2021 CLIMATE RELATED FINANCIAL DISCLOSURE REPORT

CONTENTS

A NOTE FROM THE CEO

At Santam, our fundamental purpose is to provide risk solutions for our clients. With more than 103 years of history in the insurance industry, Santam has played a valuable role in the economic and social development of South Africa. In continuing with our brand promise, we are committed to help build resilient societies and contribute towards reducing the risk protection gap.[1]

Climate change is a complex and evolving phenomenon that poses serious risks to the security and safety of our clients, society and the global economy. The consequences of climate change are already evident in more extreme weather events. The World Economic Forum (WEF) 2021 Global Risk Report confirmed that natural disasters are becoming more intense and frequent due to climate change.[2] The potential increased scale and frequency of severe weather events and natural disasters will directly impact the insurance industry. As Africa's leading short-term insurer, Santam is committed to understanding the risk that climate change poses to its business and stakeholders. In collaboration with our stakeholders and research partners, we will continue to refine our climate change response with the aim of better understanding and managing climate-related risks.

The Santam board and executive committee recognise and support the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. We present to you our first stand-alone climate-related disclosures report. It is aligned to the TCFD recommendations and anchored on the TCFD's four core pillars i.e., Governance, Strategy, Risk Management, and Metrics and targets. We discuss the progress we have made thus far in understanding climate-related risks and opportunities and the impact that climate change may have on our business and society at large.

SANTAM GROUP'S POSITION ON CLIMATE CHANGE

Santam is South Africa's leading general insurer and the largest on the African continent by premium size. We recognise the urgency required to address climate change and the complexity this brings with it. Our position towards climate change is founded on scientific research. In this regard, we acknowledge the Paris Agreement's long-term ambition, to limit the global temperature rise well below 2°C, and preferably to 1.5°C, compared to pre-industrial levels. In the Working Group I contribution to the Sixth Assessment Report released in 2021, the Intergovernmental Panel on Climate Change (IPCC) unequivocally confirmed that human influences are responsible for the increase in global temperature and that the intensity and frequency of extreme events, such as heat waves, droughts and floods, will increase.[3] Increased efforts and measures to limit global warming are expected. Santam recognises that climate change requires a systemic response and a global collaboration effort.

The group's approach to addressing climate change-related risks and opportunities focuses on partnerships with various stakeholders to understand climate-related risks, share knowledge, and enhance community risk resilience. Through our membership with ClimateWise, CDP (formerly Carbon Disclosure Project) and United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP FI PSI), we continue to work on understanding the climate-related risks facing our clients and society. The group's effort to understand and manage climate-related risks includes identifying physical, transition, and legal risks that will affect our business.

Global policy commitments are increasingly being focused on achieving net-zero carbon dioxide emissions by 2050,[4] which will largely be achieved through transitioning from fossil fuels to a low-carbon economy. South Africa is a signatory to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. The South African government has also committed to exploring pathways towards contributing its fair share to the global effort to move towards limiting global temperature increase to 1.5°C by 2050, within the context of a just transition and with support from the international community.[5]

Santam acknowledges that it operates in a South African market that is still heavily reliant on coal for power generation, and the country's long-term energy generation mix recognises a dependence on coal for at least the next 20 years.[6] The group supports the transition from a greenhouse gas (GHG)-intensive to a low-carbon economy, but understands that this transition will take time given the socio-economic challenges facing the country and so we support the just transition in South Africa. The group will work on fully developing its climate strategy and coal policy position[7] during the course of 2022, with our approach being guided by international reinsurers, the local regulatory framework, and the pace required to ensure a just transition. For the time being, our approach towards underwriting coal-related projects is managed on a case-by-case basis.

SANTAM GROUP'S INAUGURAL TCFD REPORT

The group utilises the TCFD recommendations as a framework to respond to climate-related risks and opportunities. To this end, Santam has declared its support for the TCFD recommendations, joining more than 1 800 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures. We have voluntarily chosen to align ourselves with global best practices, including TCFD, in order to understand and improve our response to climate-related risks and opportunities. Over time, we look to improve our response in both our own operations and in our underwriting guidelines. This will help the group with its response to climate realities and contribute to resilient communities and a just transition to a low-carbon economy.

1 Risk Protection Gap is the difference between total losses and insured losses. It measures the extent to which significant losses are not covered by insurance.
2 https://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
3 https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Full_Report.pdf
4 The term net emissions refers to the balance between the GHGs produced and those removed from the atmosphere through sinks including land, forests and technology interventions. Net zero carbon dioxide emissions will be required by 2050, while net zero GHG emissions will need to be achieved by around 2070, to limit global average temperature increase to 1.5°C.
5 https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/South%20Africa%20First/South%20Africa%20updated%20first%20NDC%20September%202021.pdf
6 http://www.energy.gov.za/IRP/2019/IRP-2019.pdf
7 The group's ClimateWise and carbon disclosure reports, as well as it's climate change position statement, are available at http://www.santam.co.za/investor-relations/integrated-report/environmental-social-governance/.

The table below provides a summary of our response to the TCFD in line with the TCFD recommendations, with details being provided in the sections that follow.

Table 1: TCFD Recommended disclosures

Pillar	Recommended Disclosures	Santam's response
Governance	• Describe the board's oversight of climate-related risks and opportunities	• Social, ethics and sustainability (SES), a board sub-committee, has oversight of environmental, social and governance (ESG) considerations, including climate change • Board adopted TCFD recommendations during Q2 2021 • The Santam board is responsible for the overall governance of risk and is assisted by the risk committee in discharging this responsibility • The risk committee, a board sub-committee, considers climate-related risks • The board's investment committee assists the board and provides oversight on responsible investment practices that promote good governance and value creation
	• Describe management's role in assessing and managing climate-related risks and opportunities	• Climate change executive oversight with group chief risk officer effective Q3 2021 • Group-wide climate change committee established effective Q3 2021 • Continuous upskilling of the board, management, and employees – Employee workshop on TCFD recommendations in May 2021 and board training on the impact of climate change in December 2021
Strategy	• Describe the climate-related financial risks and opportunities the organisation has identified over the short, medium and long term	• Ongoing engagement with stakeholders to identify and better understand the risk and opportunities related to climate change • The group is assessing its coal exposure vs the uptake of renewable energy projects in our underwriting
	• Describe the impact of these risks on business, strategy and financial planning	• Consideration is starting to be given to the impacts of risks, and this aspect will be refined in future disclosures
	• Use scenario analysis to describe the resilience of the organisation's strategy under different global warming scenarios, including a 2°C or lower scenario	• Scenario analysis exercise is planned for 2022 to assess climate-related risks and opportunities and their impact on our strategy

Pillar	Recommended Disclosures	Santam's response
Risk Management	• Describe the processes for identifying, assessing and managing climate-related financial risks • Describe how these processes are integrated in the organisation's overall risk management approach	• The businesses are responsible for identifying and managing risks faced by the business in accordance with the ISO 31000-rated ERM framework and risk management process
Metrics & Targets	• Disclose the metrics used to assess climate-related financial risks and opportunities in line with the organisation's strategy and risk management process	• The Santam facilities team manages and measures the environmental impact of the group's facilities through energy, water use, and waste management targets
	• Disclose Scope 1, Scope 2 and where relevant Scope 3 GHG emissions and the related risks	• Operational Scope 1, 2 and 3 GHG emissions are measured and reported
	• Describe targets used to manage climate-related risks and opportunities and performance against these targets	• Metrics and targets used to manage our environmental impact • Targets are in place to guide implementation of the TCFD recommendations • Energy efficiency initiatives to reduce Scope 1, 2 and 3 emissions.[8]

Source: TCFD

An overview of the group's journey towards understanding climate risk and climate change-related disclosures is provided below.

Figure 1: Santam's Climate Change Journey

2009	2010	2012	2015	2018	2019	2021	BEYOND 2021
Signed up as a ClimateWise member	Signed up for CDP disclosure in partnership with Sanlam, our majority shareholder	2012: Founding member of UN Environment Programme Principles for Sustainable Insurance	Published our first Climate Change Position Statement	Climate Risk identified as a key material matter and strategic risk for the group	Updated the Climate Change Position Statement to incorporate TCFD	Santam board adopted the recommendations of the TCFD	Review climate change positioning statement
				First response to TCFD-aligned CDP questionnaire	First response to TCFD-aligned ClimateWise principles	Public declaration of the group's support for TCFD	Fully develop our climate strategy and coal position
					Integration of climate-related risk into the group's strategy processes	Establish executive accountability	Assess climate risk and develop scenarios
					Multi-stakeholder climate risk exploration workshops to understand the business's climate-related risk	Established the group climate change committee	

[8] See the Group's carbon footprint report for energy efficiency initiative: https://www.santam.co.za/media/2686147/sanlam-group-fy2020-cfr_final.pdf

GOVERNANCE

BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

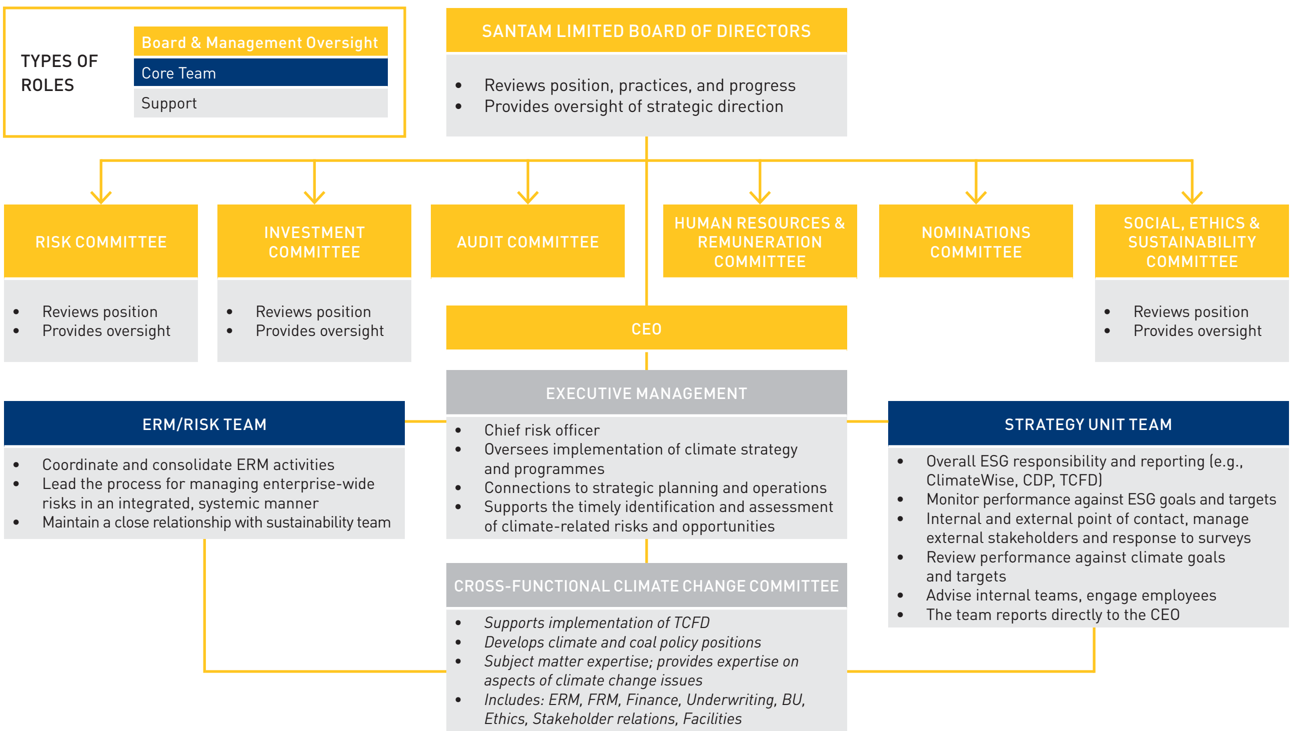
The board is responsible for directing, administering, and controlling the affairs of the company in a transparent, fair and responsible manner. The board recognises its responsibility to shareholders, employees, and the community to uphold high standards in managing economic, social, environmental, and ethical matters and ensuring that the company conducts its activities according to best practice. The board considers governance as being key to the long-term success of Santam and is ultimately responsible for ensuring that corporate governance standards are set and implemented throughout the group.

The board acknowledges that there are qualitative issues that influence the company's ability to create value in the future. These relate to investment in human and intellectual capital, the extent of the company's social transformation and ethical, safety, health and environmental policies and practices. The board has several committees that assist in discharging its duties and responsibilities, however, the ultimate responsibility rests with the board and it does not abdicate its responsibility to the committees. ESG and climate-related considerations extend to various risks, as such, the oversight is also spread across the sub-committees of the board. Further, climate-related risks are integrated into the group's strategy processes as part of a broader commitment to address ESG considerations throughout its business.

- The social, ethics and sustainability committee (SESCO) of the board is responsible for overseeing the response to ESG matters and climate-related risks and opportunities. The SESCO charter has been updated to reflect the board's adoption of the TCFD recommendations and the group's efforts to align with the TCFD recommendations. The review of the charter included an update of our ClimateWise principles in line with TCFD recommendations.
- The board's investment committee provides oversight on responsible investment practices that promote good governance and value creation in companies that Santam invests in. The group Investment Policy incorporates ESG considerations impacting the long-term sustainability of Santam's portfolio investments, including climate risk, which has been identified as a key material matter for the Santam group.

Figure 2: ESG/Climate Risks Governance Structure

The figure below shows the governance structure for environment, social and governance matters, specifically how sub-committees flow up to executive management and the board level committee.



- The board's risk committee assists the board in fulfilling its governance duties from a risk and control perspective including identifying and evaluating all significant risks. The Santam group chief risk officer (CRO) has an independent line of accountability to the Santam board through the risk committee. The CRO role assists the board in its implementation, review, and approval of the enterprise-wise risk governance framework which includes Santam's risk culture, risk appetite, risk limits and corresponding capital and liquidity needs.

The board and the executive are receiving ongoing training to improve and enhance climate-related knowledge. During 2021, the board received training on TCFD as well as climate change, inclusive of COP26 outcomes. In 2022, the board will focus on reviewing and approving the climate-related and ESG disclosures including the TCFD report.

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS

Below the board level, the individuals responsible for assessing climate-related issues include the group CEO and the executive team (Exco), and the group Strategy Unit in the CEO's office. Since Q3 2021, climate change governance has been enhanced by the establishment of the group-wide climate change committee (CCC) and executive leadership of climate change now sits under the chief risk officer (CRO). The group CRO has an independent line of accountability to the board through the risk committee. The CRO's primary role is to embed an enterprise-wide risk governance framework throughout the group that addresses the needs of all stakeholders. The CRO is assisted by a Financial Risk Management (FRM) and Enterprise Risk Management (ERM) team who contribute to climate risk-related work.

The CCC is a senior management committee whose mandate is to support the group's climate change action, and help the executive and the board to assess how the group is evaluating and responding to climate change issues. The group CRO is the executive sponsor for the CCC, and gives climate change oversight at executive level. The CEO and Exco are responsible for implementing the FutureFit strategy, which includes ESG aspects and reports progress to the board quarterly as part of the group FutureFit dashboard. The group's ClimateWise performance, CDP, and the FTSE Russell's ESG rating, are included in the dashboard as key performance indicators.

The group Strategy Unit monitors and tracks the progress of the FutureFit strategy and compiles the quarterly dashboard and annual ClimateWise as well as FTSE Russell returns. The Unit coordinates collaboration across the group on ESG-related matters and also chairs the CCC. The Unit is also responsible for the contextual environmental scanning, which includes ESG and climate-related matters. It reports the scan to the CEO, Exco and the Santam Board, and other functional peers regularly.

In 2022 management will continue to monitor and track the integration and performance of ESG into business strategy.

STRATEGY

Our approach to ESG focuses on the issues which are most important to stakeholders and affect our ability to create long-term financial and non-financial value, such as helping mitigate risks by partnering for resilience and enhancing ESG-sensitive underwriting. These issues include practising good governance, understanding and managing socio-economic, climate and environmental contextual risks, ensuring that sensitive risks in underwriting are appropriately addressed and developing new innovative solutions to address the risk protection gap.

These material issues have informed the group's ESG strategic focus areas. Our ESG focus areas are geared towards contributing to a sustainable and transformed SA economy. These ESG focus areas are integrated in Building a FutureFit Santam strategy.[9]

Relevant ESG Focus Areas

RUNNING A RESPONSIBLE BUSINESS

- Demonstrate stakeholder safety, fairness and inclusion (client outcome and market conduct)
- Demonstrate good governance (ESG disclosure and reporting)
- Address sensitive risks: climate change

HELP BUILD RESPONSIBLE COMMUNITIES

- Invest in financial education for the underserved communities
- Narrow risk protection gap
- Partner for resilience and double the impact of resilience

Long-term ESG-related targets

RUNNING A RESPONSIBLE BUSINESS

- ClimateWise score of 64 and greater
- Maintain FTSE/JSE Top 30 inclusion in the Responsible Investment Index
- Mature TCFD reporting by 2025
- Reduce our Scope 3 emissions

HELP BUILD RESILIENT COMMUNITIES

- Offer consumer education to 1.9 million people
- Through P4RR, partner with 100 municipalities to reduce risk and build resilience
- Reach 390 000 policies as an effort to contribute to financial inclusion

[9] See the Group's FutureFit Strategy in our Integrated Report: https://www.santam.co.za/media/2686150/2020-ir.pdf

SANTAM'S CLIMATE-RELATED RISKS AND THEIR IMPACT ON THE BUSINESS

Climate change is an important material issue for the group. As a result, the group made efforts to better understand the risk and opportunities related to climate change by having multiple stakeholder engagements, including with climate change experts such as those from the African Climate Development Initiative (ACDI) and the Climate System Analyst Group (CSAG) from the University of Cape Town, Climate Legal, Econologic, and Global Carbon Exchange (GCX). These engagements explored the Santam group's current climate responses and climate governance affecting our business and our stakeholders in the short, medium and long term. The climate-related risks identified through the stakeholder engagement climate risk workshops are summarised below.

Table 2: Identified Climate-related risks

Physical Risks	Indirect Physical Risks	Transition Risks
• Flooding, drought, water scarcity • Increased wildfire risk • Sea level rise (and storm surges)	• Inadequate risk management systems at national, provincial, and municipal level • Socio-economic implications of climate risk (e.g. inequality and social unrest) • Laggard systems and related insurance capabilities	• Decarbonisation/transition towards renewable energy • Adoption of alternative technologies • Carbon tax/pricing

Climate change leads to acute short-term and chronic long-term physical impacts. Short-term impacts include the increase in frequency and severity of extreme weather events such as droughts, floods, wildfires, cyclones. Long-term impacts are slower-onset phenomena such as rising sea levels, desertification and melting glaciers. Both short- and long-term impacts will affect the Santam group. Short-term impacts pose immediate risks to the business in the form of increased loss exposure. Long-term impacts will exacerbate this loss exposure by, for example, increasing the severity of storms because of higher sea levels. Impacts are often highly localised and will be impacted by the resilience and adaptability of local stakeholders to climate impacts. Inadequate risk management systems and resources in both the private and public sector, for example, can significantly increase the severity of physical risk events and their financial and broader socio-economic implications.

Beyond losses from physical climate damages, climate trends and shocks can cause economic disruptions, which will affect the business. In combination, these factors are likely to increase claims for property damage, business interruption and crop failure.

Transition-risks are the financial risks that arise from policy, technology, market, and regulatory shifts. As the world accelerates the journey towards decarbonisation, we anticipate that technological innovations, market changes, and regulatory shifts may impact our business in the long term and reshape the needs of clients. We acknowledge that the business may have to respond to these changes.

Both physical and transition risks can have implications for the business, including through:

- Increased claims
- Uninsurable perils that reduce market opportunities
- Threats of insolvency
- Threats of crossing the reinsurance threshold
- Reduce quality of risk pool
- Evolving underwriting criteria and policy terms

Many climate risks fall into conventional enterprise risk categories, as they are operational or financial in nature. However, climate risks often introduce an additional variable, or "climate multiplier" when assessing an existing risk, affecting its impact or likelihood of materialising. In this regard, the group is working to fully integrate climate risks within the current ERM methodology.

LEVERAGING OF CLIMATE-RELATED OPPORTUNITIES

While climate change presents risks, there are opportunities that come with both mitigating and adapting to climate change. Our vision to narrow the risk protection gap in the markets where we do business informs our approach in leveraging climate-related opportunities.

- Santam Agri Crop participated in the Sandbox Project with the Financial Services and Conduct Authority to pilot the Soil Moisture Index (SMI) cover. To date, 29 farmers in the Free State province have been trained. Of the 29 farmers, nine were contracted for risk period of 1 November 2021 to 31 March 2022. The project is expected to run until June 2022.
- The group has a Santam Resilient Investment Fund (SRI), which targets investments in companies that address environmental, social or governance needs, specifically those that reduce long-term systemic risks to Santam's business. The SRI invests into unlisted credit opportunities that address ESG issues, including renewable energy projects, through providing loans. The fund deploys capital with the intention of generating social and environmental impact alongside a competitive financial return.
- Through the Partnership for Risk Resilience (P4RR) Programme, we partner with municipalities and various stakeholders with the aim of reducing disaster risks caused by fire and flooding, 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, our efforts help to contribute to climate adaption efforts. We do this by assisting service delivery and providing support to local government infrastructure, economic development, and governance.
- Through our P4RR, we partnered with Council for Scientific and Industrial Research (CSIR) to pilot the Green Book in municipalities that were at most risk of being severely impacted by climate issues. The Green Book is a state-of-the-art online climate risk assessment tool that allows municipalities across the country to assess climate risks and growth pressures up until the year 2050.
- Through Emerald Risk Transfer (corporate property underwriter) and Mirabilis Engineering Underwriting Managers (engineering underwriter), we offer insurance solutions for solar, wind and hydroelectric power generation to promote the use of renewable energy.
- We also work with private institutions, industry associations, and non-profit organisations to broaden our understanding of transition opportunities. For example, participating in the BSR Value Chain risk to resilience collaborative initiative, participating in the South African Insurance Association Climate Change forum, serving on the Lewis Foundation-funded financial sector ESG and climate risk analytics project advisory committee and participating in the South Africa-UK Partnering for Accelerated Climate Transitions (UK PACT) project on aligning South Africa's climate-related financial disclosure with global best practice.

SCENARIO ANALYSIS FOR ASSESSMENT OF RESILIENCE

The purpose of doing scenario analysis is to assess and describe the climate-related risks and opportunities and their impact on strategy. Santam is at the beginning stages of assessing and understanding the potential impact of climate-related risks and opportunities on the group's strategy and financial planning. We are planning a scenario analysis exercise during the second half of 2022 using the approach presented here.

In collaboration with experts, we developed a Climate Risk Scenario analysis framework in line with TCFD recommendations. The starting point of the scenario analysis framework is to consider climate change physical impacts (e.g., increasing temperatures, rising sea levels, changing weather patterns, and more frequent or intense droughts, floods, and storms) for South Africa over a 10-year and 30-year time horizon. We then considered and selected scenarios as per the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report (AR5). In this regard, as per TCFD scenario guidance, we have selected a scenario below 2°C in combination with 2.5°C scenario.

The IPCC has defined four Representative Concentration Pathways (RCPs).[1] The RCPs capture different pathways of GHG concentrations in the atmosphere. The different RCPs are described as footnotes on this page.

We identified two physical scenarios preferred for analysis on the property line. The identified scenarios are the weather shock scenario (acute weather events driven by climate change), and the full damages scenario (incremental, climate change shock). The next step is to collate the relevant projected temperature and other weather/climate-related changes, so as to do a further analysis on these scenarios and understand the potential impact per economic sector and also understand sector risks per line of business.

Figure 3: Selected Physical Scenarios and suggested pathway to analysing the property business line

SCENARIOS	**2020 climate change scenario analysis framework**			
	Weather Shock Scenario		Full Damages Scenario	
DRIVERS OF RISK	**Physical risks**			
	Flooding	Extreme heat and Drought	Wildfires	Sea level rise
GEOGRAPHY	**South Africa**			
	Gauteng	KwaZulu-Natal		Western Cape
APPLIED ANALYSIS AND OUTPUT	**South Africa**			
	• Frequency of loss incurred to property • Expected insurance premium cost impacts over time • Potential impacts on insurance claims and affordability			
STRATEGIC IMPACT/ RESPONSE	• Consider business and customer implications and emerging insurance needs • Explore approaches to risk mitigation • Review risk appetite and insurability of risk			

Conducting scenario analysis will help us assess and understand the climate-related risks and opportunities and how they will impact our business.

RISK MANAGEMENT

RISK IDENTIFICATION AND ASSESSMENT PROCESSES

The businesses are responsible for identifying and managing risks faced by the organisation and the ERM function develops frameworks, policies, and guidelines to assist them with this process. Climate risks are identified through Santam's strategic risk review process. The FRM and ERM team (who report to the CRO) is responsible for the group's Own Risk & Solvency Assessment (ORSA) process and considers climate risks. The ORSA acknowledges climate-related risks and their impact on the business, including physical risks that can lead to an increase in claims settled by insurers, and transition risks and opportunities resulting from the transition to a low-carbon economy.

Through our membership with ClimateWise, CDP (formerly Carbon Disclosure Project) and United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP FI PSI), we continue to work on understanding the climate-related risks facing our clients and society.

RISK MANAGEMENT PROCESS AND INTEGRATION INTO OVERALL RISK MANAGEMENT APPROACH

Our ERM framework and risk management process are based on the ISO 31000 risk management standard (see Appendix A).

The impact of climate related events on Santam's financial position will in future disclosures be considered through appropriate scenario analysis using Santam's regulatory-approved internal model.

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED FINANCIAL RISKS AND OPPORTUNITIES

Santam is committed to understanding and managing its own impact and improving its climate change disclosures. Our ESG metrics and targets have been set as part of our FutureFit strategy, however, we realise that our climate change journey is still a work in progress. Therefore, the climate-specific metrics and targets we have now are geared towards us fully developing our climate change strategy and having a mature TCFD reporting process.

Table 3: TCFD recommendations rollout plan

Pillar	Description	Target	Target Date	Status
Governance	• Board to actively promote effective climate disclosures in line with TCFD disclosures	• Board to approve the inaugural TCFD report	• 2022	• The SES charter has been updated to include TFCD • Executive oversight and management group-wide climate change committee has been established
	• Clear roles and responsibilities on climate change	• Ensure that the board is accountable for the company's long-term adaptation and resilience due to climate change	• Ongoing	• We have conducted TCFD training and climate change briefing at board level. This is ongoing
Strategy	• Lines of business impacted by climate-related risks or opportunities	• Assess and draw a metrics/heat map of lines of business impacted by risks identified	• 2022	• Currently working towards understanding our coal exposure and the uptake of renewable energy projects in our underwriting
	• Conduct scenario analysis	• Use scenario analysis to describe the resilience of the organisation's strategy under different global warning scenarios	• 2022	• Planning a scenario analysis exercise to assess climate-related risks and opportunities and their impact on our strategy
Risk Management	• Risk assessment frameworks and criteria for assessment	• Identify risks and their impacts on the business • Integrate climate change risks into the Enterprise Risk Management processes	• 2022	• Ongoing
Metric & Targets	• Key performance indicators for climate-related targets and progress over time	• Apply the group Facilities 2026 targets for energy, water and waste, and set Scope 3 targets • Develop new metrics and targets to align with material risks to underwriting and investments	• 2022	• Ongoing

GHG EMISSIONS AND SUSTAINABILITY TARGETS

The Sanlam group (including Santam's facilities) manages and reports its emissions using the operational control approach, which requires a company to account for its emissions by entities and activities under the direct control of the organisation. The group measures its internal environmental performance by monitoring consumption patterns such as energy, water, waste, and recycling through an internal IT system. The group's facilities (where the environmental performance is monitored) include Santam Head Office buildings in Belville and Sandton and the contact centre in Auckland Park. Santam also tracks a selection of material Scope 3 emissions. Below are our historic emissions for Scope 1, 2 and 3,[10] and our current targets set for the group's environmental performance. Our climate targets will continue to be evaluated as our climate disclosure journey progresses.

Figure 4: Santam's GHG emissions

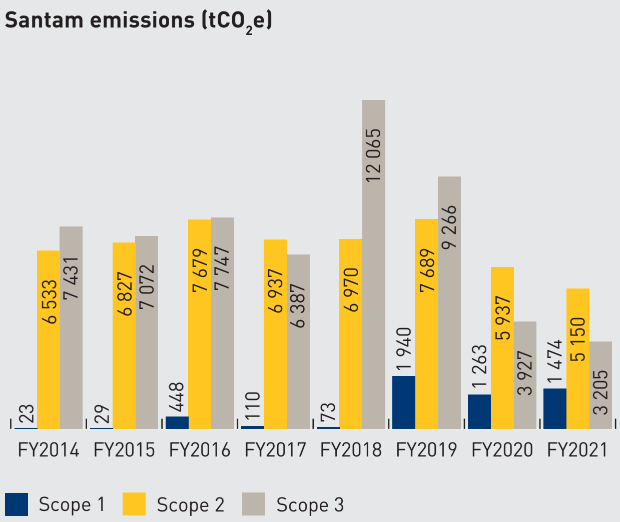


Table 4: Sustainability targets for 2026

Ambitious Target Energy kWh/m²/a	Realistic Target Energy kWh/m²/a	Water kL/ m²/a	Waste management	Paper consumption
185 – 200 kWh/m²/a	10%	10%	10%	10%

The group also set metrics and targets for our ESG and climate-related disclosures. These include ClimateWise, CDP performance, and ESG ratings. Our ClimateWise performance is rated as part of our membership of the global insurance leadership group ClimateWise, and our ESG performance is rated by the FTSE/JSE Russell rating agency. The group continually strives to improve its ESG and climate-related performance and disclosures.

Figure 5: ESG performance ratings

Climate Change score: A- in 2021

Climate-related disclosures: maintained the score of 68% in 2021

Top 30 of FTSE/JSE responsible investment Index

[10] The Scope 3 GHG emissions were high in 2018 because the ABSA fleet vehicles were recorded as Scope 3 for the first time, and travel claims were reported for the first time in FY2018, using an emission factor for unknown vehicle and fuel. Another contributing factor to this increase was the new commuting survey used in 2018, through which emissions for employee commuting were estimated as 2.04 tCO2e/employee, compared to 1.51 tCO2e/employee in previous years.

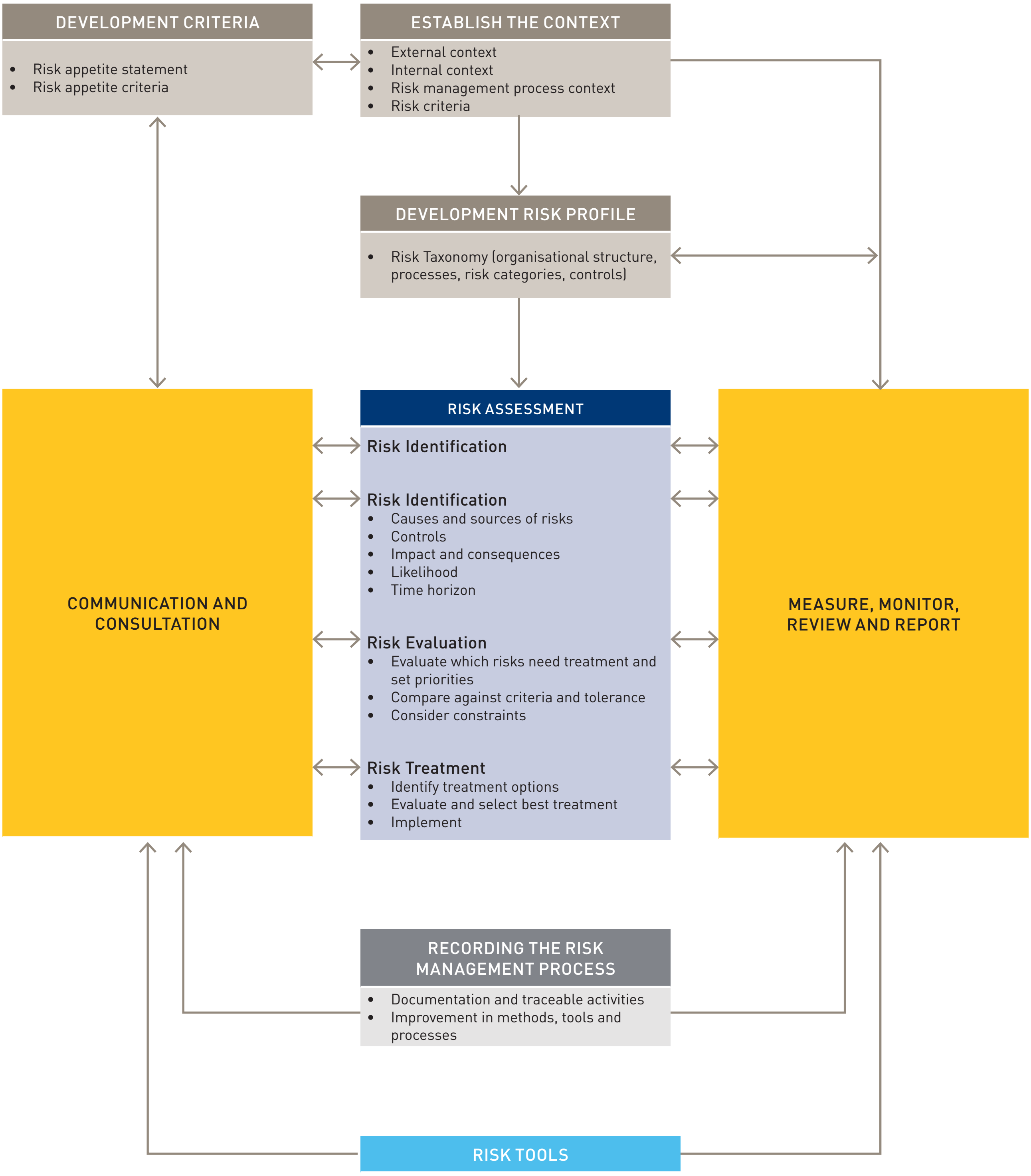
LOOKING AHEAD

Climate-related disclosure is an evolving and iterative process. We expect to receive more guidance on disclosure from the regulator and the relevant reporting frameworks. We also believe that credit rating agencies and investors will ask for more comprehensive and reliable information on ESG aspects to better inform their decisions. As a result, there is an expectation that Santam and other organisations must consider ESG issues integral to strategy and reporting. These expectations are having an impact on the group's strategy, risk management processes, performance measurement, employee/board education as well as our internal and external reporting.

As we receive further guidance from the regulatory authorities and relevant frameworks, we will continue to engage internally and externally to improve our disclosures. We will continuously work towards aligning with the TCFD recommendations by continuing to understand our risk profile, integrate climate change into the existing risk management framework, develop scenarios and improve our climate-related disclosure.

Further information on our response to climate change is outlined in climate-related disclosures including the FTSE/JSE Russell ESG rating, ClimateWise response, and the CDP response submitted with our majority shareholder, Sanlam Ltd.

APPENDIX A


DEVELOPMENT CRITERIA
Risk appetite statement
Risk appetite criteria
ESTABLISH THE CONTEXT
External context
Internal context
Risk management process context
Risk criteria
DEVELOPMENT RISK PROFILE
Risk Taxonomy (organisational structure, processes, risk categories, controls)
COMMUNICATION AND CONSULTATION
RISK ASSESSMENT
Risk Identification
Risk Identification
Causes and sources of risks
Controls
Impact and consequences
Likelihood
Time horizon
Risk Evaluation
Evaluate which risks need treatment and set priorities
Compare against criteria and tolerance
Consider constraints
Risk Treatment
Identify treatment options
Evaluate and select best treatment
Implement
MEASURE, MONITOR, REVIEW AND REPORT
RECORDING THE RISK MANAGEMENT PROCESS
Documentation and traceable activities
Improvement in methods, tools and processes
RISK TOOLS