procurement Policy is applicable company-wide and undergoes annual review and updates, except in cases where changes are prompted by Audit recommendations or significant organisational re-structuring that alters roles, responsibilities, and processes.</p> <p>The updated Sanlam Group Environmental Policy complements the Procurement Policy by urging the extension of Sanlam's influence throughout the supply chain, encouraging suppliers to adopt leading environmental practices. This Environmental Policy applies across all company operations.</p> <p>Moreover, the policy acknowledges that climate change poses significant business and global risks that could adversely affect societal stability and well-being, ultimately impacting the financial resilience and prosperity of Sanlam's clients and the communities it operates in. Therefore, Sanlam recognises the importance of integrating responsible environmental principles into its business operations, not only as an ethical imperative but as a crucial step to ensure the long-term survival and success of the company, its clients, and all stakeholders. Sanlam firmly believes that a sustainable business is contingent upon a sustainable environment.</p> <p>Sanlam Corporate has embedded ESG risk assessment through their investment policy statement. Where multi-managed portfolios are concerned, the buying of securities is outsourced to external service providers who may or may not incorporate climate-related issues in their policy framework.</p>

<sup>74</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/~/media/Sanlam/2022/Sustainability-Report-2022.pdf)

<sup>75</sup> Available at: <https://www.sanlam.co.za/kenya/about/Documents/Procurement%20Policy%20Sanlam.pdf>

<sup>76</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

Sanlam Corporate assesses their process and ESG integration, which feeds into the Groups risk assessment in the manager selection process. Sanlam Corporate assesses and manage climate-related risks and opportunities through Active Ownership, which is a qualitative assessment, as a key component of our ESG framework.

It encompasses two important areas:

- Engaging with companies on material ESG issues
- Exercising the right to vote on behalf of clients.

Sanlam considers shareholder engagement as a core driver of change where investors seek to improve investee companies' practices with a specific objective in mind. When engaging with companies, the purpose is to either seek additional understanding or, where necessary, to seek change that will protect and enhance the value of investments for which we are responsible. Along with engagement activity, Sanlam considers voting to be a crucial aspect of being an active shareholder. It is an important element of the ESG framework and an opportunity to influence the company. The voting and engagement activities are closely aligned as Sanlam regularly engages with companies before and after the vote. The Group's voting process is governed by an internal proxy voting guidelines which provide the Groups preferences on governance matters and expectations for companies on sustainability themes.

**• Asset Manager**

In 2022, Sanlam continued to partnership with Robeco and the proposed partnership (subject to regulatory approval) with Allianz, which is a sustainability leader. Such partnerships enhance the alignment of Sanlam Investment Group with global best practices. Through this collaboration, Sanlam Investment Group gains valuable access to Robeco's platform, research, and expertise. Evaluating ESG factors assists Sanlam's asset management division better understand the climate risks and opportunities in their investments. This facilitates the rapid development of SIG's workforce and the integration of sustainable investing practices into its investment processes.

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

**• Insurance Companies**

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

**• Facilities Manager**

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

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>77</sup>: page 75, 76

<sup>77</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

• **Response**

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

In Sanlam's Procurement Policy, the Group integrates an environmental analysis of their suppliers. This includes requesting suppliers to provide evidence of their own environmental policies, quantified environmental impact, and initiatives aimed at reducing their environmental footprint, including efforts to lower greenhouse gas emissions. Sanlam prioritise the environmental awareness of the goods they purchase.

As part of their commitment to environmental sustainability, Sanlam has undertaken to record and monitor a minimum of 80% of our Scope 3 emissions. Additionally, Sanlam have set targets related to electricity consumption, water usage, travel, waste management, and investments to further enhance our environmental sustainability efforts.

Sanlam Group and its business divisions are service organisations 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 4.2

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**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	2022 tCO <sub>2</sub> e
Scope 1 (direct emissions)	1,038
Scope 2 (energy indirect emissions)	28,042

• **Response**

<b>Scope 3 (other indirect emissions)</b>	18,632
- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	<b>47,712</b>

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

<b>Absolute targets</b>	<b>2022</b>	<b>Target year: 2025</b>
<b>Scope 1 (tCO<sub>2</sub>e)</b>	2,821	2,152
<b>Scope 2 (tCO<sub>2</sub>e)</b>	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2</sub>e)</b>	59,513	39,370

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an



• **Response**

increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 14**

**Response**

• **Facilities Manager**

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

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

	tCO <sub>2</sub> e						
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 2, 3, 12, 14**

• **Response**

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2</sub>e) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

**Sub-principle 4.3.** 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 4.2

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**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

• **Response**

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	2022 tCO <sub>2</sub> e
<b>Scope 1 (direct emissions)</b>	1,038
<b>Scope 2 (energy indirect emissions)</b>	28,042
<b>Scope 3 (other indirect emissions)</b>	18,632
- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	<b>47,712</b>

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam's financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

Absolute targets	2022	Target year: 2025
<b>Scope 1 (tCO<sub>2</sub>e)</b>	2,821	2,152
<b>Scope 2 (tCO<sub>2</sub>e)</b>	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2</sub>e)</b>	59,513	39,370

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

• **Response**

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam’s Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 14**

**Response**

• **Facilities Manager**

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

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

	tCO <sub>2</sub> e						
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

• **Response**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022: page 75
- Sanlam’s Carbon Footprint 2022: Page 2, 3, 12, 14

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2</sub>e) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

**Sub-principle 4.3.**

**Level 3 - Describe how broader environmental/climate-related issues impact your value chain and how you have taken a leading role in engagement throughout the value chain to improve the sustainability of products and services.**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>78</sup>: pages 75, 78
- Sanlam’s Procurement Policy Document<sup>79</sup>: Page 10
- Sanlam’s Environmental Policy Document<sup>80</sup>: Page 2
- Sanlam Integrated Report 2022<sup>81</sup>: pages 30

<sup>78</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>79</sup> Available at: <https://www.sanlam.co.za/kenya/about/Documents/Procurement%20Policy%20Sanlam.pdf>

<sup>80</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

<sup>81</sup> Available at: [Sanlam-IR-2022.pdf](#)

**Response**

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

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

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

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

Furthermore, increased severity and frequency of extreme weather pose severe risks to individuals, families, and insurers, threatening Sanlam's business. Extreme weather events affect Sanlam's general insurance, leading to earnings declines, driven by adverse weather, rising claims, costs, and lower investment returns.

Sanlam’s Environmental and Procurement Policies encourages Sanlam’s suppliers to improve on their environmental performance to remain competitive. One of Sanlam’s priorities for 2023 is expanding the process of identifying, assessing, managing and reporting climate- related risks to include the entire value chain.

**Sub-principle 4.2**

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022<sup>82</sup>: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

<sup>82</sup> Available at: [Sanlam-Carbon-Footprint-2022.pdf](#)



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

**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	2022 tCO <sub>2e</sub>
<b>Scope 1 (direct emissions)</b>	1,038
<b>Scope 2 (energy indirect emissions)</b>	28,042
<b>Scope 3 (other indirect emissions)</b>	18,632
- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	47,712

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>83</sup>: page 75

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

Absolute targets	2022	Target year: 2025
Scope 1 (tCO <sub>2e</sub> )	2,821	2,152
Scope 2 (tCO <sub>2e</sub> )	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2e</sub>)</b>	59,513	39,370

<sup>83</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam's largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam's Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>84</sup>: page 75
- Sanlam's Carbon Footprint 2022<sup>85</sup>: Page 14

**Response**

<sup>84</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>85</sup> Available at: [Sanlam-Carbon-Footprint-2022.pdf](#)

• **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 <sub>2</sub> e							
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>86</sup>: page 75
- Sanlam’s Carbon Footprint 2022<sup>87</sup>: Page 2, 3, 12, 14

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments,

<sup>86</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<sup>87</sup> Available at: [Sanlam-Carbon-Footprint-2022.pdf](https://www.sanlam.com/Sanlam-Carbon-Footprint-2022.pdf)

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

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2e</sub>) gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

### Sub-principle 4.3

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

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

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>88</sup>: page 75

Sanlam Group measures environmental data at the level of its facilities. This information is reported to Sanlam Group management and executives who are responsible for managing climate-related risks and opportunities within the facilities, supported by the facilities manager<sup>89</sup>.

#### Response

- **Facilities Manager**

**GHG consolidation approach:** Operational Control Approach. Emissions for Sanlam data provided as a group figure are calculated as 97% of Sanlam Head Office occupation and 69.02% 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	2022	Unit of measurement
Electricity usage	179,47	kWh/m <sup>2</sup>
Municipal water usage	0.67	kl/m <sup>2</sup>
Paper consumption	8.53	kg/full time employee
Business travel – air	2,300.82	km / full time employee
Business travel – car rental	73.87	km / full time employee
Business travel – hotel	1.40	hotel nights / full time employee
Waste recycled (Head Office)	56%	% kilograms
Waste recycled (total)	62%	% kilograms

<sup>88</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>89</sup> Targets are set for the performance of Sanlam Group and not for individual division. Thus, the KPIs reported in this Level include Santam’s performance as well.

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

It is likely that monitoring and data collection will become more efficient and more accurate in the future. This could lead to the introduction of new metrics, as new data is available. For example, the percentage of renewable energy purchased could become relevant in future as this source of electricity becomes more available and the accompanying data becomes easier to gather. Throughout 2022, the Sanlam team has developed an impressive pipeline of projects with one revolving around Renewables and projects focused on conversion to renewable energy, i.e., embedded solar PV.

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

**References to supporting evidence:**

- Sanlam Integrated Report 2021<sup>90</sup>: Page 73
- Sanlam’s Resilience Report 2021<sup>91</sup>: Page 84, 85
- Sanlam Sustainability Report 2022<sup>92</sup>: Page 75

Response								
<p>• <b>Facilities Manager</b></p> <p><b>GHG consolidation approach:</b> 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 <b>includes</b> Santam facilities. Santam is reported at 100%.</p> <p>Sanlam’s performance, which includes Santam’s emissions, related to its monitored environmental metrics are presented below:</p>								
Metric	2016	2017	2018	2019	2020	2021	2022	Unit of measurement
Electricity usage	263	256	240	237	188	187.18	<b>179.47</b>	kWh/m <sup>2</sup>
Municipal water usage	0.60	0.57	0.99	1.04	0.65	0.49	<b>0.67</b>	kl/m <sup>2</sup>
Paper consumption	28.0	31.7	40.8	38.9	13.88	8.30	<b>8.53</b>	kg/full time employee

<sup>90</sup> Available at: <https://www.sanlam.com/downloads/integrated-report-and-annual-financial-statements/2021/Sanlam-IR-2021.pdf>

<sup>91</sup> Available at: <https://www.sanlam.com/downloads/reporting-suite/2021/Sanlam-Resilience-Report-2021.pdf>

<sup>92</sup> Available at : [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<b>Business travel – air</b>	7,560	6,378	7,105	6,420	1083	595	<b>2,300.82</b>	km / full time employee
<b>Business travel – car rental</b>	169	200	177	184	41	39.17	<b>73.87</b>	km / full time employee
<b>Business travel – hotel</b>	3.50	3.60	4.99	4.53	3.78	0.65	<b>1.40</b>	hotel nights / full time employee
<b>Waste recycled (Head Office)</b>	63%	73%	68%	70%	59%	54%	<b>56%</b>	% kg

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

The electricity emissions per m<sup>2</sup> has decreased in the last year and is below the 2014 baseline (312 kWh/m<sup>2</sup>), despite the increased consumption and grid emission factor. The percentage of waste recycled at the Sanlam main building has increased from 51% in 2014 up to 56% in 2022, whilst the overall amount of waste recycled has increased from 54% to 62% in the past year. The consumption of paper has increased per full time employee because of post-covid restrictions and more employees coming into the office.

Performance for business travel has increased in comparison to 2021, with emissions from air, car rental and hotel related business travel increasing by 283%, 89% and 117%, respectively. These increases are likely to be on account of the impacts of post-Covid-19 restriction, which reduced business travel in 2021. If we compare such emissions to 2019, a year in which COVID-19 was not evident, we can see such emissions are still lower to that year’s business travel emissions.

[For more detailed information on the initiatives and actions that are taken to improve environmental performance, please see Sub-principle 4.2](#)

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

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

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

**References to supporting evidence:**

- Sanlam’s Carbon Footprint 2022: Page 13
- Questions in the 2022 CDP climate disclosure: Question C5, C6

Response



• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**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	2022 tCO <sub>2</sub> e
<b>Scope 1 (direct emissions)</b>	1,038
<b>Scope 2 (energy indirect emissions)</b>	28,042
<b>Scope 3 (other indirect emissions)</b>	18,632
- Purchased goods and services	258
- Fuel-and-energy-related activities (not included in Scope 1 or 2)	3,605
- Upstream transportation and distribution	154
- Waste generated in operations	131
- Business travel	5,915
- Employee commuting	8,568
<b>Total Emissions</b>	47,712

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022: page 75

**Response**

• **Facilities Manager**

**Reporting period:** Sanlam’s financial year (01 January 2022 – 31 December 2022).

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

**Methodology:** GHG Protocol – Corporate Accounting and Reporting Standard

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

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

Absolute targets	2022	Target year: 2025
Scope 1 (tCO <sub>2</sub> e)	2,821	2,152
Scope 2 (tCO <sub>2</sub> e)	33,605	37,218
<b>Total carbon footprint per year (tCO<sub>2</sub>e)</b>	59,513	39,370

In 2022, Scope 1 emissions have increased from the previous year by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam's largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021.

Since 2014, the baseline year from which the targets were set, the Scope 3 emissions have increased tremendously. This is largely due to the increased categories reported under Scope 3, as well as increases in activity data under some categories. The inclusion of additional Scope 3 categories is in line with Sanlam's Environmental Policy to continuously improve its environmental monitoring procedures in alignment with the ISO 14001 standards. For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam's Carbon Footprint 2022: Page 14**

**Response**

• **Facilities Manager**

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

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

tCO <sub>2</sub> e							
	2016	2017	2018	2019	2020	2021	2022
<b>Scope 1</b>	522	260	163	2,391	1,644	1,684	2,821
<b>Scope 2</b>	44,761	42,122	38,022	41,353	33,150	35,460	33,605
<b>Scope 3</b>	26,681	23,925	37,784	41,086	16,858	14,442	22,984

Sanlam’s direct emissions arise from the combustion of fuels as well as fugitive emissions. The Scope 1 emission levels in 2022 have increased compared to levels in 2021 by 14%. This is mostly due to the amount of mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

Currently, Scope 2 emissions are Sanlam’s largest category of emissions. Scope 2 emissions decreased slightly from 2021, by 5%, which is as result of the decreased amount of electricity consumed within 2022 compared to 2021 and the decreased South African grid emission factor.

For FY2022, there was a 59% increase in Scope 3 emissions as a result of increased business travel and employees commuting. Such an increase is due to the post-COVID restriction which has now allowed more employees to travel and commute to work.

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

**References to supporting evidence:**

- **Sanlam Sustainability Report 2022: page 75**
- **Sanlam’s Carbon Footprint 2022: Page 2, 3, 12, 14**

**Response**

• **Facilities Manager**

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

The organisational boundary for the 2022 inventory (Scope 1, 2 and 3) includes the following Sanlam facilities: Sanlam Head Office (at 97%), Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane and Sanlam West End.

The organisational boundary for the 2022 targets includes the Sanlam facilities listed above, as well as the Santam facilities as follows: Sanlam Head Office, Sanlam Sky (Houghton), Sanlam Investments, Sanlynn (Pretoria), Sanlam Glacier, Sanlam Alice Lane, Sanlam West End, Santam Head Office, Santam Auckland Park, Santam Alice Lane and Santam Glacier.

All emissions are calculated by multiplying the underlying activity data (which is either monitored or calculated) with appropriate emission factors. All emissions are carbon dioxide equivalent (CO<sub>2</sub>e)

gases, as required by the GHG Protocol. Emission factors are obtained from reliable, recognised sources such as the South African Technical Guidelines, DEFRA and IPCC.

**Sub-principle 4.3 Level 5.**

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>93</sup>: page 5, 75

**Response**

**• Facilities Manager**

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

In 2022, Sanlam declared a target to reduce our energy intensity by 10% annually for Sanlam-owned buildings in South Africa through multiple interventions. In 2023 the Group will be announcing water intensity targets and expanding the scope to include other jurisdictions outside South Africa.

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

Absolute targets	Unit of measurement	2022 performance	2025 target	Progress to date
Total carbon footprint (tCO <sub>2</sub> e)	tCO <sub>2</sub> e	59 513,20	76 346,1	Achieved
Total carbon footprint (tCO <sub>2</sub> e/FTE)	tCO <sub>2</sub> e/FTE	4,58	7,071	Achieved
GHG emissions per m <sup>2</sup>	m <sup>2</sup>	0,33	0,4347	Achieved
Scope 1 (direct GHG emissions)	CO <sub>2</sub> e	2 821,21	2 151,9	Not Achieved
Scope 2 (indirect GHG emissions)	CO <sub>2</sub> e	33 605,31	37 217,7	Achieved
Scope 3 (other indirect GHG emissions)	CO <sub>2</sub> e	22 983,52	36 977,4	Achieved
Total electricity usage	Million kWh	32,27	35,784	Achieved
Air travel	km/FTE	2 300,82	4 821,3	Achieved
Car rental	km/FTE	73,87	137,7	Achieved
Hotel accommodation	bed nights/FTE	1,40	3,40	Achieved

In 2022, it is noted that the Sanlam team was able to meet most of their 2025 targets. Scope 1 emissions was unfortunately not as a result of increased mobile fuel combustion that occurred. Furthermore, air-conditioning and refrigeration gas consumption increased in 2022 compared to 2021.

<sup>93</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

**Response**

It is important to note that Sanlam’s performance will change in the future and therefore 2025 targets may get impacted within the 4-year period. Furthermore, in 2023 a bottom-up analysis will be done to include other jurisdictions where Sanlam operates. In addition to increasing the coverage scope, a feasibility study will be conducted on Scope 3 GHG emissions focusing mainly on Sanlam’s investments.

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>94</sup>: page 31, 75, 76
- Sanlam’s Carbon Footprint 2022<sup>95</sup>: Page 2, 3, 12, 14

**Response**

**• Facilities Manager**

Sanlam’s carbon footprint is measured in line with the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition) and ISO 14064:2006 (first edition) Part 1: Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals.

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:

- 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. The target for the Energy Forum is to drive energy reductions of 10% year-on-year.
- The Energy Forum rolled out new revenue-grade metering equipment and developed an energy management dashboard within the Sanlam-owned and occupied facilities. Examples of metrics actively tracked were 1) energy intensity per square meter and 2) baseload energy and performance in terms of SANS 10400 XA regulations.
- Continual monitoring is undertaken of essential consumption patterns (energy, water, waste and recycling) and controlled through an internal IT system.
- Business travel is monitored through a central travel agent.

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

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

**References to supporting evidence:**

<sup>94</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>95</sup> Available at: [Sanlam-Carbon-Footprint-2022.pdf](#)

- Questions in the 2022 CDP climate disclosure C4.3a, C4.3b

The following initiatives have been openly disclosed and discussed within Sanlam's premises. However, some of these initiatives are still in the planning stage and have not been fully disclosed in any public report yet.

Response	
<p>• <b>Facilities Manager</b> Sanlam's ongoing initiatives to manage its environmental footprint include:</p>	
Environmental Impact	Ongoing initiatives to reduce the existing environmental impact
<b>Electricity usage</b>	<ul style="list-style-type: none"> <li>- Continue to actively replace old T8 fluorescent fittings with more efficient T5 or LED light fittings.</li> <li>- Continuous improvement of main building HVAC system. Phase 1 completed in 2020 and systems seems to be running well.</li> <li>- Continue to investigate options to use solar power energy in the buildings. Detailed feasibility underway.</li> <li>- Continue to procure equipment that complies with the latest energy-efficient regulations and its compliant with the environmental standards.</li> <li>- All future projects are assessed for environmental and energy reduction best standards.</li> </ul>
<b>Fuel and gas usage</b>	<ul style="list-style-type: none"> <li>- In the past year Sanlam has installed equipment to remove the need for R22 gas in air conditioning at the data center.</li> <li>- The technology upgrade of the Data Centre Cooling system resulted in the reduction of water and electricity usage as well as eliminating the use of R22 refrigerant gas to the latest more environmentally sustainable R1234ze.</li> </ul>
<b>Municipal water usage</b>	<ul style="list-style-type: none"> <li>- Sanlam has implemented numerous water saving initiatives such as the 5000 L rainwater harvest system, extended water use license of the borehole system and implementing of a 100 000 L water tank system.</li> <li>- In 2022, the installation of the grey water system initiative was considered however, will not be implemented as it is not feasible. Motion sensor taps are being investigated and might potentially be implemented.</li> </ul>
<b>Business travel</b>	<ul style="list-style-type: none"> <li>- Air and road travel as well as overnight accommodation will continue to be reduced by continuing the use video- and tele-conferencing where appropriate instead of travelling.</li> </ul>
<b>Paper consumption</b>	<ul style="list-style-type: none"> <li>- Continue using E-sign that allows a client to sign documents electronically in a secure and authenticated way, reducing paper consumption per sale.</li> <li>- Continue to reduce office paper consumption through technology and behaviour changes, such as training and awareness activities among employees.</li> <li>- Wasteful printing is contained by means of a print management solution that locks printing and has default duplex page settings. Furthermore, Sanlam has implemented the shredding of paper.</li> <li>- Sanlam is investigating the implementation of recycled coffee cups and the replacement of polystyrene packaging. Sanlam has increased partnerships with clients who only use biodegradable packaging in the restaurant.</li> <li>- Lastly, Sanlam is investigating the implementation of eco bricks. Such initiatives will allow for 10-20% of waste to go into eco bricks.</li> </ul>
<b>Waste landfilled</b>	
<b>Waste recycled</b>	



### Sub-principle 4.4

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

#### Levels 1 – 3

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

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

#### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>96</sup>: page 75, 76, 78
- Sanlam Benchmark 2022<sup>97</sup>
- Sanlam’s Environmental Policy Document<sup>98</sup>: Page 2

Response
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<ul style="list-style-type: none"> <li>• <b>Asset Manager</b></li> </ul>
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<p>Sanlam Investments offer Sanlam employees an employment-based retirement scheme that incorporates ESG principles, including climate change. Ongoing engagement activities are undertaken in this regard.</p>
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<p>For example, communications include information on how investment risks are assessed as part of the overall ESG risk of the companies the asset manager invests in. This is done through the subscription of ESG research conducted by an external ratings provider. Public information is used to assess ESG risk. If there is concern or reasons to ask for further clarity, an engagement dialogue with the company will be initiated either with the company. Water risks are assessed as part of the overall ESG assessment of a company, if deemed material to the sector. These findings are factored into the investment process.</p>
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<p>In addition, Sanlam Group engages with employees and other stakeholders through the annual Sanlam Benchmark Research Study, considered to be South Africa’s most comprehensive and respected 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. In line with the result of the 2022 Sanlam Benchmark Survey, the survey indicated an increase toward climate change considerations within funds. Robeco’s biannual climate survey also shows</p>
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<sup>96</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)

<sup>97</sup> Available at: <https://www.sanlam.co.za/corporate/retirement/benchmarksurvey/Documents/Research-Insights-Report-2022.pdf>

<sup>98</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

that 75% of institutional investors globally see climate at the centre of or a significant factor in their investment policy.

According to Sanlam's approach to sustainability integration their philosophy and belief states that evaluating environmental, social and governance factors, assets managers can better their understanding of risks and opportunities within their investments and allow for better-informed decisions. Financial resilience is a complex metric that is determined by different factors. Sanlam's resilience focus areas include developing responsible financial solutions and strong governance. These topics are inherent to climate change discussions. According to Managing Executive of Sanlam Corporate, Sanlam Group Risk, Michele Jennings, financial resilience in employees retirement funds can be impacted by climate events that may affect member health and related disability cover. The 2022 research explores the extent to which South African retirement funds have incorporated ESG strategies in their investment mandates. The primary goal of retirement funds remains to provide members with secure future incomes. And retirement funds are well positioned to actively engage on ESG issues and set the tone for a transition to a low-carbon, climate-resilient economy

#### • Facilities Manager

Sanlam's approach to climate change and environmental awareness concerning its employees is encapsulated in the updated Environmental Policy. The company is committed to fostering a sustainable environment by instigating behavioural changes among its employees, business partners, and other stakeholders through relevant environmental training and engagement, utilising various communication channels.

Sanlam consistently involves its employees in climate change and environmental matters, urging them to make environmentally conscious decisions and actively contribute to the company's and the world's efforts to reduce their environmental impact. Targeted communication initiatives, such as training and awareness activities, have proven effective in initiating behavioural changes, leading to reduced printing and increased recycling rates. Additionally, Sanlam has established guiding principles for managing waste, energy, water, and paper.

The company conducts a commuting survey biennially to calculate its carbon footprint and encourage employees to consider sustainable commuting options, thus reducing their carbon emissions. Recognising the increasing pressure on financial service providers to address climate change, Sanlam has introduced an online course on climate-related risks and opportunities for its employees, covering essential topics related to climate change and the TCFD. Remarkably, in 2022, 86% of employees completed the course.

Furthermore, Sanlam encourages its employees not only to make climate and environment-friendly choices at work but also in their day-to-day lives and homes. An exemplary initiative involves dealing with electronic waste, where approximately 80% of end-of-life desktops and laptops that are no longer supported by vendors are resold to employees. Purchase agreements with employees include advice and guidelines for the responsible disposal of retired equipment, empowering them to make environmentally conscious decisions.

From 2023, 10% of Group Exco short-term incentives are linked to ESG and culture KPIs, split evenly.

## Demonstrating Continuous Improvement (planned activities)

This year, Sanlam opted to incorporate a TCFD disclosure index table into the Sustainability Report rather than releasing a separate report solely focused on climate-related matters. This approach aims to provide a more cohesive and comprehensive view of sustainability at Sanlam. Key recommendations outlined in the report included the following:

- Enhancing the climate-related knowledge and understanding of the Board and Group Exco through upskilling initiatives;
- Establishing connections between climate-related risks and opportunities and strategic decisions made by the Board;
- Commencing a scenario assessment, which includes a long-term evaluation with the goal of committing to net-zero emissions and formulating a plan to achieve such objective;
- Expanding the scope of identifying, assessing, managing, and reporting climate-related risks to encompass the entire value chain of the company;
- Initiating exploration into science-based targets for climate action.

Sanlam has shown its commitment to minimising its environmental impact and intends to persist in these efforts going forward. The company has a range of upcoming initiatives aimed at further reducing its environmental footprint, including:

- Continue to actively replace old T8 fluorescent fittings with more efficient T5 or LED light fittings.
- Continuous improvement of main building HVAC system. Phase 1 completed in 2020 and systems seems to be running well.
- Investigate options to use solar power energy in the buildings. Detailed feasibility underway.
- The technology upgrade of the Data Centre Cooling system resulted in the reduction of water and electricity usage as well as eliminating the use of R22 refrigerant gas to the latest more environmentally sustainable R1234ze.
- Air and road travel as well as overnight accommodation will be reduced by continuous use of video- and tele-conferencing where appropriate instead of travelling.
- Sanlam has implemented numerous water saving initiatives such as the 5000 L rainwater harvest system, implementation of a 100 000L water tank system and the extension of the water use license of the borehole system.
- Sanlam is investigating the implementation of recycled coffee cups and the replacement of polystyrene packaging. Sanlam has increased partnerships with clients who only use biodegradable packaging in the restaurant.
- Lastly, Sanlam is investigating the implementation of eco bricks. Such initiatives will allow for 10-20% of waste to go into eco bricks.

All future projects are assessed for environmental and energy reduction best standards. Sanlam remains committed to pursuing innovative and effective approaches to reduce the group's environmental impact. This includes addressing the environmental implications of the products and services offered by Sanlam, as well as refining how the company engages with its clients.

Moreover, Sanlam continues to actively involve its employees in climate change and environmental matters, encouraging them to make environmentally responsible decisions both at home and in the workplace. Recognising the importance of enhancing internal performance, Sanlam places significant emphasis on supporting its employees in comprehending climate change and its relevance to the company's operations. To achieve this, an online course on climate-related risks and opportunities was introduced, covering four key topics: an introduction to climate change, understanding climate-related risks and opportunities, climate scenario analysis, and TCFD. Impressively, as of 2022, 86% of employees have successfully completed this course. Sanlam plans to introduce numerous other courses with the aim of bolstering climate change literacy throughout the organisation.

Sanlam also continued to investigate how to meet the new Financial Stability Board’s Disclosure TCFD recommendations. Sanlam published a Climate Change Resilience Report as a TCFD beginner report in 2021 and furthermore, Sanlam’s annual reporting for FY2022 included the Group’s climate disclosure, also aligned with the TCFD, in the 2022 Sustainability Report rather than a separate Climate Change Resilience Report., .. Lastly, to support the integration of ESG additionality into investment decision-making, Sanlam partnered with Business Day and Intellidex to launch a research project called the Sanlam ESG Barometer. The barometer aims to elevate thinking about how ESG is practised in South Africa and highlights the opportunities to improve ESG performance.

## 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 and the outcomes of this engagement.**

#### References to supporting evidence:

- Questions in the 2022 CDP climate disclosure: C1.1b, C-FS3.6c, C12, FW-FS1.1b
- National Treasury’s “Financing a Sustainable Economy: Technical Paper 2021<sup>99</sup>: Whole document.
- Media statement: Publication of updated technical paper and comments matrix: Financing a sustainable economy<sup>100</sup>
- Sanlam Sustainability Report 2022<sup>101</sup>: pages 2, 5, 10, 16, 18, 25, 27, 77

#### Response

##### • Asset Owner

Sanlam recognises the importance of a multi-stakeholder approach and partnerships in tackling climate change. As an active participant in various industry bodies, Sanlam engages with government and civil society to drive Climate Change action and support the transition to a low-carbon economy in a just manner. Some of the organisations that Sanlam are affiliated with include Business Unity South Africa, the Presidential Climate Change Commission, Business Leadership South Africa, National Business Initiative, Business for South Africa, and the Partnership for Risk and Resilience. Additionally, Sanlam contributed to global climate action by participating in the South African business delegation at COP27 in Egypt.

<sup>99</sup> Available at: [http://www.treasury.gov.za/comm\\_media/press/2021/2021101501%20Financing%20a%20Sustainable%20Economy.pdf](http://www.treasury.gov.za/comm_media/press/2021/2021101501%20Financing%20a%20Sustainable%20Economy.pdf)

<sup>100</sup> Available at: [https://www.treasury.gov.za/comm\\_media/press/2021/2021101501%20Media%20Statement%20-%20Publication%20of%20updated%20technical%20paper%20and%20comments%20matrix%20Financing%20a%20Sustainable%20Economy.pdf](https://www.treasury.gov.za/comm_media/press/2021/2021101501%20Media%20Statement%20-%20Publication%20of%20updated%20technical%20paper%20and%20comments%20matrix%20Financing%20a%20Sustainable%20Economy.pdf)

<sup>101</sup> Available at: <sustainability-report-2022.pdf> (sanlam.com)

Sanlam’s engagement activities go beyond influence, as the Group responds to climate change through membership and participation in sectoral committees. Associations like Business Unity South Africa and the National Business Initiative conduct research on climate change matters that impact the South African business environment and society. Sanlam rejoined the United Nations Global Compact (UNGC) in 2022 and collaborated with Santam to connect nature conservation and climate change experts with digital platforms, financial institutions, and consumer goods firms.

Through Sanlam’s corporate memberships, engagement with key stakeholders, including decision-makers in government and the private sector, on areas of mutual interest, such as transformation, proposed legislation, and climate change is conducted. These engagements enable Sanlam to influence climate change policy, as demonstrated by the involvement in the formulation of a consolidated climate change vision for South Africa through the Just Transition Working Group, spearheaded by Business Unity South Africa and the National Business Initiative. Sanlam collaborates with governments on socioeconomic development, policy positions, and governance discussions.

In addition, collaboration with Robeco allows Sanlam to scale engagement efforts and focus on strategic themes for driving change and improving practices.

To conserve South Africa's natural water sources and biological diversity, Sanlam partners with WWF-SA on freshwater and marine projects. Through this partnership, Sanlam offers strategic advice, joint research and support into water issues affecting both the business and society. The Sanlam Foundation and sustainability team also contribute to promoting water stewardship and empowering local governments to integrate freshwater protection into their policies and plans.

Sanlam's active engagement with various stakeholders and commitment to climate-related initiatives demonstrates the Group’s dedication to addressing climate change and promoting sustainable practices within the insurance industry and beyond.

• **Asset Manager**

Ongoing engagement activities to influence policy on climate mitigation and adaptation are undertaken at the Sanlam Group level. Sanlam Investments is actively developing climate-focused investment criteria through research, analysis, and expert engagement. This will enable them to identify and support companies and sectors prioritising sustainable practices aligned with global climate goals. In 2022, Sanlam Investments started engaging with investee entities to gain understanding or drive necessary changes to protect and enhance investment value. Sanlam Investments maintains a systematic approach to track and record engagement progress, taking an active stance on sustainability and governance issues impacting long-term financial performance. Their engagement strategy involves constructive dialogues with boards and management, either directly or in collaboration with other investors. Partnering with Robeco allows them to scale engagement efforts and focus on strategic themes to drive positive change and improve practices through engagement programs.

• **Insurance companies**

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

Notably, Sanlam also extends its efforts to the renewable energy sector through underwriting managers Mirabilis and Emerald, providing insurance cover for various renewable energy projects in Africa. Additionally, we participate in committees like the Association for Savings and Investment South Africa, Business Leadership South Africa, and the South African Insurance Association, where climate change policy matters increasingly feature on the work agendas.

• **Facilities Manager**

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

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

**References to supporting evidence:**

Sanlam Sustainability Report 2022<sup>102</sup>: 4, 10, 60, 64, 69, 79

Questions in the 2022 CDP climate disclosure: C2.2a; C2.3a, C12.3c

Response
<p><b>• Asset Owner</b></p> <p>Sanlam acknowledges the various issues arising from climate change, with a particular focus on water stress, which is a significant concern for South Africa. In response to this challenge, Sanlam has placed a high priority on engaging in water-related activities through a longstanding partnership with WWF-SA, spanning 15 years and to date, Sanlam has invested over R75 million in WWF-SA, specifically contributing to water-related projects and conservation activities.</p> <p>Sanlam’s involvement in water-related matters began in 2019 during the development of the Climate Investor Two Fund, in collaboration with partners from the Climate Investor One Fund, including the Development Bank of the Netherlands. Climate Investor Two was officially launched in January 2020, and by November 2021, it had achieved a conditional first close at US\$675 million, with commitments reaching US\$855 million by 2022.</p> <p>In 2021, WWF-SA established several funded water source partnerships aimed at co-developing a model for 10 strategic water source areas. Sanlam's funding plays a crucial role in supporting WWF's pursuit of its 2025 freshwater-focused outcome, which aims to improve freshwater quantity and quality in strategic water source areas for ecological systems and communities. Additionally, Sanlam's contributions foster the convergence of finance and sustainability, further reinforcing the commitment to address water-related challenges in South Africa.</p>
<p><b>• Asset Manager</b></p> <p>The prioritisation of engagements to achieve impact, aligned with material issues, is conducted at the Sanlam Group level.</p> <p>Sanlam Investments demonstrates a clear commitment to prioritising engagement to achieve impact aligned with material climate-related issues. Their involvement in the Damen project, part of Climate Investor Two's initiatives, showcases their dedication to addressing critical environmental challenges, such as ballast water treatment on marine vessels, to protect marine ecosystems and human health while generating new job opportunities. The African Investing for Impact Barometer (AIFIB) Report rates Sanlam Investments as a leader in engaging with investee companies on ESG issues, reinforcing their active engagement efforts. They adopt an active ownership approach, systematically tracking and recording engagement progress and taking a proactive stance in addressing sustainability and governance matters impacting long-term financial performance. Sanlam Investments prioritises transparency, making their proxy voting and engagement activities publicly available, showcasing their commitment to openness. Moreover, they employ a multi-asset approach to engagements, expanding their scope to bond, debt issuers, and unlisted investment counterparties, while collaborating with partners like Robeco to scale engagement efforts for driving positive change. Sanlam Investments’ monitoring and evaluation practices ensure targeted positive outcomes, while the escalation process and proxy voting demonstrate their willingness to take concrete actions when necessary. Overall, Sanlam Investments' comprehensive engagement strategy and commitment to sustainability showcase their dedication to addressing climate-related challenges and promoting responsible investment practices.</p>

<sup>102</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/sustainability-report-2022.pdf)



**• Insurance Companies**

Sanlam Life and Saving's and Sanlam Emerging Markets' 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 and active collaboration efforts in the engagement of others on matters relating to climate change.**

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>103</sup>: Pages 10, 24, 26, 27, 77
- Sanlam and Six Capitals 2021 Report "The Emerging Importance of the TCFD Framework for South African Companies and Investors":
- ([https://wwfafrica.awsassets.panda.org/downloads/the\\_emerging\\_importance\\_of\\_the\\_t\\_cfd\\_framework\\_for\\_south\\_african\\_companies\\_and\\_investo.pdf?33962/TCFD-framework-importance](https://wwfafrica.awsassets.panda.org/downloads/the_emerging_importance_of_the_t_cfd_framework_for_south_african_companies_and_investo.pdf?33962/TCFD-framework-importance))

**Response**

**• Asset Owner**

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

- Code for Responsible Investing in South Africa: Sanlam has been a signatory since it came into effect in February 2012.
- UN PRI: Sanlam was the first South African private sector asset owner to become a signatory.
- FTSE4GOOD: Sanlam is a constituent company in the FTSE4GOOD Index Series.
- FTSE/JSE Responsible Investment Index: Sanlam is part of the FTSE/JSE Top 40 Index
- Every Action Counts Coalition: Sanlam and Santam joined the initiative to connect nature conservation and climate change experts with leading digital platforms, financial institutions and consumer goods firms in 2022.
- NBI: Our Group Chief Executive is a champion for the NBI's Climate Pathways and a Just Transition for South Africa project.
- UNGC: Sanlam rejoined the UNGC in 2022.
- UN Principles for Sustainable Insurance: Santam is the founding signatory of the United Nations Environment Programme's Principles for Sustainable Insurance.

**• Asset Manager**

The demonstration of leadership and collaboration efforts in engaging others on climate change matters is primarily carried out at the Sanlam Group level.

<sup>103</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

Foreign investment is crucial for South Africa to implement the Integrated Resource Plan and reduce dependence on coal and oil. This investment would help mitigate the impacts of the Russia/Ukraine war and recent declines in local refining and production capacity.

To address these needs, the Taxonomy Working Group, a part of South Africa's Sustainable Finance Initiative and chaired by National Treasury, launched the first national Green Finance Taxonomy in April 2022. This taxonomy aligns with national priorities and international trends, following the model adopted by the European Union.

The Green Finance Taxonomy serves as an official classification or catalogue, defining a minimum set of assets, projects, and sectors eligible to be considered "green" or environmentally friendly. Investors, issuers, and other stakeholders can utilise it to track, monitor, and demonstrate the environmental credentials of their green activities more confidently and efficiently.

Sanlam was invited to participate in the beta testing of this initiative. During the two-year process, extensive engagement with South African stakeholders took place to tailor each institution's taxonomy scope to fit its specific context and internal resources. Based on the beta test results, Sanlam was further invited to participate in phase 2, the piloting phase of the testing. Engaging in this process offers the opportunity to build internal capacity and receive technical support for climate transition efforts.

South Africa needs foreign investment to implement the Integrated Resource Plan and reduce our dependency on coal and oil. Such investment will alleviate the impacts of the Russia/Ukraine war and recent declines in local refining and production capacity.

**• Insurance Companies**

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

**• Facilities Manager**

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

## Sub-principle 5.2

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

### Levels 1 – 3

- **Level 1 - Evidence that the member has supported or undertaken research during the year in question (brief description of the research focus, the financial year in which any support was given and outcomes) with an explanation of how this research has been used to inform public stakeholders and advance the common interest.**
- **Level 2 - Evidence of action to proactively promote knowledge sharing within the industry by sharing the research and engaging others in the research topic.**

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>104</sup>: Pages 26, 29, 33, 77
- Questions in the 2022 CDP climate disclosure: C2.4a, FW-FS2.4a, FW-FS3.1.
- Sanlam Integrated Report 2022<sup>105</sup>: Page 7, 28, 56.
- Sanlam’s website: [Insurance, Investments & Financial Planning | Sanlam](#)

<b>Response</b>
<p><b>• Asset Owner</b></p> <p>Sanlam has supported or undertaken research during the reporting year (1 January 2022 to 31 December 2022) in conjunction with the following parties.</p> <ul style="list-style-type: none"> <li>- Climate Fund Managers</li> <li>- WWF</li> <li>- BUSA</li> <li>- Every Action Counts Coalition, Sanlam and Santam joined the initiative to connect nature conservation and climate change experts with leading digital platforms, financial institutions and consumer goods firms in 2022.</li> <li>- NBI’s Just Transition Pathway for Decarbonising the South Economy. Our Group Chief Executive is a champion for the NBI’s Climate Pathways and a Just Transition for South Africa project.</li> <li>- To support the integration of ESG additionality into investment decision-making, Sanlam partnered with Business Day and Intellidex to launch a research project called the Sanlam ESG Barometer (more in asset management).</li> </ul> <p>The research studies undertaken in this context will play a significant role in supporting the increasing endeavours of stakeholders to devise novel climate mitigation and adaptation measures while enhancing their involvement in climate change initiatives. Furthermore, the efforts to enhance transparency and disclosures will aid investors in evaluating risks, enhancing the stability of the financial sector, and promoting the overall sustainability of reporting institutions.</p> <p>Sanlam has demonstrated efforts to promote knowledge sharing within the industry through collaborative research initiatives. For instance, Sanlam partnered with Business Day and Intellidex to launch the "Sanlam ESG Barometer" research project, which focuses on ESG additionality and showcases initiatives undertaken by South African companies to enhance their ESG performance. The findings and case studies from this research are intended to be used to develop best practice principles. The inaugural report, which was launched in March 2023, aims to demonstrate the potential for ESG additionality to yield more significant impacts than traditional passive ESG strategies and advocates for capital allocation towards South Africa. This indicates proactive efforts by Sanlam to share research findings and engage stakeholders within the industry to promote sustainable practices and ESG integration in investment decision-making.</p> <p><b>• Asset Manager</b></p> <p>Research activities aimed at informing business strategies and advancing common interests are predominantly conducted at the Sanlam Group level. Sanlam has initiated efforts to assess the underlying carbon content that is present in the Group's owned and managed investments. This</p>

<sup>104</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>105</sup> Available at: [Sanlam-IR-2022.pdf](#)

## Response

research uses data from high-level GHG associated industries as a starting point to establish metrics that can facilitate better-informed decision-making.

In line with integrating ESG aspects into investment decision-making, Sanlam collaborated with Business Day and Intellidex to launch a research project named the "Sanlam ESG Barometer." This project focuses on ESG additionality and showcases initiatives undertaken by South African companies to enhance their ESG performance. The study's findings and case studies will be used to develop best practice principles. The inaugural report, scheduled for launch in March 2023, aims to demonstrate the potential for ESG additionality to yield more significant impacts than traditional passive ESG strategies and advocates for capital allocation towards South Africa.

### • Insurance Companies

Research endeavours that continuously inform business strategies and contribute to the collective interest are conducted at the Sanlam Group level.

### • Facilities Manager

Research endeavors that continuously inform business strategies and contribute to the collective interest are conducted at the Sanlam Group level.

## Demonstrating Continuous Improvement (planned activities)

At the Sanlam Group level, ongoing research initiatives are undertaken to continuously inform business strategies and contribute to the shared interests of the organization. We believe that the research into the ESG Barometer, initiated in 2022 with the Report<sup>106</sup> being published in March 2023, gives insights into the sustainability initiatives by South African companies. It is important to note that this report falls outside the financial year covered by Climate Wise reporting, which spans from January 1, 2022, to December 31, 2022.

## 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 considerate of members' position in the insurance value chain.**

### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>107</sup>: Pages 24, 77
- Sanlam Group's 2020 Environmental Policy<sup>108</sup>: Page 2

<sup>106</sup> Available at: <https://sanlamesgbarometer.co.za/report/>

<sup>107</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf)

Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

- Sanlam Integrated Report 2022<sup>109</sup>: Page 50, 89.

## Response

### • Asset Owner

The growing pressure on financial service providers to address climate change has led to regulatory requirements for insurers to integrate climate risks into their risk management frameworks. Investors now consider ESG factors when making investment decisions, while clients seek to support responsible businesses. To enhance internal performance at Sanlam, recognise the importance of supporting employees in understanding climate change and its relevance to the business is recognised. As part of this effort, Sanlam has developed an online course on climate-related risks and opportunities, covering topics such as climate change introduction, understanding climate-related risks, climate scenario analysis, and the Task Force on Climate-related Financial Disclosures (TCFD). In 2022, 86% of Sanlam's employees completed this course, marking the beginning of Sanlam's continuous efforts to improve climate change literacy within the organisation to also better assist clients in these matters.

Sanlam is part of the 'Every Action Counts' initiative, connecting experts in nature conservation and climate change with leading digital platforms, financial institutions, and consumer goods firms. Through this coalition, Sanlam aims to promote sustainable consumer behaviours and encourage positive actions towards creating planet-friendly outcomes.

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.

For clients, Sanlam is committed to improving its reporting on environmental performance and engaging stakeholders to ensure transparency in actions. The sustainability portal <https://www.sanlam.com/sustainability> serves as a platform to communicate Sanlam's beliefs and strategy on climate-related issues to customers. It includes links to various topics, such as Sanlam's response to climate change, videos of C-suite officers addressing stakeholder requests, downloadable content like reports and press releases, and non-financial performance indicators Sanlam uses to track environmental performance. This commitment to transparent and relevant stakeholder reporting is further enhanced through personal interactions and feedback, and Sanlam's choice of an online interactive portal helps reduce paper usage and the group's carbon footprint.

Sanlam Group also communicates the organisation's beliefs and strategy on climate-related issues with shareholders and clients through other platforms, such as the annual integrated reports (available at <https://www.sanlam.com/annual-results-2022>) and other media. Examples include:

- Media releases
- Environmental, social and governance reporting in public platforms such as the CDP (formerly known as the Carbon Disclosure Project and ClimateWise).
- Social media platforms, such as [Facebook](#), [Instagram](#), [Twitter](#), Sanlam's [website](#), and [YouTube](#)
- Mobile App.
- Annual results
- Annual reporting suite

<sup>109</sup> Available at: [Sanlam-IR-2022.pdf](#)

- Webcast recording
<p><b>• Asset Manager</b></p> <p>Communications take place at both the Sanlam Group and Sanlam Insurance levels. This strategy proves effective as Sanlam Investments primarily serves as the investment manager for assets owned by Sanlam Group. Sanlam Group, in turn, serves as the point of contact for its clients who avail themselves of services across various business divisions. Therefore, communications are efficiently channelled through Sanlam Group or the respective insurance companies to reach their intended audiences.</p>
<p><b>• Insurance Companies</b></p> <p>Sanlam Life and Savings’ and Sanlam Emerging Markets’ communications regarding climate change matters are undertaken at the Sanlam Group level.</p>
<p><b>• Facilities Manager</b></p> <p>Communications are undertaken at the Sanlam Group level.</p>

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

**References to supporting evidence:**

- Sanlam Sustainability Report 2022<sup>110</sup> : Pages 9, 77
- Sanlam Group’s 2020 Environmental Policy<sup>111</sup>: : Page 2
- Questions in the 2022 CDP climate disclosure C12
- Sanlam Integrated Report 2022<sup>112</sup>: Page 14

<b>Response</b>
<p><b>• Asset Owner</b></p> <p>Sanlam values client satisfaction and continually strives to enhance offerings and services based on feedback received. To assess client satisfaction, Sanlam employs a variety of feedback mechanisms across different clusters and businesses rather than relying on a single tool. These mechanisms include voice of client surveys, brand surveys, and client and intermediary experience tracking studies at various touchpoints. In addition, interactions with clients adhere to the regulatory framework set by the Financial Sector Conduct Authority (FSCA), ensuring compliance with the TCF (Treating Customers Fairly) principles. Sanlam’s overall client satisfaction score for 2022 was 85%.</p> <p>As mentioned in Level 1 of Sub-principle 6.1, Sanlam Group engages with customers/clients through various platforms and media outlets, offering multiple avenues of communication. These include the Annual Reports, press releases, environmental, social, and governance reporting on public platforms like the CDP and ClimateWise, as well as social media platforms such as <a href="#">Facebook</a>, <a href="#">Instagram</a>, <a href="#">Twitter</a>, <a href="#">Youtube</a> and Sanlam’s <a href="#">website</a>. Sanlam’s mobile app also facilitates seamless communication.</p> <p>By leveraging online platforms extensively, Sanlam ensures that both existing clients and interested parties can access the information they seek. Sanlam regularly updates the information available online, ensuring clients have access to the latest and most relevant data.</p>

<sup>110</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](#)

<sup>111</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

<sup>112</sup> Available at: [Sanlam-IR-2022.pdf](#)



Sanlam actively participates in various research projects, further detailed in Sub-principle 5.2, aimed at increasing climate change knowledge and awareness among shareholders and customers.

• **Asset Manager**

Engagements are conducted at the Sanlam Group level, which proves to be an effective approach given that Sanlam Investments primarily serves Sanlam Group as its main client. Sanlam Group, in turn, caters to clients who use the services offered across various business divisions within the group. As a result, communications and interactions are channelled through Sanlam Group or the respective insurance companies, ensuring streamlined and efficient communication with valued clients.

• **Insurance Companies**

Sanlam Life and Savings’ and Sanlam Emerging Markets’ engagements regarding climate change matters are undertaken at the Sanlam Group level.

• **Facilities Manager**

Engagements are undertaken at the Sanlam Group level.

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

**References to supporting evidence:**

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

**Response**

• **Asset Owner**

Sanlam Group adopts a comprehensive approach to public disclosures on climate change matters, ensuring that 100% of its shareholders and clients are targeted through integrated annual reports, diverse media outlets, and reporting platforms (as explained in the Level 2 response to Sub-principle 6.1). The integrated annual reports and other communication channels facilitate direct engagement with shareholders and clients, encouraging them to provide valuable comments and feedback to Sanlam Group regarding the disclosed information. This ensures that Sanlam can effectively address the needs and queries of its shareholders and clients.

Moreover, the information shared on online, such as [Facebook](#), [Instagram](#), [Twitter](#) and [Youtube](#) and Sanlam’s [website](#), is accessible to the public at large, extending the reach beyond shareholders and clients. Any interested individual, regardless of their affiliation, can access this information. In cases where specific information is not available online, interested parties can reach out to Sanlam via email, phone, or social media to have their queries addressed.

These ongoing disclosures exemplify Sanlam Group's commitment to transparency and will continue to be part of the company's communication strategy in the future.

Response
<p><b>• Asset Manager</b></p> <p>Sanlam Group takes a centralised approach to disclosures, ensuring that engagements are carried out at the Group level. This approach proves effective as Sanlam Investments' primary client is Sanlam Group itself, which owns the assets managed by Sanlam Investments. Consequently, Sanlam Group, along with the insurance companies, assumes the responsibility of direct communication and interaction with their respective clients.</p>
<p><b>• Insurance Companies</b></p> <p>Sanlam Life and Savings' and Sanlam Emerging Markets' disclosures are undertaken at the Sanlam Group level. These are ongoing disclosures which Santam will continue to make in the future.</p>
<p><b>• Facilities Manager</b></p> <p>Disclosures are undertaken at the Sanlam Group level.</p>

## Sub-principle 6.2

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

### Levels 1 – 3

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

### References to supporting evidence:

- Sanlam Sustainability Report 2022<sup>113</sup> : Page 77
- Sanlam Group's 2020 Environmental Policy<sup>114</sup>: Page 2
- Questions in the 2022 CDP climate disclosure C3.2, C12, C-FS2.2c

Response
<p><b>• Asset Owner</b></p> <p>Sanlam Group's clientele comprises individuals and businesses availing themselves of the insurance and financial services offered across its various business divisions.</p> <p>Regarding insurance products, clients demonstrate growing awareness of the potential current and future impacts of climate change that may influence their lives. In response, Sanlam has undertaken</p>

<sup>113</sup> Available at: [sustainability-report-2022.pdf \(sanlam.com\)](https://www.sanlam.com/downloads/sustainability-reports/2022/Sanlam-Sustainability-Report-2022.pdf)

<sup>114</sup> Available at: <https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>

several initiatives to cater to client needs, especially concerning the challenges posed by water scarcity and risks in South Africa.

Sanlam Group has conducted extensive research and data analysis to identify climate-related risks and opportunities that could impact its clientele, including individuals and businesses. By conducting scenario analyses, Sanlam will be able to identify areas where behaviour change is needed to mitigate climate risk and enhance resilience across its client base. Sanlam is currently undertaking comprehensive climate scenario analyses, which outcomes will be reported on in due course.

Sanlam Group has developed a comprehensive climate risk assessment tool for its clients, accessible through its online platform. This tool enables clients to assess their vulnerability to climate-related risks and provides tailored guidance on adapting to changing environmental conditions. Furthermore, as part of its commitment to the Task Force on Climate-related Financial Disclosures (TCFD), Sanlam provides clients with detailed reports and analyses that outline climate-related risks and opportunities specific to their geographical locations and lines of service. These reports empower clients to make informed decisions and implement climate-resilient strategies.

• **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.

• **Insurance Companies**

Sanlam Life and Savings, along with Sanlam Pan Africa, primarily offer life insurance and loan services to their clients. By availing themselves of these services, clients can gain advantages from climate change adaptation measures, such as enhanced infrastructure, which helps them withstand potential physical climate impacts, such as severe weather events. In line with Sanlam Group's commitment to addressing the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the insurance companies may explore these risks in greater depth in the future.

• **Facilities Manager**

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

**Level 2 - Evidence of engagement with customers/ clients to encourage climate awareness and promote resilience through knowledge sharing. Where possible this should be tailored to the key risks facing their geographical location.**

**References to supporting evidence:**

- Sanlam Group's 2022 Sustainability Report Pages 77
- Sanlam Group's 2020 Environmental Policy (<https://www.sanlam.com/downloads/sustainability-reports/2020/Sanlam-Group-Environmental-Policy-2020.pdf>): Page 2
- Questions in the 2022 CDP climate disclosure, question C12

**Response**

- **Asset Owner**

Sanlam Group's clients encompass the individuals who avail themselves of the insurance and financial services provided across its various business divisions. As a result, each business division customizes its communications and tools to cater to its specific clients' needs. The detailed description of these methods can be found in the disclosures under Levels 1, 2, and 3 of Sub-principle 6.1, as discussed above.

- **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 Life and Savings' and Sanlam Emerging Markets' 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.

## Demonstrating Continuous Improvement (planned activities)

As the natural world experiences climate changes, the business climate undergoes transformation as well. Notably, the business landscape has seen a significant shift in recent decades with the rapid exchange of information and data. The emergence of new social media platforms has revolutionised Sanlam's client interactions, providing diverse avenues for communication such as video, audio, graphics, and written formats. Continuously generating content across these platforms fosters consistent engagement with clients.

Recognising the potential impact of climate change on its clients' lives, Sanlam takes its responsibility as a custodian of their assets seriously. To address climate-related risks to owned assets, including investments in stocks, bonds, and shares, Sanlam Group is currently developing a group climate position statement, which will be shared with stakeholders once finalised.

In 2023, the Sanlam Umbrella Fund plans to publish ESG and Transformation ratings for the investment portfolios offered to its clients. This will empower clients to consider sustainability and transformation aspects, enabling informed portfolio selection, allocation, and management decisions.

## 7. Enhancing Reporting

### Sub-principle 7.1

Submission against the ClimateWise Principles.

#### Level 1-2

- **Reporting against all applicable ClimateWise Sub-Principles as defined by member type unless exclusions apply.**
- **Timely submission of the ClimateWise report.**

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

### Sub-principle 7.2

Public disclosure of the ClimateWise Principles as part of our annual reporting.

#### Level 1-2

- **Public disclosure of the ClimateWise Principles report.**
- **Evidence of incorporation of key elements within the organisation's annual report.**

Sanlam's 2023 ClimateWise response is a publicly disclosed, standalone document featured in the group's annual reporting. The key elements related to climate change in this response can also be found in the group's annual reports, internet portals, and other public documents. However, it is important to note that the 2023 ClimateWise response specifically excludes the Santam business division, which represents Sanlam's short-term insurance sector. Santam has independently completed its ClimateWise and carbon disclosure reports in a separate document, addressing the TCFD-aligned questions on climate action initiatives.