PSI DISCLOSURE: JUNE 2014

Our approach

In continuing our journey shared in the 2013 PSI reporting, the Santam Group (Santam Ltd and its subsidiaries) remain committed to embedding the PSI principles in our business. The strategy alignment of the business over the past year have allowed Santam to embed a far more consolidated and robust approach to achievement of its Group strategy and so doing the PSI principles.

The 3-pillar Group strategy remains appropriate to create sustainable value across the business and is focused on: Growth through diversification, managing the risk pool and driving system efficiency. The past year focus was applied in reviewing the sustainability process and framework which was seen as the activator of the Group strategy process. Central premise of this process was ensuring that the new Sustainability framework reflects the strategic intent of the business as well as the enterprise risk management landscape of the business. This provided an integrated approach to activation of the group strategy. More details on our strategy and the integration of our sustainability framework can be found on pg. 13 – 17 of our 2013 Integrated Report.

Feedback per Principle:

Principle 1

Santam acknowledges the importance of embedding ESG issues into our core business decisions and continues to engage around opportunities to respond appropriately. Santam, in its group investment policy, subscribes to the United Nation’s principles for sustainable insurance as well as the Code of Responsible Investing in South Africa. Through our investment partners Sanlam Investment Management (SIM), Santam launched its R20 million Santam Resilient Investment Fund in January 2013. Its overall aim is to maximise financial return while addressing social challenges. The fund focuses on investments in companies that have a direct impact on environmental, social and governance (ESG) risks that affect Santam’s operating environment. SIM and Santam’s systemic risk committee have joined efforts to identify enterprises in Santam’s value chain that require funding for expansion, growth and job creation. Potential investments are identified according to (i) their ability to repay, (ii) their contribution to the Santam value chain and (iii) the impact on socially responsible factors, for example, BBBEE ownership. Investments are subject to rigorous due diligence procedures and performance is closely monitored.

Refer to IR for details regarding the nature of our investments
Principle 2

We are actively engaging with our stakeholders to raise awareness of environmental, social and governance issues and initiated projects that help them to manage their risks better. One example of this is the work Santam is doing to help develop climate-resilient communities. We sponsored an early warning disaster system and Polycom (electronic message board) to the municipality in George in the southern Cape. The sponsorship is part of the next phase of the Eden Study (reported on in our 2011 and 2012 sustainability annual reports), a research study on how climate change affects local communities. The system will assist with the transmission of warnings of severe weather conditions and disaster notifications. The Polycom is linked to the Eden Disaster Management Centre in George and will give the local businesses and community access to emergency messages/alerts in English, Afrikaans and Xhosa.

Refer to IR for more details re this initiative

Principle 3

We play a leadership role by contributing to local and international activities that are important to the insurance industry and the world agenda; hence we continue to actively engage with government, regulators and other affected stakeholders. One of the initiatives is our engagement with the local government mainly through the Business Adopt-a-Municipality (BAAM) initiative to support vulnerable municipalities. Our objective with this initiative is to assist in strengthening the institutional and participatory development capacity of local municipalities to combat poverty on the ground. We do this by assisting service delivery and providing support to local government infrastructure, economic development and governance. (more details in our IR) We continue to use platforms such as the South African Insurance Association (SAIA) to engage with government and policy makers on climate-related and other sustainability issues.

We also actively contribute to global insurance networks such as:

- ClimateWise where we are a member of its management committee; and
- the Principles for Sustainable Insurance (PSI) board, facilitated by the United Nations

Environment Programme Finance Initiative (UNEP FI), where we are also a board member.

Other broader involvements include our participation in the recently formed Network for Business Sustainability, an initiative that aims to influence academic research to a relevant business agenda, as we believe that cross-sector collaborations are important in addressing the systemic risks and opportunities we face.

Principle 4

The Social, Ethics and Sustainability Committee (SES Committee) of the Santam Board is ultimately responsible for sustainability at Santam but has delegated responsibility for:

- Oversight of Santam's response to systemic risk and opportunities
- Implementation of the company's sustainability framework
The chairperson of the committee reports back on proceedings to the board of directors. We participated in the Carbon Disclosure Project (CDP) and in the Johannesburg Stock Exchange's (JSE) Social Responsibility Index (SRI). We are in the process of submitting our 2013 ClimateWise report. We produced an Integrated Report which is structured different to previous integrated reports in that sustainability data is embedded throughout the report and not in a separate report. This was done to present Santam as a fully integrated organisation to all stakeholders.

Looking forward

Our focus will remain on the implementation of the three pillar group strategy and we will monitor our strategic progress against selected material financial and non-financial capital indicators. We are confident that we will maintain our leadership position in the South African market, capture new opportunities abroad, and play an important leadership role in promoting sustainable insurance in our business contexts. We will continue working with a broad spectrum of stakeholders to realise our intention making a positive contribution to the socio-economic and ecological contexts in which we do business.

We are committed to drive the adoption of the UNEP FI Principles for Sustainable Insurance in our business and across our value chain. We will seek further opportunities to enhance our awareness-raising around ESG issues at appropriate levels and segments of the business as well as other stakeholders, and continue to support industry and global initiatives.

We are proud of the progress we have made since becoming a signatory in 2012 and look forward sharing further outcomes with you.

Yours sincerely

Ian Kirk
Santam Ltd CEO

John Melville
Executive Head: Risk Services