

10 JULY 2024

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 2023 – 31 DECEMBER 2023

Santam Group continues to support the United Nations' Principles for Sustainable Insurance (PSI) initiative. Our contribution to resilience activities as well as our participation in PSI governance structures and market events demonstrate this. As disclosed in our annual [Integrated Report](#) and the Environmental Social and Governance (ESG) related disclosures on our website and in other internal and external communications, we are committed to embedding the PSI principles in the Group's business and decision-making.

SANTAM GROUP'S APPROACH TO ESG

Santam Group acknowledges that the business operates under environmental and social thresholds, and we take ESG issues and sustainability seriously. Our approach to ESG focuses on issues most important to our stakeholders and those which affect our ability to create long-term financial and non-financial value. These material issues have informed the Group's ESG strategic focus areas i.e., ensuring that we run a responsible business, help to build resilient societies, and nurture and retain top talent whilst embedding an inclusive culture for employees. These focus areas are further integrated into the refreshed FutureFit Santam Strategy, which was communicated in the previous UN-PSI submission.

To illustrate Santam Group's progress in integrating ESG issues into our business, we highlight the following activities aligned to the 'Principles'.

Principle 1: We will embed in our decision-making ESG issues relevant to our insurance business.

Company Strategy

- *Santam Group Refreshed FutureFit Strategy*

Effective 1 January 2023, the Santam Board implemented the refreshed corporate FutureFit strategy and new operating model to enhance our multi-channel distribution ability whilst creating growth in a sustainable manner [see page 53-54 of the [Integrated Report](#) for the timeline of key steps in the strategy development process]. During the period under review, the Board maintained its oversight over the three growth levers of the refreshed strategy namely:

- Strengthening our leadership position in South Africa.
- Driving international expansion and diversification.
- Exploring new markets by scaling ecosystems and partnerships.

The Board remains satisfied that the refreshed strategy adequately addresses the opportunities and challenges the business is expected to face in the short to medium term. As part of our commitment to ESG embeddedness, the Group performance dashboard which the Board and management oversee continues to capture core ESG performance elements of the Group's corporate strategy on a quarterly basis. The dashboard also entails overall corporate performance, including both financial and non-financial performance.

- *The Group Social, Ethics and Sustainability Committee (SESCO)*

The SES Committee is constituted as a statutory committee performing its duties in terms of Regulation 43 of South Africa's Companies Act, King IV Guidelines on Corporate Governance for South Africa¹ and the Johannesburg Stock Exchange (JSE) listing requirements. As part of our efforts to embed and keep ESG high on the Board and management's agenda, the Group Social, Ethics and Sustainability Committee (SESCO) met four times in 2023 to assess the Group's ESG performance. This committee oversees the Group's response to ESG matters and climate-related risks and opportunities including the UN's Principles of Sustainable Insurance and reports to the Group Board. To perform this role for both Santam Limited and its South African subsidiaries, the committee is governed by the Group SESCO Charter. During the reporting period [2023], the committee achieved the following:

- Dedicated efforts towards ensuring adequate and transparent reporting on the Group's approach to sustainability and non-financial aspects.
- Adopted a heightened approach to governance, ethics management, compliance, and risk management processes.
- Reviewed and endorsed the Group's Ethics strategy which was afterward approved by the Board.
- Reviewed and recommended the Coal Position Statement for approval by the Board.
- Reviewed the Group Stakeholder Engagement Policy and recommended for approval by the Board.

¹ King IV sets out the philosophy, principles, practices, and outcomes which serve as the benchmark for corporate governance in South Africa and is an essential element of good corporate citizenship.

- Reviewed the Group Human Rights Statement and recommended for approval by the Board.
 - Provided oversight over the Groups' human capital strategic focus areas including the change management and strategy roll-out.
 - Provided oversight on the analysis of the Group Enterprise & Supplier Development funds to ensure alignment with the Responsible Investing mandate of the organisation.
 - Provided oversight of the Group-wide climate scenarios analysis exercise conducted in the period under review.
 - Considered the risks and opportunities associated with the committee's mandate and key deliverables, including reviewing emerging risks on an ongoing basis.
 - Assessed and monitored the conduct of business across all Business Units by ensuring the achievement of the outcomes of Treating Customers Fairly (TCF).
 - Influenced the Group's investment mandate and policy to ensure that Santam practises responsible investment principles. The objectives include promoting good governance principles and decision making, including creating value through the companies and initiatives in which Santam invests.
 - Undertook training on the Just Transition Framework and the Climate Change and Disclosure Regulatory Environment in South Africa by the National Business Initiative (NBI) and Deloitte respectively.
- *Group Climate Change Committee 2023*

With the establishment of the Climate Change Committee in 2021 (then under the leadership of the Chief Risk Officer), the committee continued to lead the Group's journey towards understanding and responding to climate change risks and opportunities. One of the important milestones that the committee achieved in the 2023 financial year includes leading in the development of Groupwide climate scenarios in alignment with the TCFD recommendations. The process of identifying the business-specific climate risks and opportunities was conducted using the Network for Greening the Financial System (NGFS) scenarios. The outcomes of the exercise were included in the published 2023 [TCFD](#) Report. Going forward, the committee looks forward to implementing the recommendations of the scenarios in the wider business.

- *ESG-specific key performance indicators for Executives*

Whilst concerted efforts were made towards incorporating ESG principles into the Group's list of strategic objectives in the 2022 financial year, 2023 saw the Human Resources and Remuneration Committee (HRCC) overseeing the inclusion of ESG-specific key performance indicators in the performance measurement criteria of Group Exco and senior management for the first time. From 2023, executive committee members have up to 10% of their key performance metrics for their annual performance contracts linked to ESG metrics. In addition to ESG metrics, the KPI also includes client experience, talent management and sound governance, collectively weighing 25% of key performance metrics. The implementation thereof will be monitored on an ongoing basis under Santam's reward strategy which continues to be aligned with the new performance assessment criteria. See page 5 of the [Remuneration Report](#).

Risk Management and Underwriting

Santam uses a comprehensive risk management system to support the Group's growth, protect stakeholder value and to make informed decisions. In the past financial year [2023] – our Group

was exposed to the following top risks, and these can be found on pages 66-68 of the 2023 [Integrated Report](#):

- Political and social risks in South Africa, including unemployment.
- Climate risk, including catastrophe events and extreme weather.
- Failing infrastructure and lack of maintenance in South Africa impacting claims.
- Cyber risk.
- Ability to achieve premium growth targets.
- Lack of A-rated paper on which to write international business.
- Skills shortage, including attracting and retaining top talent.
- Unsustainable management expense ratios.
- Prolonged economic stagnation.
- Availability of sufficient reinsurance capacity at a reasonable price.
- Failure of the electricity grid.

The risk committee and the board oversee the risk identification and management process to ensure the effective management of identified risks. The responsibilities of the Committee include ensuring the Group implements an adequate and effective system of control for governance, compliance and risk management that enhances Santam's ability to achieve its strategic objectives. All key risks are incorporated into the Group's risk register and are responded to individually with accompanying mitigating actions.

In 2023, the Group continued to enhance its underwriting actions on pricing and managing risk through improved data analysis and modelling using geocoding and external location-based information. By geocoding our property book, we can understand the detailed nature of risks. Geocoding metrics include proximity to fire stations, flood lines and flood plains. Information like this helps us improve pricing and set appropriate excesses and exclusions, thus optimising property exposure and reducing the cost of claims. In 2023, the Group managed to geocode approximately 86% of the core property book. Santam saw the benefits with estimated losses of approximately R55 million prevented during the Western Cape flooding through risk mitigation actions we took in response to the geocoding initiative.

Claims Management

In recent years, extreme weather events such as wildfires, storms and floods have continued to result in elevated natural catastrophe losses globally. In 2023, we supported our clients by paying a total of R29.9 billion in insurance claims to individuals and businesses. This was exacerbated by large fire losses, attritional weather events, the Western Cape floods experienced in the second half of 2023 and other losses. The Western Cape floods alone resulted in R403 million in net claims whilst claims from the hailstorm in Gauteng amounted to R180 million. Fire-related claims also remain a key concern for the business as they negatively impact the profitability of the property class of our business. Santam continues to place the financial wellbeing of its clients at the forefront through ensuring financial resilience by paying claims which serve as a safety net for the South African economy during ongoing challenging times.

Investment Management

Through the Group's Fund Manager, Santam subscribes to the United Nations Principles for Responsible Investment (UN-PRI) and the Code for Responsible Investing in South Africa (CRISA). In the 2023 financial year, Santam continued to invest a total of R171m in the Group's social impact-

focused Resilient Investment Fund. Santam also maintained its investment in the Association for Savings and Investment South Africa (ASISA) Enterprise and Supplier Development (ESD) Fund, which provides funding to new and scalable businesses that contribute to job creation and social impact. This programme includes business assessment, incubation, support, and mentoring, and aims to prepare small black businesses for targeted procurement spend from the Group. Small enterprises continue to benefit from the growing strength of our partnership with the ASISA ESD Fund. With a total investment of R117 million to date, Santam has, through the ASISA Enterprise and Supplier Development Programme, continued to show its commitment to the sustainable development of small enterprises across South Africa.

Principle 2: We will work together with our clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.

- *Raising awareness of ESG-related issues*

Santam-Agri, the Group's crop insurance business offers a range of insurance solutions to support enhanced production and technology of farmers to create a sustainable future. With the sector being exposed to changing weather conditions, Santam-Agri provides clients with climate outlook reports produced by the South African Weather Service (SAWS). This information is shared with our clients to inform their decision-making concerning their business operations.

In consideration of the challenging operating environment and risk landscape globally, ESG and sustainability related matters have continued to top the agenda for corporates. Understanding the risk landscape and raising awareness on the impact that this has on the resilience of the sector and business is key. In 2023, the Group's Strategy and Investor Relations Executive penned an industry-wide article highlighting various trends shaping the insurance sector, including the competitive advantage of embedding ESG. The full article is available [here](#). In line with this, the Group also published the [Insurance Barometer](#) Report in October 2023, which similarly tracked emerging risk trends by surveying more than 900 consumers, businesses and brokers to provide insight into the industry's need to adapt to the changing market realities and customer needs.

- *ESG-related partnerships*

Santam Group continued its membership as part of the Business for Social Responsibility (BSR), a global nonprofit sustainable business network of more than 300 companies focused on transforming businesses to contribute to a just and sustainable world for all. This initiative aims to increase the ability to diagnose physical climate risks and understand, adopt, and implement climate resilience measures throughout corporate value chains to deliver societal and business value. Through this partnership, Santam conducted climate scenario analysis in the period under review with the objective of testing the resilience of our strategy to potential futures using credible third-party climate scenarios (NGFS) augmented with business specific information.

Santam Group is also part of the South African Insurance Association (SAIA) Climate Change forum. In the 2023 financial year; the Executive Head of Investor Relations and Strategy completed his two-year chairmanship role in the Forum. He remains a member of the ClimateWise Management Committee, where he contributed to the update of the ClimateWise Principles.

Principle 3: We will 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 corporate social investment spend, stakeholder relations functions and sustainability initiatives and is fully aligned with the 'Help Build Resilient Societies' pillar of Santam's ESG strategy.

Through P4RR, the Emthunzini Community Trust invests in risk-reducing interventions managed by Santam and other willing partners, such as the South African Special Risk Insurance Association (SASRIA). The objective of the P4RR is to strengthen the institutional and participatory development capacity of local municipalities to reduce the impact of disasters such as fire and floods proactively. We do this by assisting service delivery and supporting local government infrastructure, economic development, and governance. In 2023, the P4RR programme partnered with and supported 95 (82: 2022) municipalities, impacting 13.1 million people (12.5 million: 2022). Source: Page 10,18 and 24 of the [Integrated Report](#).

- *The Green Book Initiative (The Green Book is a multi-disciplinary, open-access tool that supports South African municipalities with adapting to the current and future impacts of climate change.)*

The P4RR programme also collaborates with the Council for Scientific and Industrial Research (CSIR) through the Green Book Initiative to support selected municipalities with climate change adaptation/response planning. During the 2023 financial year, the P4RR supported a total of 10 Municipalities (9: 2022), for more on the initiative, visit www.greenbook.co.za.

- *Board Meeting with the Prudential Authority (PA).*

In May 2023 and August 2023, the Santam Board of Directors engaged with the Prudential Authority (PA). The PA exists as a statutory requirement of the Financial Sector Regulation (FSR) Act under the administration of the South African Reserve Bank and is responsible for regulating banks (commercial, mutual, and co-operative banks), insurers, co-operative financial institutions, financial conglomerates, and certain market infrastructures². The sessions held with the PA were primarily to discuss organisational resilience in the face of the evolving risk landscape wherein our climate-risk management approach was also shared.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Santam's ESG reporting is guided by the following frameworks and reporting requirements, CDP, TCFD recommendations, International Financial Reporting Standards, the IFRS Foundations Integrated Reporting (IR) framework, King IV Report on Corporate Governance for South Africa, Treating Customers Fairly (TCF), ClimateWise, and as well as the FTSE Russell ESG rating.

- *The Annual Integrated Report reflects Santam's progress with ESG integration*

² [Prudential Regulation \(resbank.co.za\)](http://resbank.co.za)

Santam Group published its 2023 [Integrated Report](#) as part of our annual reporting responsibilities in alignment with 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 strategic ESG performance section highlights progress across our three ESG focus areas, these are reported on pages 9, 18-19 and 63-65 of the [Integrated Report](#).

- *Annual Group Emissions Report*

Our major shareholder, the Sanlam Group (including Santam's facilities) continues to manage and report its emissions using the operational control approach, which requires a company to account for its emissions by entities and activities under the organisation's direct control. The Group measures its internal environmental performance by monitoring consumption patterns such as energy, water, waste, and recycling through an internal IT system.

- *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, corporate governance, human rights and community, labour standards, supply chain, risk management and climate change. As part of the 2023 annual performance, Santam has improved its ESG rating from 4 (2022) to 4.3, remaining a constituent of the [FTSE4Good](#) Index Series.

- *Task Force on Climate-related Financial Disclosures (TCFD) recommendations*

During the period under review, we are pleased to announce the publishing of our second [TCFD report](#) for the year ended 31 December 2023. The risks and opportunities published in the TCFD report were identified through conducting a Group-wide climate scenarios analysis process in the 2023 financial year. A summary of the Group's performance across the four TCFD pillars is also included on page 19 of the Integrated report. We continue to make progress towards embedding the outcomes and recommendations of the climate scenarios exercise.

- *ClimateWise & CDP*

Santam is a member of ClimateWise and as such, we report our performance annually against the ClimateWise principles that are aligned with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our overall score improved marginally to 73% (72%: 2022). We acknowledge the work that needs to be done internally to align with the updated ClimateWise principles for the 2024 reporting period and going forward.

The Group also submits a CDP response annually as part of Sanlam Group's return (our Parent company). In the 2023 financial year, our organisation maintained its level B score for the climate change questionnaire indicating continued coordinated action on climate issues.

Below are links to our ClimateWise, CDP disclosure and the Group's Carbon footprint report.

1. [ClimateWise Response](#)

2. [CDP Climate Change Questionnaire Response](#)
3. [Carbon Footprint Report](#)

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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