

31 August 2017

Mr Butch Bacani via email

Programme Leader

The UNEP FI Principles for Sustainable Insurance Initiative (PSI)

United Nations Environment Programme Finance Initiative

International Environment House, 15 chemin des Anémones

1219 Châtelaine, Geneva, Switzerland

Dear Butch

SANTAM GROUP PROGRESS REPORT: PSI PRINCIPLES 1 JANUARY 2016 – 31 DECEMBER 2016

We are committed to embedding the PSI principles in our business and decision-making as disclosed in our annual integrated report, on our website and in other communications.

Our approach to sustainability

At Santam we strive to maximise socio-economic welfare, enhance stakeholders' sustainability and build a more resilient world by providing risk solutions in selected emerging markets. We take the delivery of our brand promise "Insurance good and proper" seriously as we believe an economy requires a functioning and stable financial system, including a sustainable insurance market, to work effectively. This supports sustainable social, environmental and economic development. We believe that a responsible and business-relevant approach to material Environmental, Sustainability and Governance (ESG) issues contribute to sustainable development and the long-term sustainability of our business.

During 2016 the sustainability function of Santam Ltd was moved to the Group Strategy Unit and now resides in the Office of the Chief Executive. ESG issues are considered part and parcel of the strategy processes of the group and taken into account during external macro-environmental scanning, strategy development and monitoring and tracking.

To illustrate our progress with PSI we highlight the following to you:

- Material public disclosures;
- Important partnerships and research;
- Sustainable agriculture activities; and
- Our progress during 2017 so far.

Public disclosures

Please find below references to our annual integrated report and other disclosures that demonstrate our progress with the PSI principles:

- *Integrated report:*

All publicly listed South African companies are required to publish an **Integrated Report** as part of their annual reporting responsibilities in terms of the South African corporate governance guidelines called King III. Our report discloses the terms of reference of the board committees and acknowledges that strategy, risk, performance and sustainability are inseparable. Herewith find a link to our report which is prepared in line with the International Integrated Reporting Council (IIRC) guidelines:

<https://www.santam.co.za/media/2682253/santam-ir-2016.pdf>

- Insurance 2025 scenario sketches

As part of our strategy process in 2016 we did scenarios work which included internal and external participants. The information produced was shared widely to raise awareness of emerging risks in the insurance sector:

<https://www.howwemadeitinafrica.com/anticipating-future-forces-shape-africas-insurance-industry/55394/>

Source: Page 14 of the Santam Integrated Report, 2016,

- *ClimateWise:*

We are members of ClimateWise and annually report our performance against the principles as well as disclose our position regarding climate change:

Santam Climate Change Position Statement:

<http://www.santam.co.za/media/4168/santam-climate-change-positioning-statement-nov-2015.pdf>

ClimateWise 2015 Annual Report submitted 24 June 2016:

<https://www.santam.co.za/media/2681169/climatewise-final-report-end-dec-2015-as-at-30-june-2016.pdf>

We recently submitted our 2016 Annual return. It is currently under review by PWC and once complete, we will publish the details on our website.

- *JSE Responsible Investment Index:*

Santam Ltd participates in the JSE's sustainability rating process which is now aligned with the FTSE Russell rating process. The Top 30 index reflects the 30 companies achieving the highest ratings in the ESG Ratings process. As at 6 December 2016, the Santam Ltd absolute score was 3.4 (5 being the highest) and the company's relative performance was just outside the top 30 performers.

<https://www.jse.co.za/articles/jse-launches-new-ftse-jse-responsible-investment-index-series>

- *Carbon and water footprint*

Santam Ltd, like its holding company, Sanlam Ltd takes carbon and water efficiency seriously. Please find our disclosures below:

Carbon Disclosure Project (CDP) submission on 27 June 2016:

<https://www.cdp.net/en/responses/16325>

The Sanlam Group (including the Santam Group) has revised the Environmental Policy and published the updated policy in February 2016:

http://www.santam.co.za/media/4195/sanlam_group_environmental_policy_2016_2020.pdf

Partnerships and research

The Embedding Project (EP) and PhD research: Santam participated in a global peer group with the aim to better understand how to contextually and meaningfully inform strategy from an ESG perspective. The EP team performed a baseline assessment of Santam's efforts to embed sustainability in the business. This assessment was part of a PhD study and further informed the EP CEO decision-making guide and provided Santam with an opportunity to identify gaps in our sustainability processes.

Source: <https://www.embeddingproject.org/community>

<https://www.embeddingproject.org/resources/supporting-your-ceo>

In addition, Santam supported a PhD study which focused on individual staff members' perceptions of their own sustainability efficacy and efforts. We hope to build on this during 2017 in our efforts to cultivate internal sustainability champions.

Santam was one of the initiating partners of **City Innovation Platform for African Infrastructure Risk and Resilience (CIP AIRR)** We conducted a workshop in Dar es Salaam which explored how insurers can support more informed decision-making at the start of public infrastructure development projects. The ethos of CIP AIRR was to provide a neutral and non-competitive space where private and public sector representatives could discuss challenges and solutions openly and constructively. A carefully facilitated workshop furthermore enabled city officials to learn more about the contribution insurance can make to manage risk; this is both in terms of insurance as a risk transfer mechanism and via its risk management advice and expertise. The private sector participants were similarly exposed to city level perspectives on the challenges faced when balancing key development decisions with social, economic and environmental needs.

Source: <http://www.unepfi.org/psi/wpcontent/uploads/2016/03/CityInnovationPlatform.pdf>;
<http://www.cisl.cam.ac.uk/business-action/sustainable-finance/climatewise/news/cip-airr-pilot-project-dar-es-salaam-tanzania>

Santam's **Partnership for Risk and Resilience (P4RR)** Programme brings together our proactive risk management activities in municipalities, our CSI spend, stakeholder

relations functions and sustainability initiatives, and is fully aligned with the 'Manage the Risk Pool' leg of Santam's strategy. P4RR aims to: (1) drive community risk awareness through partnerships to address the drivers of risk and inculcate appropriate risk response behaviour; (2) partner with appropriate entities to increase capacity for disaster response and disaster relief in vulnerable communities; (3) assist with the improvement of technology to enable communities to use early warning systems to drive proactive risk management behaviour; and (4) address the causes of fire risks in communities by providing safer alternatives, and where appropriate, assist neighbourhood watches with the necessary equipment to improve their service to communities.

On 25 April 2016, the Santam Executive approved a proposal to expand the P4RR Programme from 5 to 53 municipalities over a 5 year period. The targeted municipalities for 2016 were the Sedibeng District, Sarah Baartman and Ehlanzeni District. Following the local government elections in August 2016, the Ministry for Cooperative Governance and Traditional Affairs (CoGTA) has increased their focus to encourage more corporates in South Africa to follow Santam's P4RR example and partner with local government to address the impact of disaster risks and service delivery challenges in municipalities.

Source:<http://www.santam.co.za/about-us/who-we-are/our-stakeholders/>
<https://www.santam.co.za/blog/intermediary-advice/building-resilience-through-partnerships/>

Sustainable Agriculture

Our Agriculture business understands that today's farmers have to take care of their farms, their families and their workers. That's why we help lighten the load by offering insurance that covers their farms, crops and livestock, as well as their personal assets, under one umbrella. At Santam we have also employed our own agricultural meteorologist for some years. The meteorologist not only forecasts eminent weather seasonally to aid farmers, but also provides training and advice. Santam has a long-standing association with the South African farming community and is listed along government and non-profit organisations as a resource to farmers in terms of weather and climate advice.

An example is the Silage King competition hosted by Santam during 2016. Silage is pasture grass that has been 'pickled'. It is a method used to preserve the pasture for cows and sheep to eat later when natural pasture isn't good in the dry season. The Agricultural team identified the lack of animal feed as an immediate threat to its customers, given the extreme drought experienced at the time. This competition aimed to share expert knowledge and motivate farmers to stockpile silage to prepare for the drought. Santam provided information and offered farmers development training to improve risk awareness.

Source: Page 31 of the Santam 2016 Integrated Report

Progress during 2017

We continued with our efforts to embed the PSI principles in our business and highlight a few of our important activities undertaken so far:

- The P4RR initiative was extended until 2020 and is part of a Network for Business Sustainability study on effective partnership between private and public partners, which will be published in October 2017.
- The Embedding Project work continued as we learn to set science informed targets and utilise the guidance this peer group published early in 2017 - see <https://embeddingproject.org/resources/the-road-to-context> .
- The learnings from the CIP AIRR Partnership, Dar es Salaam workshop were published in 2017, see: <http://www.cisl.cam.ac.uk/business-action/sustainable-finance/climatewise/news/cip-guide-published>
- Emerging farmer training was expanded and included basic financial skill, marketing plans, access to finance and business planning. Santam is partnering with Grain SA and 3000 farmers over the 2016/ 2017 production year with a focus on training for the proper safe storage and use of the grain impacted by changing weather patterns due to climate change.
- The recently launched King IV Report on Corporate Governance for South Africa highlights the changed world of business in terms of financial instability, technological disruptions, stakeholder activism and climate risk. The Santam governance team is reviewing the changes and will respond accordingly.
- We have joined the UNPE FI PSI project focusing on integrating ESG issues into insurance underwriting project.
- The Santam Group remains committed to the PSI principles and therefore continues to serve on the PSI board and engage with PSI activities.

We are proud founding signatories to the UNEP FI PSI initiative and trust our letter demonstrates our commitment and progress to you,

Kind regards



Ms VANESSA OTTO-MENTZ

Head: Group Strategy