

## PSI DISCLOSURE: JUNE 2013

The Santam Group (Santam Ltd and its subsidiaries) is proud to be a founding signatory of the PSI initiative. We are committed to embed the principles in our business and broader context as we believe a sustainable insurance industry requires pragmatic responses to the ESG challenges in the world. We take this seriously as a business and believe that the level of risk on the ground should be reduced, that the insurance prices should reflect the level of risk and that participants in the insurance industry should act in a long term sustainable manner.

As the leader of the Group I regularly share this message – with analysts, brokers and at conferences – and it is of particular relevance now given the natural mini-catastrophes the South African market experienced over the last year. As I said in my CE report in the integrated report for last year: “It is increasingly clear to us that developing our position as Africa's leading general insurance group requires a long-term appreciation of broader trends in the social, environmental and governance spheres. We consider these aspects of sustainability to be as important to the group and its stakeholders as considerations of short-term financial sustainability. Santam became a founding signatory of the Principles of Sustainable Insurance, which were launched during 2012. These principles provide a global framework for insurance companies to better manage their environmental, social and governance risks and opportunities.”

See <http://www.santam.co.za/financial-information/2012-integrated-report/business-review/ceos-report/> for the full report.

### Our approach

At Santam good corporate governance is accepted as a fundamental part of our vision to do insurance well, reflected in our tag line *‘insurance good and proper’*. Environmental, social and governmental (ESG) risks and opportunities are integrated into our risk matrix, group strategy, and sustainability framework which is underpinned by the Principles for Sustainable Insurance (PSI). These principles guide Santam on its long-term sustainability journey.

We believe that resilience arises from a well-developed understanding of risk management and recognise that insurance is the business of mitigating risk and building resilience. Therefore, sustainable insurance is core to the resilience of the Santam Group's business model. Our Group's thinking, planning and brand reputation embeds the principles of sustainability and a willingness to engage, consult and co-operate with a number of institutions, individuals and groups around ESG matters. Please find a summary of our progress made against each of the principles to demonstrate our commitment to PSI.

<p><b>Principle 1</b></p>	<p>Our 2012 Integrated Report, with more detail in the Sustainability Report, shows how Santam is evolving into an organisation that acknowledges the importance of embedding ESG issues into our core business decisions and illustrates our response to the risks resulting from the interdependencies between ESG factors. An example of this is our response to issues around the impact of climate change on our business. An increase in the frequency and intensity of extreme weather events have resulted in increased claims which affects our business. Through the Eden Phase 2 collaboration, we participate in initiatives that help to reduce risk on the ground (risk management) and are able to link key insights to internal processes to influence underwriting decisions (risk assessment).</p> <p>See <a href="http://www.santam.co.za">www.santam.co.za</a> for Sustainability Report 2012</p>
<p><b>Principle 2</b></p>	<p>We are actively engaging with our value chain – suppliers, intermediaries and clients in our efforts to raise awareness of ESG issues through our various channels (internal and external). An example of this is how our agriculture team uses the information gathered through research at our experimental farm and other farming expertise to assess a specific farmer’s cultivation practices, soil conservation and cultivar management. This research also allows us to make our products more relevant and useful to our clients.</p> <p>See <i>ClimateWise 2012 report (see attachment)</i></p>
<p><b>Principle 3</b></p>	<p>We engage with policymakers, government and other affected stakeholders to develop constructive collaborations that enable us to continue playing our role in supporting sustainable socio-economic growth in our country. Santam is represented at the ClimateWise managing committee, and on the Board of UNEP FI PSI and we therefore support relevant projects and collaborations. We currently chair the South African Insurance Association SAIA Strategic Risk Forum and continue to use it as a platform to engage with government and policy makers on climate-related and broader sustainability matters. We also engage with SALGA at operational and policy-making level to promote improved management of risks related to climate change. This project was formalised by the signing of a memorandum of understanding (MOU) with SALGA and the Minister of Co-operative Governance and Traditional Affairs (CoGTA) as part of the Business-Adopt-a-Municipality (BAAM) project and more details can be found in our annual Sustainability Report.</p> <p>See <i>Sustainability Report 2012 (<a href="http://www.santam.co.za">www.santam.co.za</a>) / ClimateWise 2012 Report (see attached)</i></p>
<p><b>Principle 4</b></p>	<p>The Social, Ethics and Sustainability Committee (SES Committee) of the Santam Board is ultimately responsible for sustainability at Santam but has delegated responsibility for:</p> <ul style="list-style-type: none"> <li>- Oversight of Santam’s response to systemic risk and opportunities</li> <li>- Implementation of the company’s sustainability strategy, to the SES committee. The chairperson of the committee reports back on proceedings to the board of directors.</li> </ul>

	<p>Our internal Systemic Risk Forum reports into the SES committee to keep them informed of relevant developments in risk forecasting. The forum includes senior representatives from various business units responsible for actions that integrate ESG considerations into the business. This includes raising awareness and fostering dialogue on these issues and sustainable insurance in the industry. We are in the process of reviewing how this Forum can play a stronger role in helping the business deal with new and emerging risks.</p> <p>We participated in the Carbon Disclosure Project (CDP), submitted a ClimateWise report and participated in the Johannesburg Stock Exchange's (JSE) Social Responsibility Index (SRI). We produced an Integrated Report which consists of the Santam Integrated Report, Annual Financial Statements and the Sustainability Report.</p> <p>See <i>Sustainability Report 2012 &amp; Integrated Report</i> (<a href="http://www.santam.co.za">www.santam.co.za</a>) / <i>ClimateWise 2012 Report</i> (see attached) / <i>CDP 2012 Report</i> (see attached)</p>
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## Looking forward

Whilst we will continue to entrench sustainability in our business and deepen our relationship with and support our stakeholders through ongoing engagements we are also working on a number of pilot projects across the Group to bring ESG risks into our decision-making in the areas of motor procurement, corporate property, commercial lines ESG risk and environmental liability. We are also working on refined sustainability drivers and a business dashboard, integrating material ESG indicators as a matter of course. We are heartened by our initial results and look forward to sharing the results with you in due course.

We are committed to forward the adoption of the UNEP FI Principles for Sustainable Insurance in our business and across our value chain, to explore business ideas that deliver practical benefits whilst also promoting ESG benefits. We will continue with awareness-raising around ESG issues to all our stakeholders, support relevant industry association activities and ensure adequate and transparent disclosure relating to our efforts on addressing systemic risks in the normal course of our corporate reporting progress.

Yours sincerely

  
**Ian Kirk**  
Santam Ltd CEO

  
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Executive Head: Risk Services