

30 June 2021

**Diana Diaz and 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

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Dear Butch,

**SANTAM GROUP PROGRESS REPORT: PSI PRINCIPLES 1 JANUARY 2020 – 31 DECEMBER 2020**

COVID-19 has laid bare many significant environmental, social and governance (ESG) issues in the world. Human encroachment, deforestation, factory farming, rising inequality, poverty, urbanisation, and global interconnectedness all play a part in the rise and spread of the novel virus, which has hit the global socio-economic landscape with devastating consequences. Scientists warn that these kinds of shocks will be expected if ESG issues are not managed across the business, society, and government, most notably biodiversity risk, climate risk and rising socio-economic hardships.

At Santam Group, these issues have been identified in the FutureFit strategy development process. This report demonstrates our continued support of the UN PSI initiative through our participation in the PSI governance structures, projects and market events. Further, our commitment to embedding the 'principles' is captured in our annual Integrated Report and Environmental Social and Governance (ESG) related disclosures on our website and in other internal and external communications.

**SANTAM GROUP'S APPROACH TO ESG**

Santam Group acknowledges that the business operates in environmental and social thresholds, and we take ESG issues and sustainability seriously. The developments around appropriate reporting on ESG matters have increasingly become more critical and complex. Companies are required to adopt the Task Force for Climate-related Financial Disclosures (TCFD) recommendations and align ESG disclosures with this standard. In this regard, Santam Group has been working on aligning its ESG-related disclosures with the TCFD recommendations.

To illustrate Santam Group's progress with integrating ESG issues into our business, we highlight the following activities aligned with the four overarching Principles for Sustainable Insurance:

## **Principle 1: Embedding in our decision-making ESG issues relevant to our insurance business**

- *Santam Group strategy*

We are happy to report that The Group Exco finalised and presented the integrated Group performance dashboard to the Santam Board during the period under review. The Board approved this dashboard in December 2020. This integrated Group dashboard captures the building blocks of FutureFit and fully places the Environment, Social and Governance (ESG) / Sustainability agenda at the heart of the Group corporate strategy. It further captures overall corporate performance, which includes both financial and non-financial performance. In addition, the Group Social, Ethics and Sustainability Committee (SESCO) reporting framework has been updated to align with the Group performance dashboard.

- *The Annual integrated report reflects Santam's progress with ESG integration*

Santam Group published its 2020 Integrated Report as part of our annual reporting responsibilities in terms of the King IV South African corporate governance guidelines. In addition, material ESG and sustainability matters are included in the Integrated Report as part of Santam Group's FutureFit strategy, which focuses on critical matters driving change in global insurance and significant Group level issues. The ESG focus areas are reported on page 36 of the Integrated Report.

Integrated Report: <https://www.santam.co.za/media/2686150/2020-integrated-report.pdf>

- *ESG engagement workshops*

As part of our efforts to embed and keep the ESG high on the agenda, the Group Social, Ethics and Sustainability Committee (SESCO) meets bi-annually to assess the Group's ESG performance. This Committee has oversight of the ESG strategy and reports to the Group Board. It is governed by a Group SESCO Charter to perform this role for Santam Limited and its South African subsidiaries.

In October 2020, Santam Group hosted an internal Group ESG engagement workshop to embed and raise awareness about the Group's approach to ESG/Sustainability. In addition, the Strategy Unit shared the Group's ESG dashboard as a tool to assess ESG performance and as well as the ESG reporting process.

- *Santam Group's Response to COVID-19*

With the advent of COVID-19, Santam Group made efforts to adapt to the changing circumstances while serving clients and intermediaries and keeping employees safe. The Group's collective COVID-19 relief efforts equated to R400 million and made interim relief payments of R1 billion to nearly 2 500 small and medium-sized businesses with Contingent Business Interruption (CBI) policies. In the lines of business where lockdown measures resulted in reduced claims, the Group provided concomitant premium relief to clients. An

amount of R135 million was invested in helping clients, both personal and commercial, with a combination of premium holiday and premium financing support from March to June 2020. In addition, the various business units developed innovative solutions to accommodate clients' working from home.

## **Principle 2: Work together with our clients and business partners to raise awareness of ESG issues, manage risk and develop solutions**

- *Market events in 2020*

In March 2020, Santam Group hosted the Risk Protection Gap (RPG) Laboratory and ESG in Underwriting Master Class<sup>1</sup> in Johannesburg as part of the UNEP PSI Sustainable Insurance week Africa.<sup>2</sup> The RPG laboratory explored innovations underway in the region, with the aim to further accelerate efforts to narrow the protection gap. The session further concluded that collaboration with all stakeholders, particularly regulators, insurers, reinsurers, and governments, is key in narrowing the insurance protection gap and building climate and disaster resilience. RPG is a key element of the Santam Group strategy to improve societal resilience by 2025.

The ESG in underwriting masterclass focused on integrating environmental, social and governance risks into underwriting decisions. The UNEP FI secretariat facilitated this session to share the status of the Principles of Sustainable Insurance (PSI) ESG guide for the non-life insurance business. The guide is under consideration within the Group.

The Sustainable Insurance Africa week also included the United Nations Environment Programme Principles of Sustainable Insurance (UNEP PSI) 3rd Annual African Market Event was held at Victoria Falls in Zimbabwe, co-hosted by Zimnat and Santam Group. The event's purpose was to bring together leading practitioners and thinkers within the African risk management and insurance 'ecosystem' to share experiences and ideas that can grow a resilient, sustainable, responsible and profitable African insurance sector. The agenda points included resilient Cities, narrowing the risk protection gap, and the food system & agriculture.

This session resolved to continue driving sustainable insurance practices with a strong focus on ESG in underwriting and climate risk scenario frameworks. It further agreed to engage with policymakers to enable a sustainable business for smallholder farmers, insurers, financiers, and other role players. Zimnat General Insurance, an associate of the Sanlam Group in Zimbabwe, is taking the lead in piloting this initiative. Following the UNEP PSI event, there has been a series of follow-up webinars, one in May 2020 focusing on ESG in underwriting, one in July 2020 focusing on climate risk, where stakeholders share

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<sup>1</sup> <https://www.unepfi.org/psi/wp-content/uploads/2019/12/Risk-Protection-Gap-Laboratory-Johannesburg-2020.pdf>

<sup>2</sup> See <https://www.unepfi.org/psi/psi-zimnat-and-santam-event/> for more information about the events co-hosted.

their climate risk-related work, and one in October, focusing on story-telling as a means of shifting perceptions of insurance.

### **Principle 3: Work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues**

- *Partnering for resilience*

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 'Help Build Resilient Societies' theme of Santam's FutureFit strategy.

Through P4RR, the Emthunzini Community Trust invests in risk-reducing interventions managed by Santam and other willing partners, such as SASRIA. The objective of P4RR is to strengthen the institutional and participatory development capacity of local municipalities to reduce the impact of disasters proactively. We do this by assisting service delivery and supporting to local government infrastructure, economic development, and governance. In 2020, the P4RR programme supported 54 municipalities and invested R9 million in vulnerable communities. Santam further contributed R5 million towards commercial risk reduction in municipalities and R7.9 million to the COVID-19 relief efforts to support vulnerable communities.

Source: <https://www.santam.co.za/media/2686150/2020-integrated-report.pdf>

- *Prudential Authority Event*

Santam participated in the Prudential Authority event in March 2020 to discuss the South African general insurance industry level. The conversation included the global insurance perspectives as per ClimateWise and the UNEP Finance Initiative Principles for Sustainable Insurance.

- *C40 Community of Practice workshop*

Santam also participated in the South African C40 Community of Practice (CoP) online workshop to discuss stakeholder climate-related action and sharing lessons. The workshop also covered the impact of Covid-19 on climate action and the lesson to be taken from the responses to the pandemic. The workshop's objective was to help Santam, and the involved stakeholders understand the impact of climate change on our business and stakeholders in the short, medium, and long-term; and inform our decision-making.

### **Principle 4: Demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles**

- *FTSE Russell's ESG Ratings (JSE Sustainability Index rating)*

Santam Ltd participates in the JSE's sustainability rating process, which is aligned with the FTSE Russell rating process. FTSE Russell collects data on public company disclosures on ESG-related matters across different themes, including anti-corruption, climate change, corporate governance, human rights and community, labour standards, risk management and supply chain. The Top 30 index reflects the 30 companies achieving the highest ratings in the ESG Rating process, and Santam Group remained in the JSE Top 30 Sustainability Index and was also included in the FTSE4Good Index Series. The FTSE Russell's ESG Ratings results also indicate that the Group's ESG performance score improved from 4.5 out of 5 in 2019 to 4.7 in 2020.

- *ClimateWise & CDP*

We are a member of ClimateWise and annually report our performance against the ClimateWise principles that have been aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our ClimateWise performance improved from 50% to 68%. Our performance reflects the improvements made in the governance pillar, which includes an update of the Social, Ethics and Sustainability Committee (SESCO) Charter with ClimateWise principles, embedding climate change in the FutureFit strategy, and collaborating with other stakeholders for climate action.

The group also submits a CDP response annually as part of the Sanlam Group's return. The CDP has also been aligned with the TCFD recommendations. Our CDP performance improved from a score of B in 2019 to A- in 2020. Below are links to our ClimateWise and CDP disclosures, as well as the Group's Carbon footprint report

ClimateWise Response: <https://www.santam.co.za/financial/sustainability/environment/>

CDP Response: [https://www.santam.co.za/media/2685131/sanlam\\_-\\_cdp\\_climate\\_change\\_questionnaire\\_2019\\_final.pdf](https://www.santam.co.za/media/2685131/sanlam_-_cdp_climate_change_questionnaire_2019_final.pdf)

Carbon Footprint Report: [https://www.santam.co.za/media/2686147/sanlam-group-fy2020-cfr\\_final.pdf](https://www.santam.co.za/media/2686147/sanlam-group-fy2020-cfr_final.pdf)

We trust our letter and public disclosures demonstrate our commitment and progress in aligning with the UN Principles of Sustainable Insurance.

Kind regards

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