Sanlam

CARBON TRUST

SANLAM INVESTMENT MANAGEMENT:
FY2023 FINANCED EMISSIONS FOOTPRINTING

Final Results Presentation

18 March 2025

SANLAM INVESTMENT MANAGEMENT:
FY2023 FINANCED EMISSIONS FOOTPRINTING

Agenda

1. Background
2. PCAF Overview
3. Results

SANLAM INVESTMENT MANAGEMENT:
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1. Background

Sanlam aims to drive climate action by understanding the emissions associated with its investment activities

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SIG's portfolio comprises a significant amount of assets under management (AUM). As a first step along the financed emissions quantification journey, selected portfolios were considered across five asset classes for FY2023

- Carbon Trust assisted SIG with quantification of its FY2023 carbon footprint (Scope 3 category 15) for the SIM, SFM and SAI portfolios in alignment with PCAF guidance
- SIG aims to expand the scope to include other investments in subsequent years (e.g. Satrix Sanlam Multi-Management)
- The results of this assessment provide a baseline from which SIG can measure and monitor financed emissions, which can inform business strategy and management actions
- SIG is well positioned to improve the accuracy and scope of their financed emissions, with next steps, gaps and recommendations for future refinement and enhancement provided by Carbon Trust

Internal and external drivers for measuring and managing your carbon footprint

- **To reduce costs by optimising your operations and value chain**
- **To comply with existing legislation local and national schemes, and listing requirements**
- **To manage future supply and customer-related climate risks, avoid future costs and taxes, plan for future legislation**
- **To influence action in your value chain and amongst stakeholders and to communicate your own climate efforts**

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2. PCAF Overview

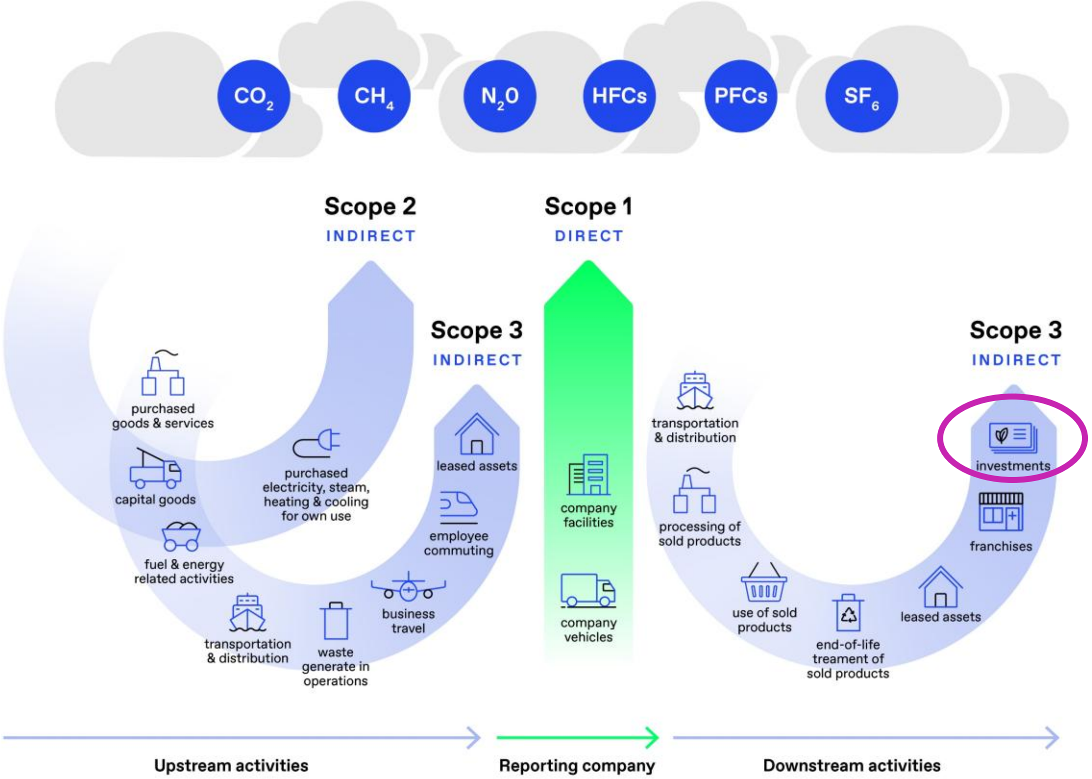
The Greenhouse Gas (GHG) Protocol is the leading global framework for measuring and managing GHG emissions

This framework covers both direct and indirect emissions, separated into 3 Scopes

- **Scope 1** – direct emissions released via the operation of owned or controlled assets (e.g. fuel from a company vehicle)
- **Scope 2** – indirect emissions associated with energy consumption within owned or controlled assets (e.g. electricity usage)
- **Scope 3** – All indirect impacts from 'upstream' and 'downstream' activities (e.g. suppliers or franchises)

There are 15 different categories of Scope 3 emissions

Scope 3 Category 15 focuses on investments, situating Sanlam's financed emissions within its overall carbon footprint

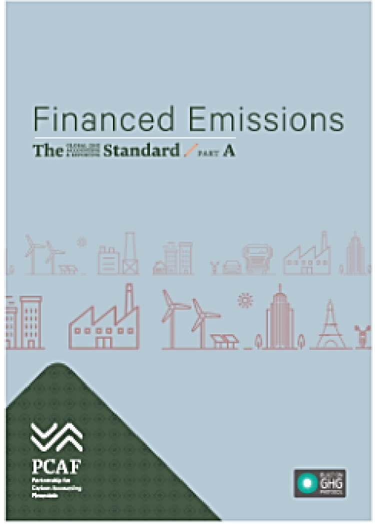


Source: GHG Protocol

The Global GHG Accounting and Reporting Standard provides a framework to measure and report financed emissions

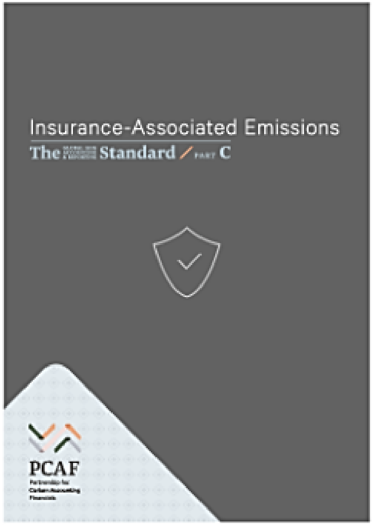
The Standard was developed by the Partnerships for Carbon Accounting Financials (PCAF) as an industry-led initiative, in collaboration with the GHG Protocol, for financial institutions to consistently and comparably measure and disclose GHG emissions from their loans and investments. The Standard covers:

Financed Emissions
(*Part A*)



Facilitated Emissions
(*Part B*)

Insurance Associated Emissions
(*Part C*)



2022 Second Edition Financed Emissions Standard [*PCAF Standard*]

The approach to footprinting of Sanlam's financed emissions was based on the PCAF Standard, Part A: Financed Emissions

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The Standard provides detailed methodological guidance for seven asset classes as below:

- **Listed equity and corporate bonds**
- **Business loans and unlisted equity**
- **Project finance**
- **Sovereign bonds**
- **Commercial Real Estate**
- **Mortgages**
- **Motor Vehicle Loans**

The calculation of financed emissions generally requires two key components:

- **Attribution** – the proportion of emissions belonging to Sanlam based on ownership or financing share
- **Emissions** – company, asset, country, or activity level emissions of the investment (provided, sourced or calculated)

Attribution | **Emissions**

$$\text{Financed Emissions} = \underbrace{\frac{\text{Outstanding Amount invested in Company X}}{\text{Enterprise Value Including Cash or Total Equity + Debt of Company X}}}_{\text{Attribution}} \times \underbrace{\text{Scope 1 2 \& 3 Emissions* of Company X}}_{\text{Emissions}}$$

* Emissions are measured in tCO_2e (tonnes of carbon dioxide equivalent). This standard emissions quantification unit is used to measure the global warming potential (GWP) of greenhouse gases (GHGs). 1 tCO2e is equivalent to approximately 1 return flight from Paris to New York, 6 000 km of driving in a standard petrol car, or 500 CO_2 fire extinguishers.

PCAF provides various input options for the calculation of emissions for each asset class

The accuracy of each emissions calculation option varies, and uncertainty is communicated in data quality scores

- PCAF recognises **high quality data may not be available** when calculating financed emissions.
- PCAF provides a **data quality score** of 1 (best) to 5 (worst) to indicate the accuracy of outputs.
- Requirements for each asset class are unique. The general **hierarchy** for data quality is as follows:

Best

Data Quality

Worst

1)	**Reported emissions** from the investee or borrower (verified or unverified)	Score 1	Option 1a
		Score 2	Option 1b
2)	**Physical activity-based emissions** calculated using energy consumption or investee or borrower's production	Score 2	Option 2a
		Score 3	Option 2b
3)	**Economic activity-based emissions** calculated using sector-level emission factors and carbon intensities (e.g. emissions per unit of revenue or asset)	Score 4	Option 3a
		Score 5	Option 3b/c

SANLAM INVESTMENT MANAGEMENT:
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3. Results

4. RESULTS

4.1. Overview

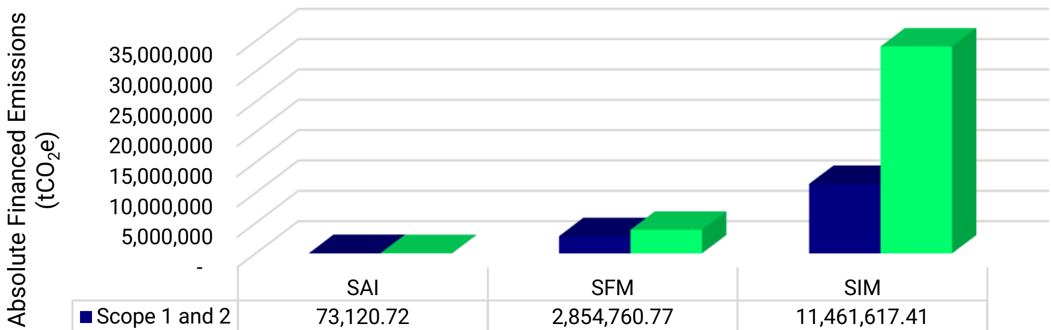
Sanlam FY2023 portfolio and asset class level financed emissions results

High levels of data coverage were measured across all asset classes

As at 31 Dec 2023					
Portfolio and Asset Class	Scope 1 and 2 financed emissions (tCO_2e)	Scope 3 financed emissions (tCO_2e)	Scope 1 and 2 emissions intensity (tCO_2e/million ZAR invested)	Scope 1 & 2 Weighted PCAF Data quality score (1 -5 highest to lowest quality)	Data coverage (% market value of assets in the total portfolio included in the calculation)
SFM					
Listed Equity & Corporate Bonds	2 175 724.60	3 890 485.45	24.95	3.21	99.95
Unlisted Equity & Business Loans	3 341.26	2 856.46	0.16	4.98	97.36
Sovereign Bonds	675 694.91		25.93	2.00	99.74
SIM					
Listed Equity & Corporate Bonds	8 711 398.01	34 105 870.40	21.14	3.16	99.85
Unlisted Equity & Business Loans	4 840.14	7 202.74	0.11	4.99	97.28
Sovereign Bonds	2 745 379.26		26.32	2.00	100
SAI					
Unlisted Equity & Business Loans	42 511.81	58 209.30	24.91	4.03	100
Project Finance	709.29	196.15	0.11	2.00	100
Commercial Real Estate	29 899.62		3.51	-	100

Sanlam's total FY2023 financed emissions for the SIM, SFM and SAI portfolios was 52 $MtCO_2e$

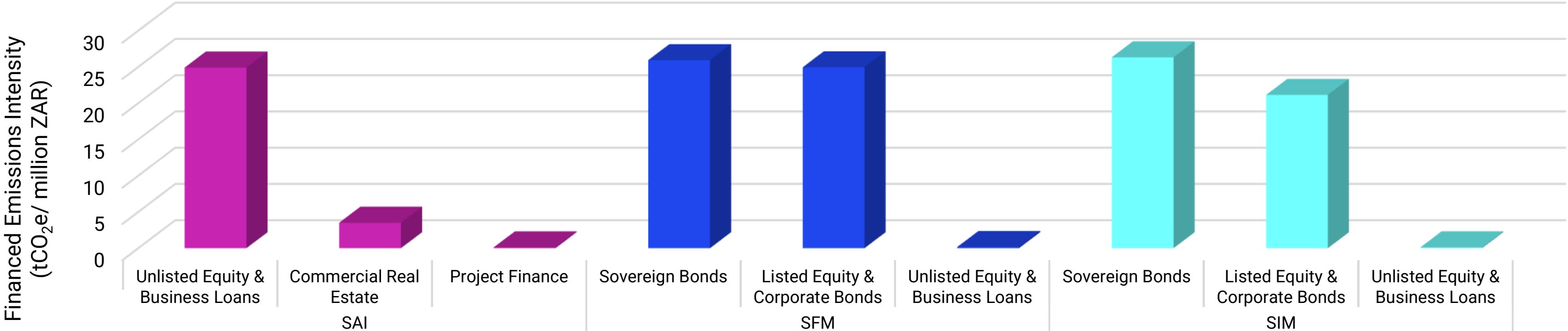
Scope 1 and 2 emissions accounted for 14 $MtCO_2e$, whilst Scope 3 emissions accounted for 38.07 $MtCO_2e$



	SAI	SFM	SIM
Scope 1 and 2	73,120.72	2,854,760.77	11,461,617.41
Scope 3	58,405.45	3,893,341.91	34,113,073.14

Key insights

- The quantity of absolute emissions is largely proportional to the outstanding balance for each portfolio, however, emissions intensities varied between Sanlam's portfolios and asset classes



	Unlisted Equity & Business Loans	Commercial Real Estate	Project Finance	Sovereign Bonds	Listed Equity & Corporate Bonds	Unlisted Equity & Business Loans	Sovereign Bonds	Listed Equity & Corporate Bonds	Unlisted Equity & Business Loans
	SAI			SFM			SIM		
Financed Emissions Intensity	24.91	3.51	0.11	25.93	24.95	0.16	26.32	21.14	0.11

4. RESULTS

4.2. SIM & SFM

4.2. SIM & SFM

4.2.1. Listed Equity and Corporate Bonds

Listed data was extracted from Sanlam's internal system, and Bloomberg and MSCI were used for emissions calculations

Option 1b (unverified emissions), Option 3a (revenue) and Option 3c (outstanding balance) were used to calculate emissions for this asset class

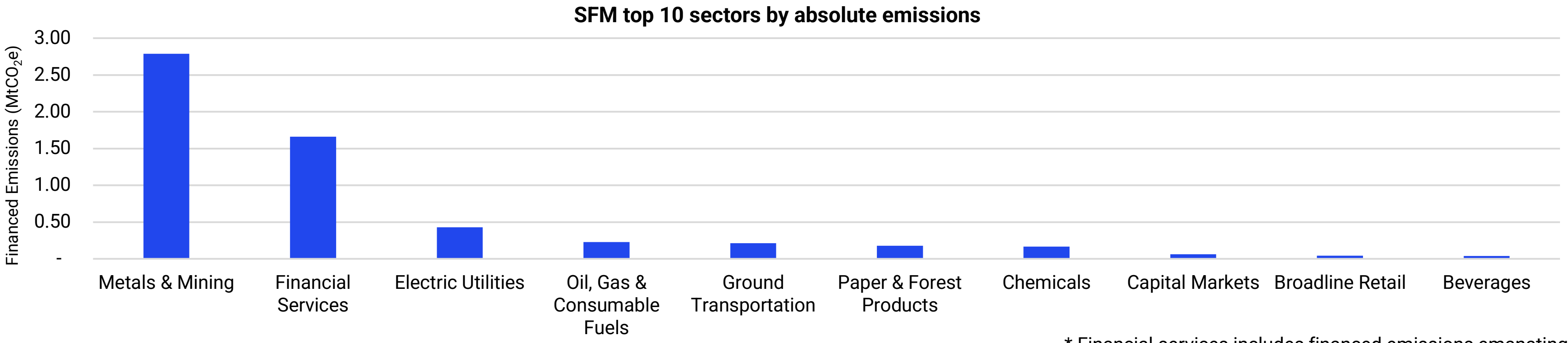
Metric	Overall	SIM	SFM
Total Financed Emissions Scope 1&2 (tCO_2e)	10 887 122.61	8 711 398.01	2 175 724.60
Total Financed Emissions Scope 3 (tCO_2e)	37 996 355.85	34 105 870.40	3 890 485.45
Emissions Intensity Scope 1&2 (tCO_2e / million ZAR)	21.80	21.14	24.95
Scope 1&2 Data Quality Score Weighted by Outstanding Amount	3.17	3.16	3.21
Data Quality Score Weighted by Outstanding Amount	3.28	3.26	3.39

Key insights

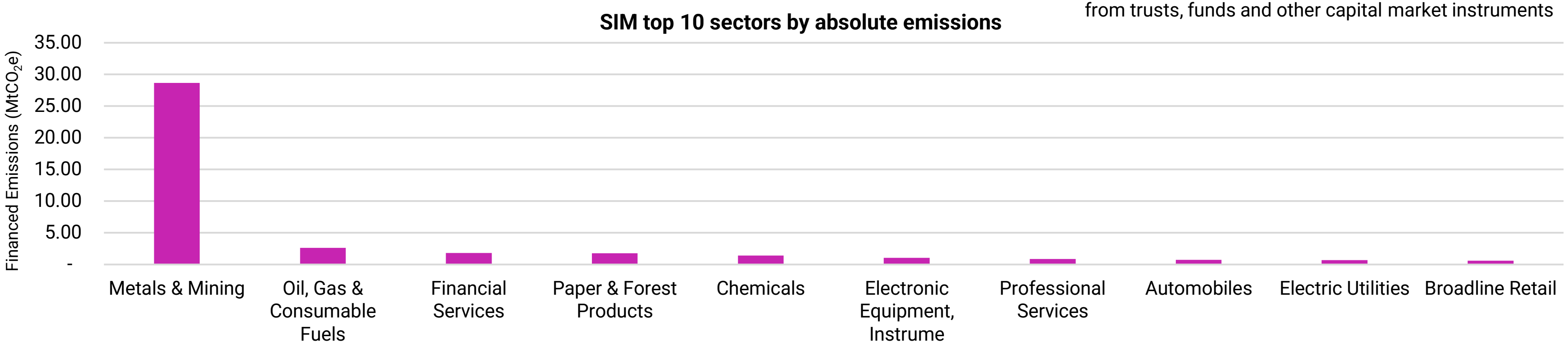
- Because PCAF does not have calculation methodologies for derivative products such as options or futures, these instruments were excluded from the calculation scope for this asset class

The top 10 emissions intensive economic sectors differed between SFM and SIM

SFM had a higher emissions intensity than SIM as it held a bigger proportion of high intensity sector investments



* Financial services includes financed emissions emanating from trusts, funds and other capital market instruments



4.2. SIM & SFM

4.2.2. Unlisted Equity & Business Loans

Unlisted data was identified and isolated from the SFM and SIM dataset extracted from Sanlam's internal systems

This includes all eligible instrument types for unlisted issuers

Metrics	Total	SIM	SFM
Total Financed Emissions Scope 1&2 (tCO_2e):	8 181.40	4 840.14	3 341.26
Total Financed Emissions Scope 3 (tCO_2e):	10 059.19	7 202.74	2 856.46
Emissions Intensity Scope 1&2 (tCO_2e / million ZAR):	0.12	0.11	0.16
Data Quality Score Weighted by Outstanding Amount:	4.99	4.99	4.98

Key insights

- The data quality score for unlisted equity and corporate bonds is low for SFM and SIM. This is because financial information for unlisted entities is not commonly publicly available. Option 3c was therefore used to calculate emissions for 99% of the data in this asset class

4.2. SIM & SFM

4.2.3. Sovereign Bonds

Sovereign Bond data was identified and isolated from the SFM and SIM dataset extracted from Sanlam's internal systems

Emissions for this asset type were calculated using Option 1b: unverified country emissions

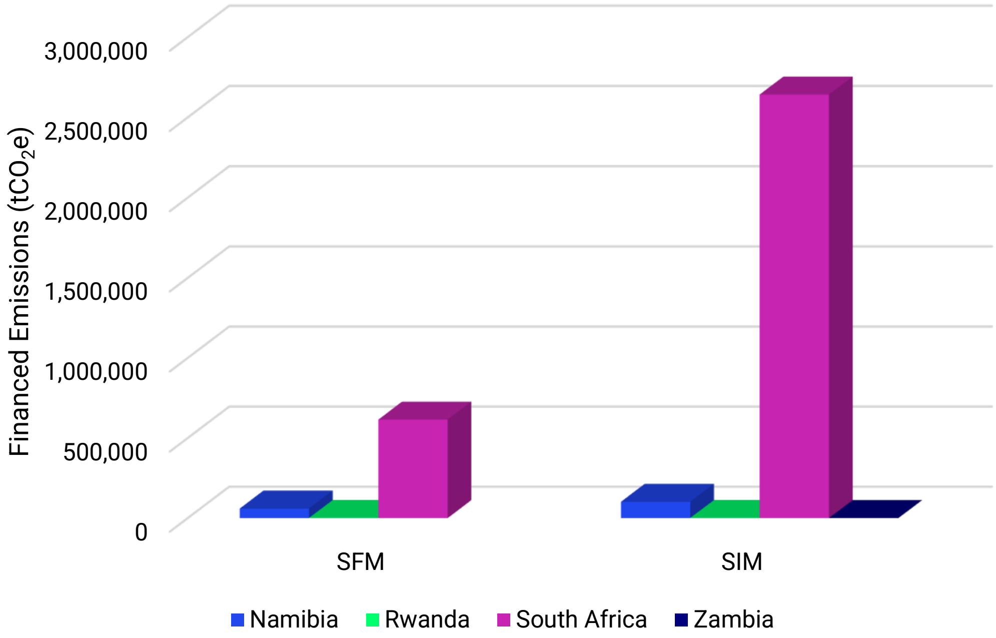
Metric	Sanlam	SIM	SFM
Total Financed Emissions (Scope 1)(tCO_2e)	3 421 074.15	2 745 379.26	675 694.91
Emissions Intensity (tCO_2e/ million ZAR)	26.24	26.32	25.93
Data Quality Score Weighted by Outstanding Amount	2	2	2
Data Coverage (%)	99.95	100	99.74

Key insights

- The emissions intensity for Sovereign Bonds is the highest across asset classes for both SIM and SFM, driven by large sovereign bond investment in high emissions intensity countries such as South Africa

South Africa contributed most to Sovereign Bond emissions

This is driven by both the relative outstanding balance of sovereign bonds per country, as well as by the country specific emissions intensity which vary notably



Country	Country Emissions Intensity (tCO_2e / million ZAR)
Rwanda	7.15
Namibia	21.50
Zambia	21.40
South Africa	26.58

4. RESULTS

4.3. SAI

4.3. SAI

4.3.1. Unlisted Equity and Business Loans

SAI unlisted data was extracted from Sanlam's internal system

This included information on private debt (business loans) and private equity (unlisted equity)

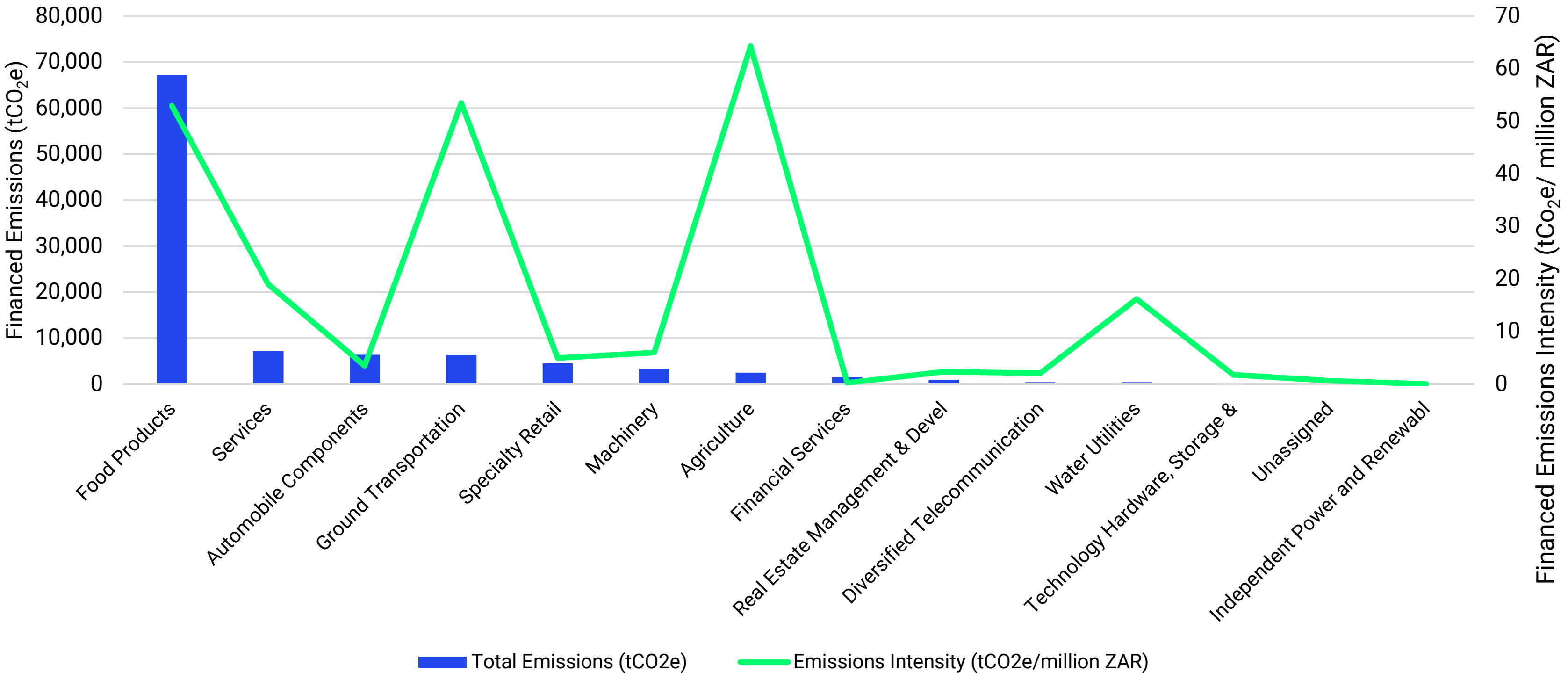
Metric	Overall	SAI - Private Debt	SAI - Private Equity
Total Financed Emissions Scope 1&2 (tCO_2e):	42 511.81	8 727.53	33 784.28
Total Financed Emissions Scope 3 (tCO_2e):	58 209.30	7 281.09	50 928.21
Emissions Intensity Scope 1&2 (tCO_2e / million ZAR):	24.91	11.04	32.66
Data Quality Score Weighted by Outstanding Amount:	4.03	4.08	4.00

Key insights

- The emissions intensity for private equity data is higher than for private debt due to the greater proportion of investments into high emissions intensity sectors
- Economic-activity based calculations were used to calculate emissions for 97% of data within this asset class for SAI, requiring the assignment of an EEIO sector to each investment

Emissions intensity varied greatly between sectors

Agriculture, ground transportation and food products had the highest sector level emissions intensity



4.3.2. Project Finance

SAI project finance data covered diverse project types

All identified projects were included in the calculation

Metric	SAI
Total Financed Emissions Scope 1 & 2 (tCO_2e):	709.29
Total Financed Emissions Scope 3 (tCO_2e):	196.15
S1 & 2 Emissions Intensity (tCO_2e/ million ZAR):	0.11
Data Quality Score Weighted by Outstanding Amount:	2.00
Data Coverage	100%

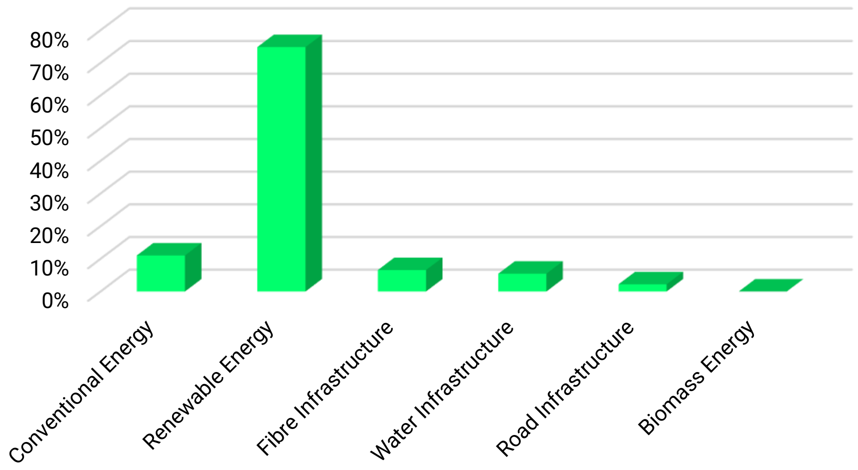
Key insights

- The emissions intensity for project finance was low in comparison to other asset classes, attributable to the large proportion of renewable energy projects in the portfolio

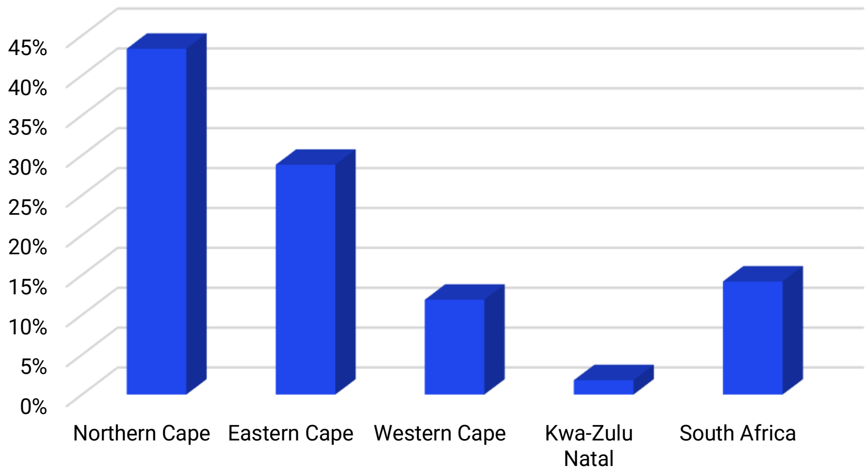
SAI project finance data covered diverse project types

Electricity consumption from renewable energy (RE) projects make up the largest share of emissions in this asset class, but remain small in relation to the overall financed emissions footprint of SAI

Financed emissions breakdown by Project Type (%)



Financed emissions breakdown by province (%)



4.3. SAI

4.3.3. Commercial Real Estate

Commercial Real Estate (CRE) data was obtained from the SAI data custodian

The SAI CRE portfolio comprised a variety of building types and buildings of differing shareholding proportions

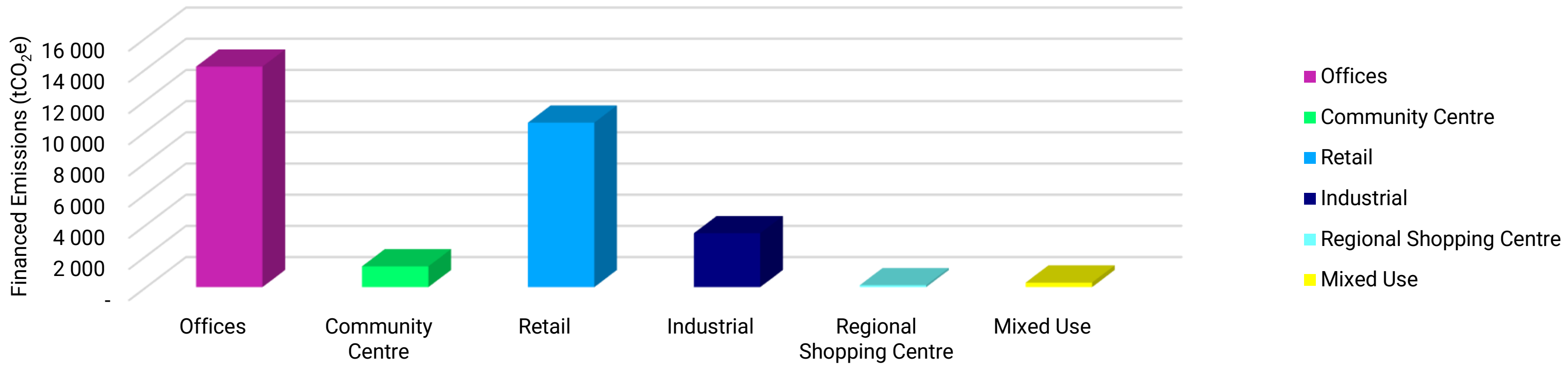
Metric	SAI
Total Financed Emissions Scope 1 & 2 (tCO_2e):	29 900
S1 & 2 Emissions Intensity (tCO_2e/ million ZAR):	3.511
Data Quality Score Weighted by Outstanding Amount:	-
Data Coverage	100%

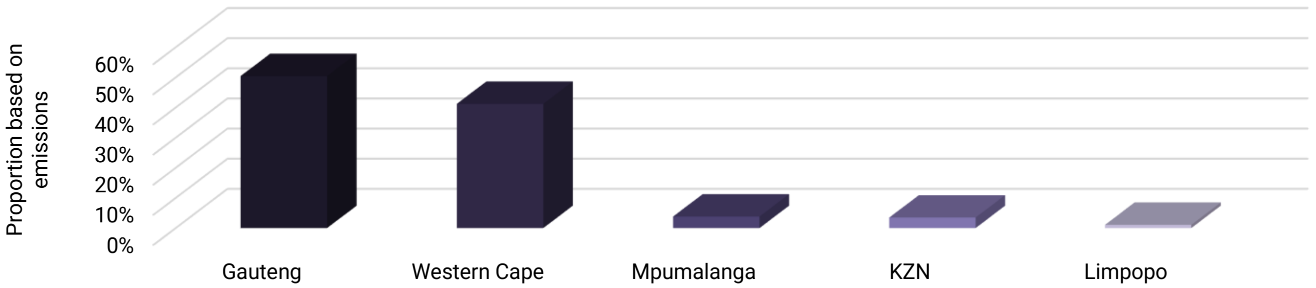
Key insights

- This asset class had a low relative emissions intensity in comparison to other asset classes in Sanlam's portfolio
- This asset class has the smallest outstanding balance of all asset classes in Sanlam's portfolios

The SAI CRE portfolio is moderately diverse in both building type and geographical distribution

Retail and office building types contributed the most to the financed emissions footprint of this asset class, with the largest proportion of emissions emanating from assets located in Gauteng and the Western Cape





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