2023 CLIMATE-RELATED FINANCIAL DISCLOSURE REPORT

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About this report

This report demonstrates Santam's support for the Task Force on Climate-Related Financial Disclosure (TCFD) recommendations. Being a signatory to the TCFD means that we understand that climate change presents a financial risk to the global economy, and we are thus cognisant of the need to understand the nature of our exposure to climate-related risks and opportunities. The second of its kind, the report outlines Santam Limited and its subsidiaries' (the group's) response to climate change.

Santam is the largest general insurer in South Africa and Namibia, and we offer a diverse range of general insurance products and risk management solutions to individuals, commercial and corporate markets. Our products are offered through various distribution channels from intermediaries, digital platforms, and direct channels.

The 2024 Global Risks Report highlights the failure to mitigate climate change as the most severe threat to the global economy[1]. These findings align with the conclusion of the Intergovernmental Panel on Climate Change's (IPCC)[2] Sixth Assessment Report (AR6), which notes the rapidly closing window of opportunity to secure a liveable and sustainable future for all. Extreme weather events such as floods, hail and wildfires continue to impact society and the economy. Long-term trends such as rising temperature changes, shifting weather patterns, and increased seasonal changes could impact the affordability of insurance, alter client behaviour, and affect the core of the general insurance business model. The rising stakeholder awareness and the momentum on sustainability and climate-related disclosures mean that there is an expectation for insurers to address climate change adaptation and mitigation.

Our report is guided by the TCFD recommendation disclosures. In 2023, we undertook a qualitative climate scenario analysis exercise, which focused on business operations in South Africa. We examined future transitional and physical risks and opportunities that could materialise under the current policies, net zero 2050 and delayed transition scenarios as described by the Network for Greening the Financial System (NGFS). Our scenario analysis process considered the market trends, regulatory developments, and scientific research to show how climate change can impact the group's resilience and overall sustainability.

While this report is a standalone report showing our commitment to enhancing our transparency and accountability, reference to it is made in the 2023 integrated report.

Blyde river canyon, Mpumalanga, South Africa

Approval

This report was endorsed by the Santam board's social, ethics and sustainability (SES) committee on 12 February 2024 and approved by the Santam board on 28 February 2024.

1 https://www.weforum.org/publications/global-risks-report-2024/
2 The Intergovernmental Panel on Climate Change is an intergovernmental body of the United Nations that provides and summarises scientific data on global temperature rises, fossil fuel emissions and the impact of the climate crisis.

A note from the Chief Executive Officer (CEO)

At Santam, we continue to recognise the urgency to address climate change and the complexity it brings. Our position on climate change remains founded on scientific research as outlined in the 2015 Paris Agreement's long-term ambition of limiting global warming to 1.5°C average temperature.

Several challenges have plagued South Africa, our home market, including rising geopolitical tensions and a plethora of converging environmental, social and governance (ESG) challenges. This is shown by the increasing demand for sustainability and climate disclosures. Due to high-loss weather events such as wildfires, hail, and floods, natural catastrophe losses have been elevated over the last decade. The size and frequency of natural catastrophe claims have increased not only locally, but on a global scale. South Africa has also not been immune to the effects of global inflation which together with a deteriorating operating environment characterised by failing infrastructure and increased levels of loadshedding, constrained economic growth, and significant pressure on personal disposable income placed further strain on Santam. Consequently, the cost of insurance is going up. Reinsurance rates are hardening, and global reinsurers are implementing pricing and structural changes to their cover. This forces us to take on more risk, such as attritional losses related to local weather incidents.

Given the increase in weather-related losses and the hardening of the reinsurance market, we have taken corrective underwriting actions, including continuing to roll out geocoding, risk management and other measures. Santam's geocoding initiative, which creates a comprehensive risk-based view of property locations in South Africa, is progressing well, and the value of losses prevented is steadily increasing. Geocoding enables us to overlay climate-related data to our clients' GPS co-ordinates to identify areas that have increased exposure to extreme weather events; these are then managed accordingly through underwriting and pricing actions.

We continue to support municipalities through the Partnership for Risk and Resilience (P4RR) programme with the Emthunzini Trust. P4RR enables us to share risk management capabilities and support communities to reduce the risk of fire and flood escalation, thus saving lives and limiting loss. We now support a total of 95 municipalities.

Building a resilient future

To further guide our climate change response, we conducted a group-wide climate scenario analysis in alignment with TCFD recommendations; the outcomes are set out in this report. Our group has identified business-specific transition and physical risks as part of this process. As we mature our climate-related disclosure, we intend to develop a climate change response and enhance our strategic sustainability performance targets and indicators.

The group's approach to addressing climate change-related risks and opportunities continues to focus on partnerships with various stakeholders to understand climate-related risks, knowledge sharing, and enhancing community risk resilience. We continue improving sustainability and climate-related performance through our membership with ClimateWise, CDP[3] and the United Nations Environment Programme Finance Initiative's Principles for Sustainable Insurance (UNEP-FI PSI). We remain a constituent of the FTSE4Good index series and FTSE/JSE Responsible Investment Top 30 Index, recognising our ESG efforts and priorities. Our ClimateWise score increased marginally to 73% from 72% in 2022. Santam also maintained the level B score for the 2023 CDP climate change questionnaire indicating continued coordinated action on climate issues.

In 2023, we published our first coal position statement which outlines Santam's approach to underwriting coal as it applies to the group's exposure to coal within and outside the South African market. While we fully support the transition from a greenhouse gas (GHG)-intensive economy to a low-carbon economy, we also understand that South Africa's energy sector remains heavily reliant on coal and therefore advocate for a "just transition" towards a low-carbon economy in South Africa.

Since publishing our first standalone climate-related disclosures report in 2021, the Santam board and executive committee (exco) have maintained oversight and management of climate-related risk to the extent of the inclusion of ESG-specific key performance indicators in the performance measurement criteria of the group exco and senior management. In this report, we continue to discuss the progress made thus far in understanding climate-related risks and opportunities in alignment with the TCFD's four core pillars, i.e. governance, strategy, risk management, and metrics and targets.

Future climate priorities

We continue to explore partnerships with our stakeholders to drive long-term impact that will benefit all our stakeholders. As a next step to the climate scenario analysis exercise convened this year, we look forward to undertaking work that will guide the quantification of the risks identified thus far and develop a comprehensive climate change response plan.

Tavaziva Madzinga
CEO

[3] Formerly the Carbon Disclosure Project and is an organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Background

Since the introduction of the TCFD recommendations in 2017, the Task Force has continued to see extensive adoption of and support for its recommendations. In the face of the increased and widespread impact of climate change, the recommendations were developed by the Financial Stability Board (FSB) to provide a framework for companies and other organisations to develop more effective climate-related financial disclosures through their existing reporting processes.

While the TCFD has been disbanded following the release of the International Sustainability Standards Board's (ISSB) general requirements of sustainability-related financial information (IFRS S1) and climate-related disclosures (IFRS S2), the TCFD recommendations have been a key driver of consistency across several climate-related reporting frameworks, including the JSE Sustainability and Climate Disclosure Guidance, and the recent climate guidance notes published by the South African Prudential Authority. This means that reporting in alignment with the TCFD recommendations will continue.

Our climate disclosure journey

In 2021, Santam joined more than 1 800 organisations in demonstrating a commitment to building a more resilient financial system and safeguarding against climate risk through better disclosures. This saw our group declaring support for the TCFD recommendations. The decision was a milestone, cementing prior commitments of signing up to ClimateWise in 2009, CDP in 2010, and publishing our first climate change position statement in 2015. A clearer depiction of our climate change disclosure journey is seen in figure 1.

The group remains on a journey towards improving its climate-related and financial disclosure, and we remain committed to building the resilience of our society while continually testing and improving the resilience of our strategy. Table 1 highlights the group's progress in disclosing against the TCFD recommendations across the governance, strategy, risk management and metrics and targets pillars.

Figure 1: Santam's Climate Change Disclosure Journey

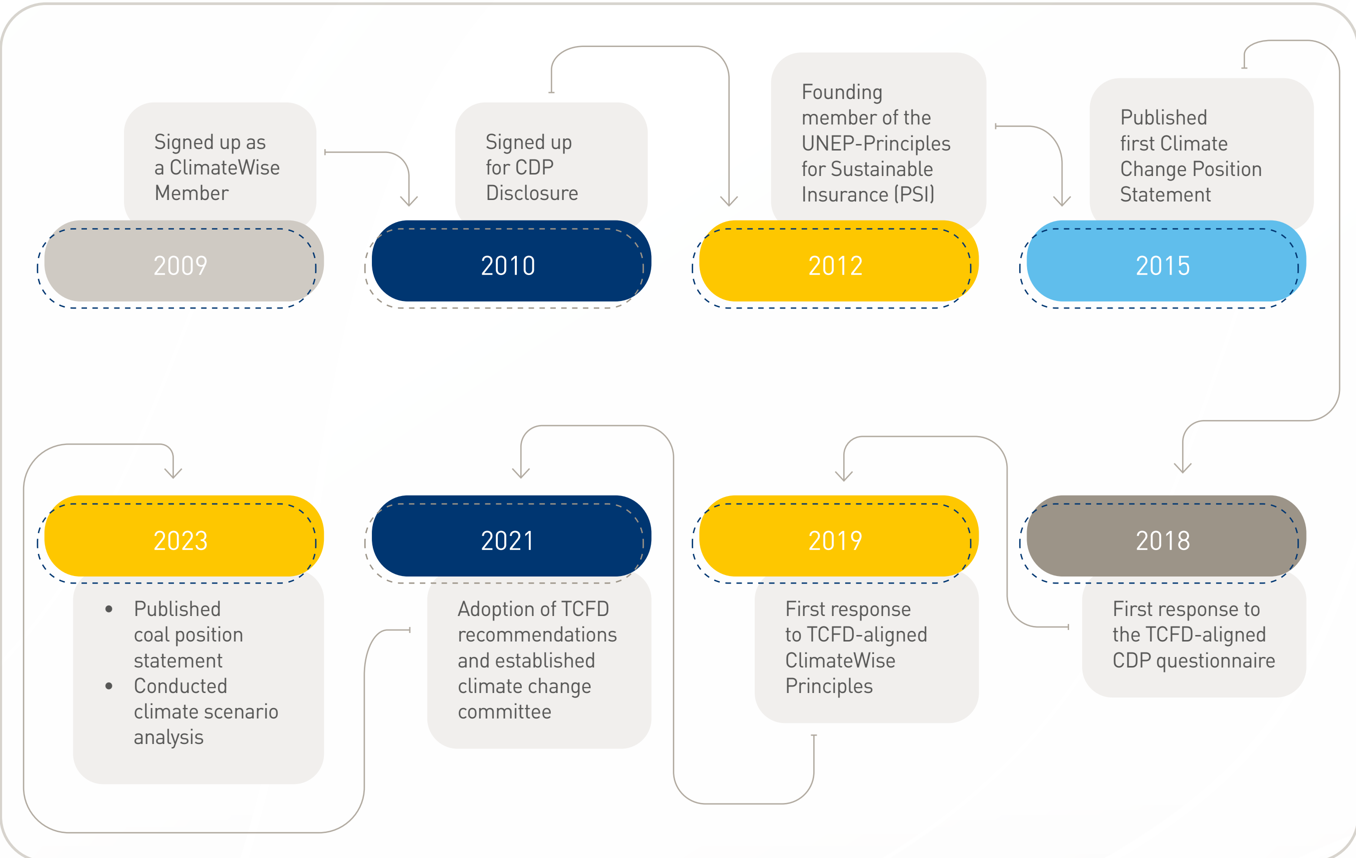


Table 1: Santam's response to the recommended disclosures

Pillar	Recommended Disclosures	Santam's Response
Governance	• Describe the board's oversight of climate-related risks and opportunities • Management's role in assessing and managing climate-related risks and opportunities	• The SES committee, which oversees ESG, including climate change, met four times this year and discussed climate-related topics and sustainability matters • The Santam board is responsible for the overall governance of risk and is assisted by the risk committee in discharging this responsibility • The investment committee assists the board and oversees responsible investment practices that promote good governance and value creation • During 2023, the board approved the group's position statement on coal • Implemented ESG-related performance measurement indicators for exco • The board engaged with and shared our approach to managing climate risk and organisational resilience with the regulator in May and November 2023 • Management, through the chief risk officer (CRO), provided input into the climate guidance notes released by the Prudential Authority in August 2023 • Continuous upskilling of the board and management. See page 6
Strategy	• Describe climate-related financial risks and opportunities the organisation has identified • The impact of these risks on group, strategy, and financial planning • Use scenario analysis to describe the resilience of the organisation's strategy under different global warming scenarios, including a 2-degree or lower scenario	• We assessed our coal exposure vs. the uptake of renewable energy projects in our underwriting • Conducted group-wide climate scenario analysis to assess climate-related risks and opportunities and their impact on our strategy. This was done using the Network for Greening the Financial System (NGFS) scenarios. The outcomes of the scenario analysis are provided in the risk management section
Risk management	• Describe the processes for identifying, assessing, and managing climate-related financial risks • Describe how these processes are integrated in the organisation's overall risk management approach	• Assessed the impact of increased weather-related events on Santam's modelled underwriting result and solvency capital requirement • Partially geocoded our insurance book and conducted flood risk assessments to better understand our risk exposure to extreme weather-related events • The businesses remain responsible for identifying and managing risks per the ISO 31000-based ERM framework and risk management process
Metrics and targets	• Disclose metrics used to assess climate-related financial risks and opportunities • Disclose GHG emissions and the related risks • Describe targets used to manage climate-related risks and opportunities and performance against these targets	• Metrics and targets that the SES and the board had oversight of in 2023 are reported on (see page 13) • Operational Scope 1, 2 and 3 GHG emissions are measured and reported (See figure 5) • Metrics and targets used to manage our environmental impact are included

Governance

The board's oversight of climate-related risks and opportunities

As a signatory to the TCFD, we recognise the importance of disclosing and being transparent on our governance around climate-related risks and opportunities. In our group, the board's responsibility is to direct, administer, and control the group's affairs in a transparent, fair, and responsible manner. The board considers governance to be key to the long-term success of Santam. It is ultimately responsible for ensuring that corporate governance standards are set and implemented efficiently throughout the group.

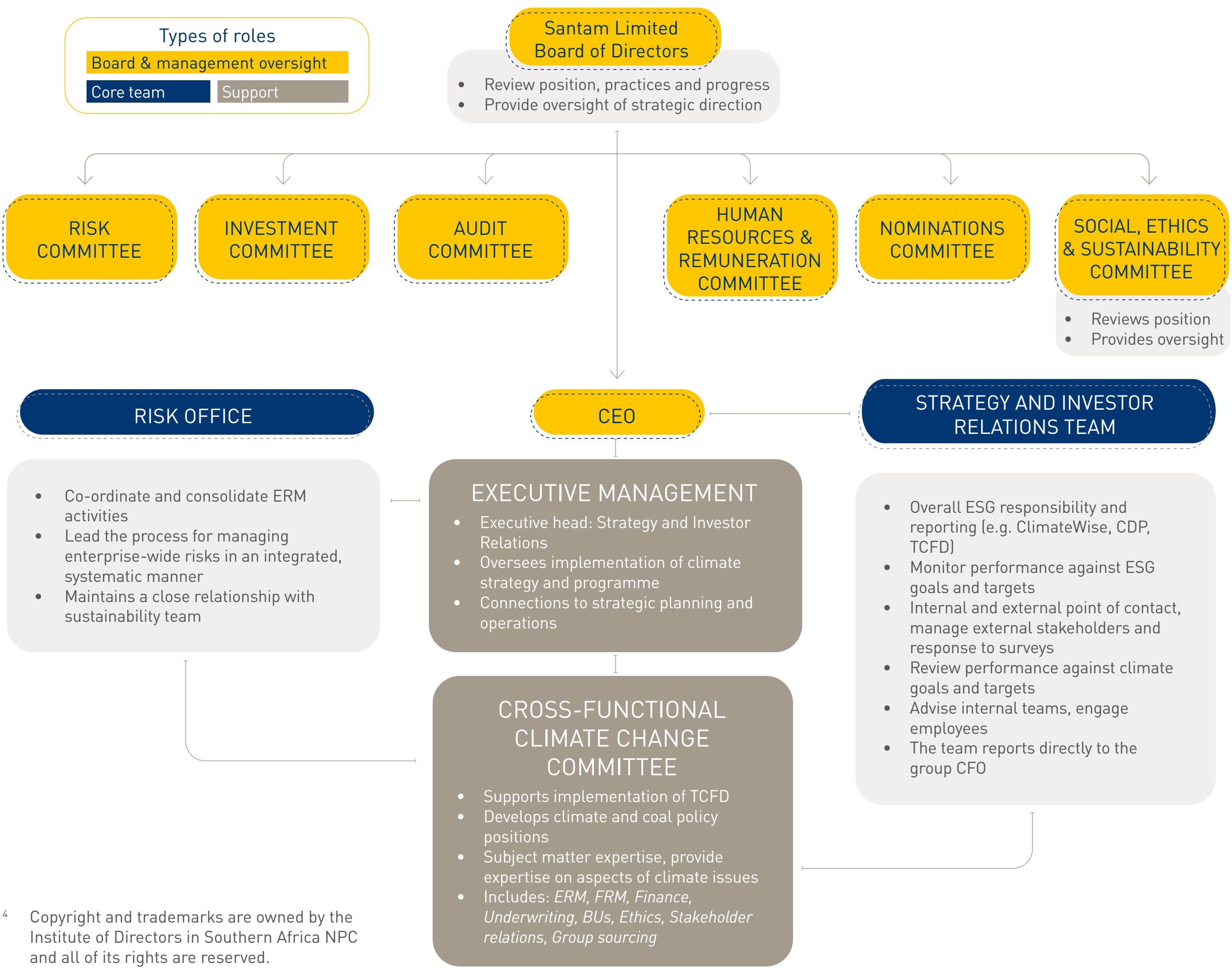
The board has several committees that assist in discharging its duties and responsibilities. However, the ultimate responsibility rests with the board. ESG and climate-related considerations extend to various risks. Therefore, we realise that prioritising ESG and improving transparency can positively impact the group's culture, business performance and public sentiment. As such, the oversight over ESG and climate matters is intentionally spread across the following sub-committees of the board:

- The SES committee oversees the response to ESG matters and climate-related risks and opportunities
  - » The SES committee is governed by its charter as recommended by the King IV Report on Corporate Governance™ in South Africa 2016[4] (King IV). In 2023, the SES annual plan and charter were reviewed and updated, including revising the frequency of the meetings to four times a year

- The group's investment and risk committees also assist the board in their responsibilities for responsible investment and risk assessment, including weather-related risks
  - » The investment committee assists the board's oversight on responsible investment practices that promote good governance and value creation in companies that Santam invests in. The group investment policy incorporates ESG considerations impacting the long-term sustainability of Santam's portfolio investments, including climate risk, which has been identified as a material matter for the Santam group
  - » The risk committee assists the board in fulfilling its governance duties from a risk and control perspective, including identifying and evaluating all significant risks. The Santam group CRO has an independent line of accountability to the Santam board through the risk committee. The CRO assists the board in implementing, reviewing, and approving the group-wide risk governance framework, including Santam's risk culture, risk appetite, risk limits, and corresponding capital and liquidity needs

The figure below depicts the full governance structure for ESG matters, specifically how sub-committees are linked to exco and functional teams.

Figure 2: ESG/Climate risks governance structure



[4] Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all of its rights are reserved.

Key actions taken by the board in 2023

- Implemented ESG-related performance measurement indicators for exco
- Provided quarterly oversight of ESG-related metrics through the SES committee's ESG dashboard
- The Santam board presented an overview of the group's response and management of climate risk to the Prudential Authority
- The investment committee reviewed and updated the responsible investment policy
- The board approved the coal position statement

Exco's role in managing climate-related risks

Supervision and oversight on climate-related matters at the exco level is the responsibility of the group CEO and his exco, the CRO, and the Group Strategy and Investor Relations Unit in the CFO's office.

Climate change governance is enhanced by the group climate change committee (CCC). The CCC is a senior management committee whose mandate is to assist exco and the board with climate-related oversight by responding to the TCFD recommendations, monitoring the science of climate change, addressing stakeholder inquiries regarding the group's position on climate change and coal/fossil fuels and overseeing the development of ESG in underwriting. The CEO and exco are also responsible for implementing the refreshed FutureFit strategy, which includes ESG aspects and reports progress to the board quarterly as part of the group dashboard. The group's ClimateWise performance and the FTSE Russell ESG rating and progress on climate and ESG-related policies and statements are included in the dashboard as key performance indicators.

The Group Strategy and Investor Relations Unit tracks and monitors the progress of the refreshed FutureFit strategy and compiles the quarterly ESG dashboard which includes oversight of the group's annual ClimateWise, CDP and FTSE Russell performance. The unit co-ordinates collaboration across the group on ESG-related matters and chairs the CCC. The unit is also responsible for contextual environmental scanning, which includes ESG and climate-related matters.

During the 2022 – 2023 period, the CCC achieved the following:

- Developed and published a coal position statement
- Conducted group-wide climate scenario analysis
- Considered the outcomes of the 27th Climate Change Conference of Parties (COP)
- Kept abreast of the key ESG regulatory updates (locally and globally)

ESG and climate-related skills training

Continuously training the board and the exco to enhance their understanding of, response to, and development of mitigation actions for the most material climate risks is essential for effective climate action. During the 2023 reporting period, the SES committee received training on the following:

- The Conduct of Financial Institutions Bill (CoFI) that requires financial institutions to provide consumers with clear information about their services, fees, and the risks associated with their products
- The meaning of "Just Transition" from a South African perspective
- An overview of climate change and the accompanying regulatory disclosure environment

The SES committee received a concept note on the South African Climate Change Bill penned by climate experts. This concept note guided the group on the potential risks and opportunities that Santam needs to be aware of and the opportunities the group can leverage.

Areas of focus for 2024:

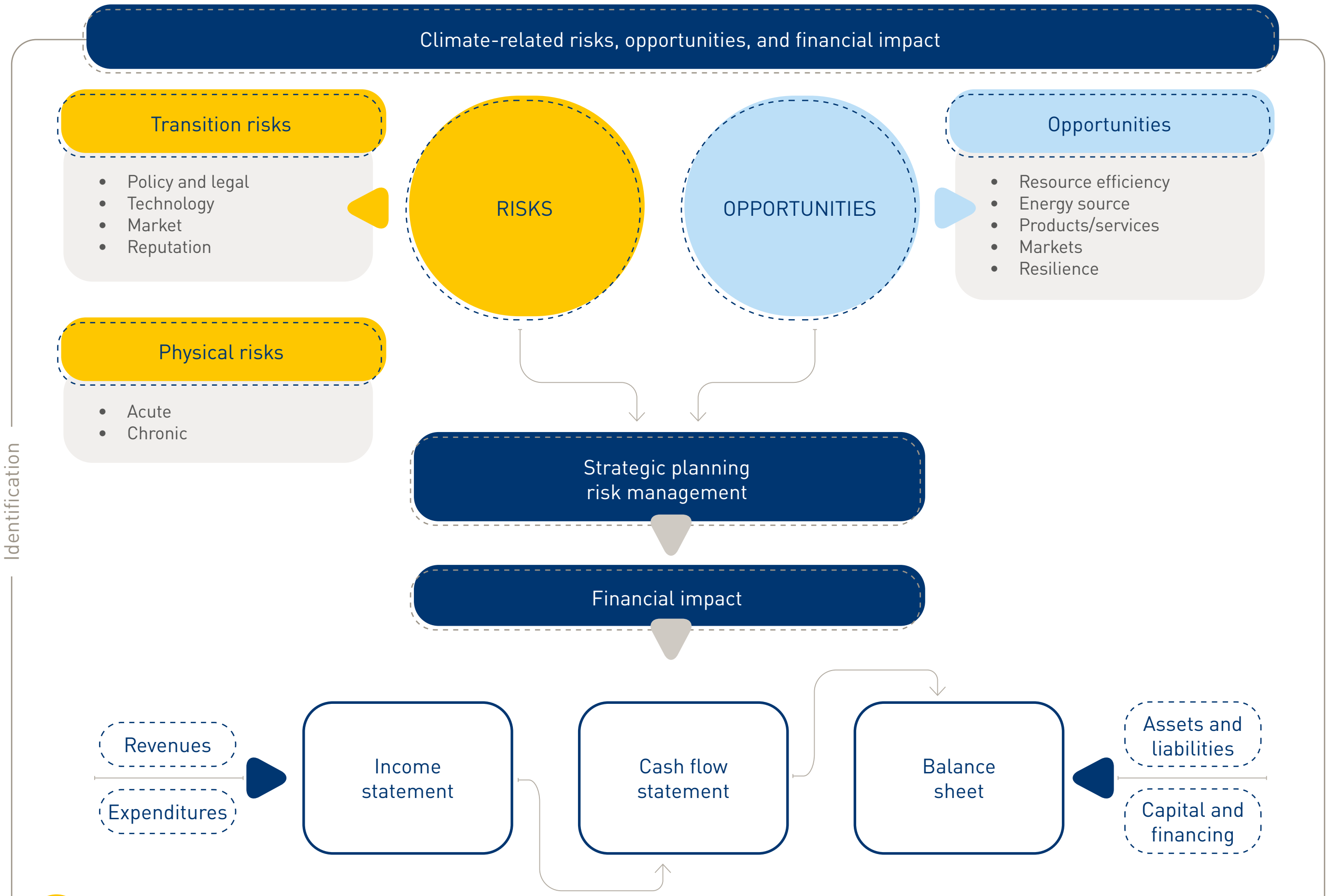
- Continue upskilling the board and group exco on climate-related issues
- Present and socialise the findings of the climate scenarios.
- Integrate climate-related risks and opportunities in the enterprise risk management (ERM) processes
- Develop a response framework in line with the recommendations of the Taskforce on Nature-related Financial Disclosures (TNFD)
- Continue to monitor and track the integration and performance of ESG into the group strategy by developing a robust climate change response plan

Theewaterskloof Dam outside Cape Town

Strategy

The TCFD recommendations encourage organisations to evaluate and disclose climate-related risks and opportunities that are most material to their business activities as part of their financial filing preparation and reporting processes.

The Santam group uses the TCFD framework to disclose business-specific climate-related risks and opportunities. The disclosure of climate-related risks and opportunities remains a work in progress for the group, but will continue to mature over time. This section of the report elaborates on the process undertaken to conduct the climate scenarios exercise[5] and the scenarios chosen as a baseline.



Adapted from figure 3, page 9, TCFD, October 2021
https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf

Time horizon

The TCFD recommendations encourage organisations to evaluate, disclose and report the time horizons in which risks and opportunities are likely to occur. With organisations retaining the authority to establish time horizons in alignment with best practice and based on the short-term nature of our group, we chose the below time horizon:

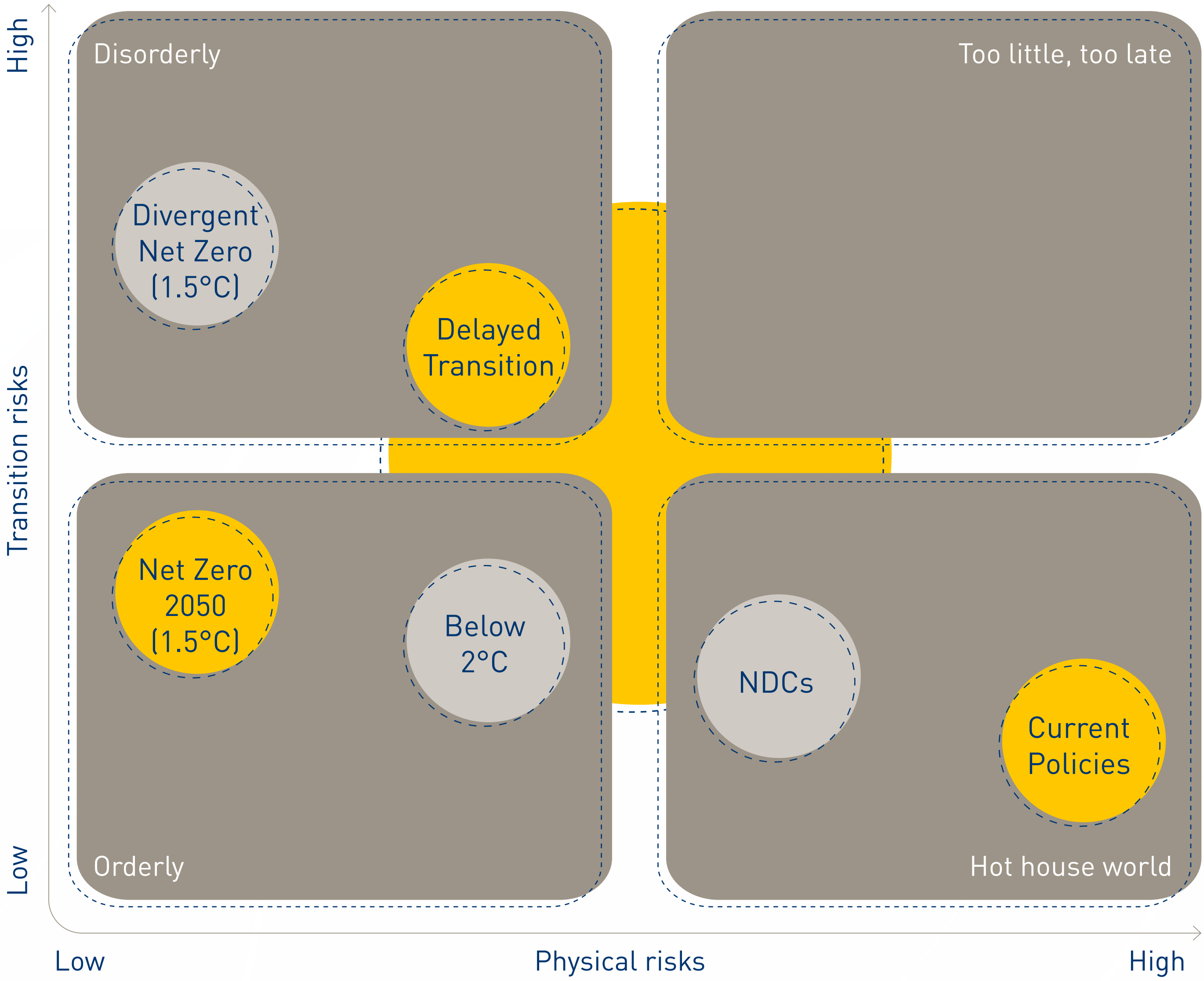
- Short term (ST): 0 – 3 years
- Medium term (MT): 3 – 9 years
- Long term (LT): 10+ years

[5] The risk management section elaborates on the risks identified during the climate scenario analysis exercise.

Climate scenario analysis

Understanding the potential impact of climate change on Santam is key to our long-term plan of developing a robust climate change response plan. Climate scenarios allow us to identify various potential outcomes and implications of climate risks and opportunities. Decision makers use climate scenarios as a strategic planning tool to make effective long-term plans. Santam has adopted the Network for Greening the Financial System (NGFS)[6] scenarios. Our process entailed exploring the strategic implications of three NGFS scenarios for the Santam group: current policies, net zero 2050 and the delayed transition scenarios.

Figure 3: NGFS scenarios framework



Scenario Descriptions:

Current policies: Represents the current status quo with respect to climate policies made in the 2020s.

Net zero 2050: Rapid transition to a low-carbon economy characterised by high decarbonisation rate.

Delayed transition: Characterised by an initial decade of inaction in the 2020s followed by an abrupt transition accompanied by hasty government policies seeking to rapidly halt GHG emissions.

[6] The NGFS scenarios were developed by a group of central banks globally as a common reference framework for businesses in the financial sector to analyse their exposure to climate-related risks and opportunities.

The steps followed in the scenario analysis process are stated below:

Research	Scenario development	Explore risks and opportunities	Explore implications
Reviewed Santam's climate, risk, and strategy documentation to establish a baseline understanding. **Research additional trends** (environmental, economic, social, political, and technological) relevant to industry and geography.	**Considered and tailored the NGFS climate scenarios** that depict alternate plausible future operating contexts for the group. **Developed additional, business-relevant** content to augment the scenarios.	**Conduct internal stakeholder interviews** with functional groups across Santam to identify risks and opportunities present for Santam in each of the three future climate scenarios.	**Conduct a workshop to explore scenarios,** identify emerging challenges and opportunities, test strategy against different future possibilities, and generate ideas to help Santam refine strategy to enhance resilience.

Climate scenario assumptions

The assumptions adopted across the three scenarios (current policies, net zero 2050 and delayed transition) to identify climate risks and opportunities are tabulated below.

High physical risk can be anticipated under the current policies scenario, while these are low to medium in the net zero 2050 and the delayed transition. The opposite is true concerning transition risks. Low transition risk is expected under current policies, while low to medium is anticipated under the net zero scenario and medium to high under the delayed transition scenario.

These scenarios are not forecasts or predictions for the future, but a way for Santam to imagine plausible future states and plan for the resilience of our strategy accordingly.

Table 2: Individual assumptions across the three scenarios

Individual assumptions			
Scenario	**Current policies** **A recovering economy fully embracing the low-carbon transition in a cooperative way, still subject to environmental shocks**	**Net zero 2050** **Stringent climate policies and innovation, reaching global net zero GHG emissions around 2050**	**Delayed transition** **Climate policies are delayed, which forces a very aggressive policy response starting in 2030**
Impact of transition and physical risks	High physical risks Low transition risks	Low to medium physical risks Low to medium transition risks	Low to medium physical risks Medium to high transition risks
Temperature Assumptions*	3°C+ policy ambition	1.5°C policy ambition	1.8°C policy ambition
Policy reaction	No policy reaction	Immediate and smooth policy reaction	Delayed policy reaction
Technology	Slow technology change	Fast technology change	Slow to fast technology change
Carbon dioxide removal	Low use of carbon dioxide removal	Medium use of carbon dioxide removal	Low use of carbon dioxide removal
Regional policy reaction	Low regional policy variation	Medium regional policy variation	High regional policy variation

The climate risks and opportunities identified across the three scenarios are included in the risk management section of this report.

* Above pre-industrial levels by 2100c.

Risk management

This section of the report details the group's disclosure of the processes in place that guide the identification, assessment, and management of climate-related risks. We recognise that identifying and managing climate-related risks requires adopting an integrated approach, i.e., embedding climate change risk within existing processes.

Enterprise risk management

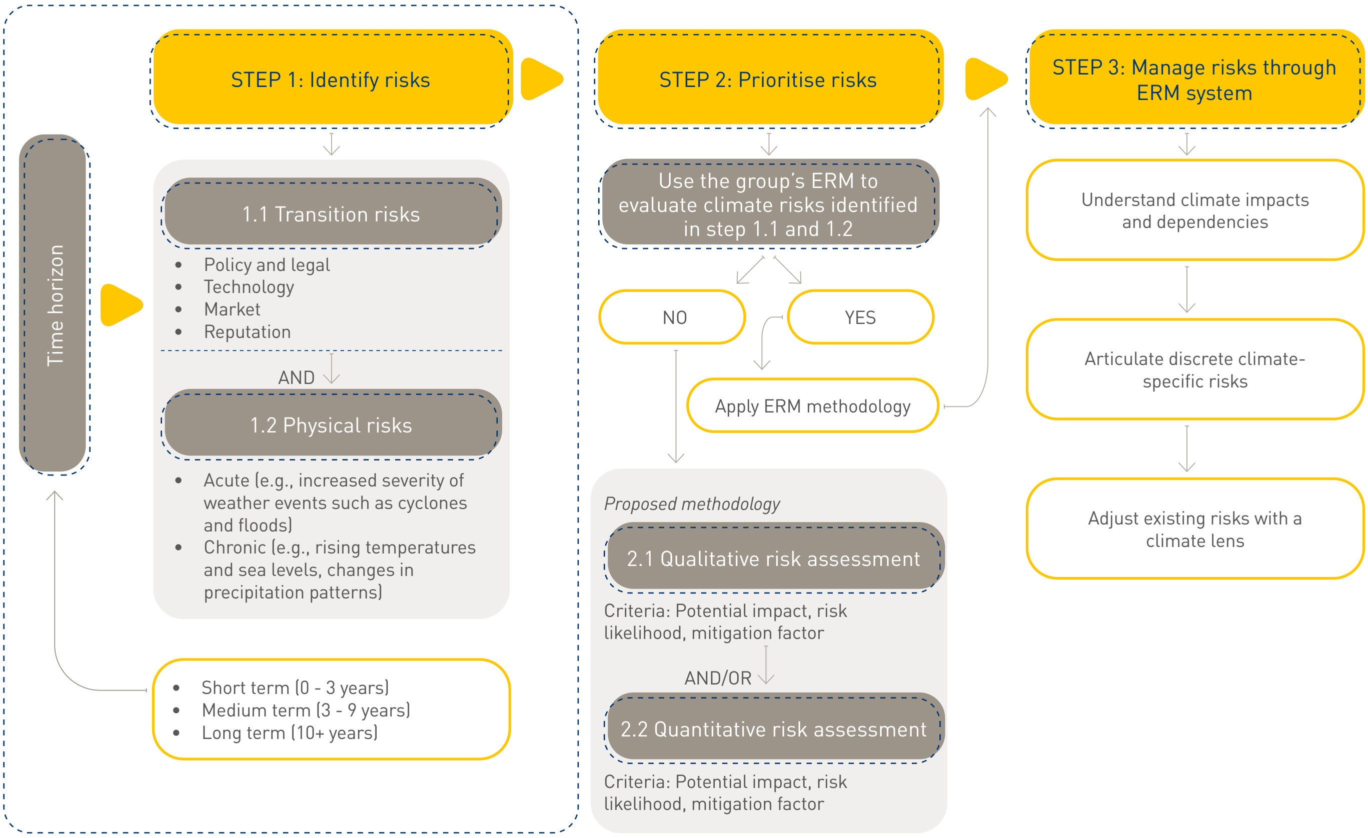
Santam adopts an ERM framework and approach appropriate to the nature, scale and complexity of our group and risks. This approach is aligned with the King IV principles, ISO 31000, and the Insurance Act. ISO 31000 was adopted to ensure a structured and practical approach to managing risk throughout the group.

Santam's ERM framework is designed to assist the board in ensuring that management understands and continually monitors risks and reports back to the risk committee where appropriate.

Integrating climate risk into existing risk management framework

We have adopted a phased approach to identifying and managing climate risk. This allows the group to understand the nature of the risks and develop suitable responses that will benefit both our group and stakeholders. Figure 4 outlines the group's approach towards integrating climate risk into the existing ERM process. The first step in the climate risk integration process is identifying the risks and opportunities across each scenario.

Figure 4: Approach to integrating climate risk into the existing ERM



Climate risks and opportunities

1. **Current policies scenario** (high physical risks, low transitional risks)

Narrative: This represents a business-as-usual scenario wherein only the currently implemented policies (as of 2020) are preserved. Without ambitious government or business action, emissions will reach at least 3.3°C of warming by 2100.

Scenario phenomena	Risk and opportunity category	Description	Time horizon[7]	Impact
Acute *(Physical)*	Extreme events	**Direct risk:** Increased severity of extreme weather events such as cyclones, wildfires, and floods.	ST, MT, LT	Climate volatility increases the risk exposure of insured assets, leading to higher claims payout and increased financial losses.
Chronic *(Physical)*	Extreme events	**Direct risk:** Changes in precipitation patterns and extreme variability in weather patterns.	LT	Impact on our agri-business due to precipitation and weather variability on crops.
Transition	Policy and legal	**Direct risk:** Increase in climate-related regulation.	MT, LT	Increased cost of compliance with new regulations.
	Market	**Indirect risk:** Increased migration from hardest hit regions resulting in brain drain.	LT	Talent acquisition and retention may be a challenge in areas affected by extreme events.
	Products and services	**Opportunity:** Developing new products tailored to addressing climate impacts.	ST, MT, LT	Santam may develop risk management solutions in response to market needs.

2. **Net Zero 2050 scenario** (low-medium physical risks, low-medium transitional risks)

Narrative: Represents a scenario characterised by a rapid and co-ordinated global action towards a net-zero economy by 2050, requiring drastic and co-ordinated global action in the 2020s.

Scenario phenomena	Risk and opportunity category	Description	Time horizon	Impact
Acute *(Physical)*	Extreme events	**Direct risk:** Increased severity of extreme weather events.	ST, MT, LT	Climate volatility increases the risk exposure of insured assets, leading to higher claims payouts and increased financial losses.
Transition	Policy and legal	**Direct risk:** Increased government oversight and regulation.	ST, MT, LT	Increased cost of compliance with new regulations.
	Market and reputational	**Indirect risk:** Lack of a skilled workforce to match the transition to a low-carbon economy.	ST, MT, LT	Our group may not be able to remain competitive in the market.
	Reputational	**Indirect risk:** Shift in consumer preferences and increased stakeholder concern.	ST, MT, LT	Reputational damage and loss of consumers unsatisfied with our level of response to climate-related issues. Potential societal backlash.
	Products and services, energy sources, resource efficiency	**Opportunity:** Developing insurance products covering alternative energy/access to new markets.	ST, MT, LT	De-risking alternative energy products by offering innovative insurance products and solutions.

[7] ST = short term, MT = medium term and LT = long term.

3. **Delayed transition scenario** (low-medium physical risks, medium-high transitional risks)

Narrative: Represents a scenario where climate policies are delayed (decade of inaction), which forces a very aggressive policy response starting in 2030.

Scenario phenomena	Risk and opportunity category	Description	Time horizon	Impact
Acute *(Physical)*	Extreme events	**Direct risk:** Increased severity of extreme weather events.	ST, MT, LT	Climate volatility increases the risk exposure of insured assets, leading to higher claims payouts and increased financial losses.
Transition	Policy and legal	**Direct risk:** Increased government oversight and regulation.	LT	Increased cost of compliance with new regulations, leading to higher insurance premiums.
	Market and reputational	**Indirect risk:** Lack of a skilled workforce to match the transition to a low-carbon economy.	LT	Our group may not be able to remain competitive in the market.
	Products and services, energy sources, resource efficiency	**Opportunity:** Developing insurance products covering alternative energy.	LT	De-risking alternative energy products by offering innovative insurance products and solutions.

Our response to climate-related risks and opportunities

Climate risk is a complex phenomenon and, therefore, requires collaborative action and the use of data and innovative solutions. The highlighted case studies recognise the need to develop innovative solutions to climate and weather-related risks, as well as partnering to build resilience and support adaptation efforts.

Case study

Managing the effects of extreme weather events and climate change with geospatial data

The escalation in natural catastrophes, coupled with issues such as failing infrastructure and supply chain disruptions, necessitates that we enhance our underwriting practices. The 2022 KwaZulu-Natal (KZN) floods were the largest single flood loss event on Santam's books. In 2023, our underwriting performance continued to be impacted by adverse rainfall conditions which were followed by two severe flooding events in the Western Cape in June and September. These floods amounted to R403 million in net claims. In response to the rapidly changing risk landscape, Santam is harnessing the power of technology and geospatial data. Such information helps us to create a comprehensive risk-based view of property locations in South Africa. To date, our organisation has geocoded 86% of our core property book. We continue to see the benefits with estimated losses of approximately R55 million prevented during the Western Cape floods through risk-mitigating actions.

Case study

Building resilience through strategic partnerships

Under the Group's flagship programme P4RR, Santam in partnership with Emthunzini Trust partnered with the Council for Scientific and Industrial Research (CSIR) to develop the Greenbook initiative. This comprehensive guide is an interactive planning support platform that integrates the knowledge fields of urban planning, climate change adaptation and disaster risk reduction to provide climate change adaptation support to South African municipalities. To date, the partnership has completed the development of risk profile reports and climate change adaptation plans for nine districts and one metro, with the aim of reaching 30 districts by 2025. Initiatives such as the Green Book exemplify Santam's unwavering commitment to climate change adaptation and resilience-building within our communities.

Metrics and targets

Disclosing the group's metrics and targets that are used to assess and manage relevant climate-related risks and opportunities provides our key stakeholders with insight into our progress in understanding our exposure to climate risk. While our climate change reporting journey remains a work in progress, Santam remains committed to understanding and managing our impact and improving our climate change disclosures. Our ESG metrics and targets have been set as part of our refreshed FutureFit strategy and are reviewed by the SES committee every quarter. We will continue to refine our climate-specific metrics and targets.

Below are qualitative and quantitative metrics and targets that the SES committee oversaw in the 2023 reporting period.

Climate-related policies and standards:

Performance domain	Indicator	2023 Target	Progress update
Policies and standards	Position statement on coal	Board approved	Board approved
	Climate risks and opportunities Assessment (TCFD)	Completed scenarios	Final report

Partnering for risk and resilience:

Performance domain	Indicator	2021	2022	2023
Partnering for risk and resilience	Number of municipalities (cumulative)	63	82	**95**
	Number of partners (cumulative)	1	2	**2**
	Number of municipalities supported with climate change adaptation through the Green Book (cumulative)	8	14	**14**

Santam's facilities team manages and measures the environmental impact of the group's operations through energy, water use, and waste management, which are then reported to Sanlam Group, our majority shareholder. The Sanlam Group (including Santam's facilities) manages and reports its emissions using the operational control approach, which requires a company to account for its emissions by entities and activities under its direct control.

As part of the metrics and targets set, the group measures its internal environmental performance by monitoring consumption patterns such as energy, water, waste, and recycling through an internal IT system. The group's facilities team has oversight of the environmental performance of the Santam Head Office buildings in Belville and Sandton, Hill on Empire in Parktown and the contact centre in Auckland Park. Santam also tracks some material Scope 3 emissions. Below are our historical emissions for Scope 1, 2 and 3, in figure 5 and our targets set for the group's environmental performance in table 3:

Figure 5: Santam's GHG emissions [Scope 1, 2 and 3]

SANTAM'S EMISSIONS (tCO_2e)

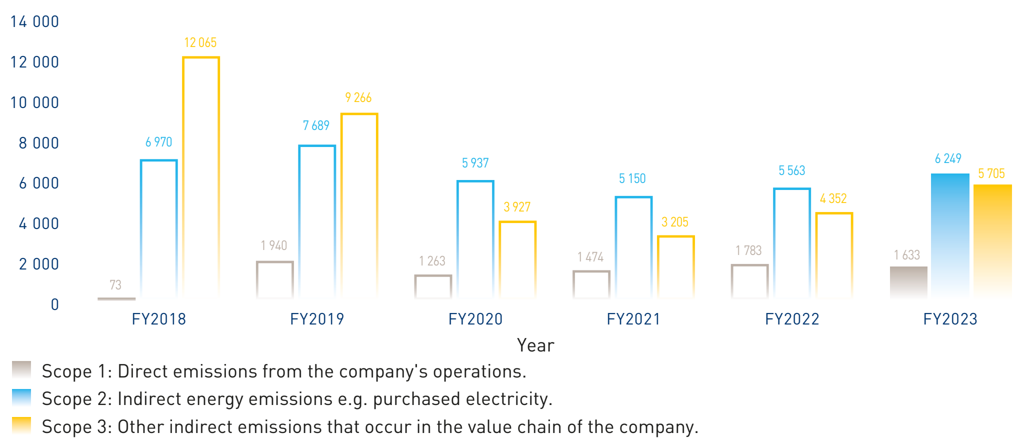


Table 3: Resource efficiency targets for 2025

Performance domain	Indicator	Unit	2025 quantitative/qualitative targets
Group resource efficiency	Energy initiatives	kWh	10% reduction on the previous five years (2015 – 2019)
	Water initiatives	kL	10% reduction on the previous five years (2015 – 2019)
	Waste initiatives (waste to landfill)	kg	10% reduction on the previous five years (2015 – 2019)
	Waste initiatives (waste to landfill)	%	10% reduction on the previous five years (2015 – 2019)

Ratings and ranking of ESG indices

The group sets metrics and targets for ESG and climate-related disclosures. These include ClimateWise, CDP performance, and ESG ratings. Our ClimateWise performance is rated as part of our membership of the global insurance leadership group ClimateWise, and our ESG performance is rated by the FTSE/JSE Russell rating agency. The group continually strives to improve its ESG and climate-related performance and disclosures.

Our response to climate change is outlined in climate-related disclosures, including the FTSE/JSE Russell ESG rating, ClimateWise response, and the CDP response submitted with our majority shareholder, Sanlam Ltd.

Figure 6: ESG Performance Ratings

CDP
Climate change score: Maintained level B

ClimateWise
Insuring a sustainable future
Improved score to 73% (72% in 2022)

FTSE Russell
Remained in the Top 30 of the FTSE/JSE Responsible Index

Lisbon Falls, Mpumalanga, South Africa

Looking ahead

2023 has been characterised by several new reporting and disclosure requirements for sustainability and climate. While the TCFD has been disbanded to be housed under the ambit of the ISSB, we note that the new reporting requirements maintain the TCFD reporting structure, i.e., reporting on governance, strategy, risk management and metrics and targets used to assess climate risk. The group remains committed to improving our disclosure across TCFD, CDP and ClimateWise. With the recent launch of the TNFD, we also recognise the importance of preserving nature by diverting finance away from nature-negative outcomes towards nature-positive outcomes.

This report illustrates that climate risk disclosure is an evolving and iterative process. While identifying the climate risks and opportunities through the scenario analysis exercise has been a key milestone for 2023, further work needs to be done to quantify the risks, develop suitable interventions in response to the risks, and leverage the opportunities. The outcome of the work, when at a mature stage, will assist the group in developing a robust climate change response plan.

Sunset over the Serengeti, Tanzania

List of acronyms

CCC	Climate change committee
CEO	Chief executive officer
CFO	Chief financial officer
CoFI	Conduct of Financial Institutions
CRO	Chief risk officer
ERM	Enterprise risk management
ESG	Environmental, social and governance
FSB	Financial Stability Board
GHG	Greenhouse gas emissions
IFRS	International Financial Reporting Standard(s)
IPCC	Intergovernmental Panel on Climate Change
ISSB	International Sustainability Standards Board
JSE	Johannesburg Stock Exchange
LT	Long-term
MT	Medium-term
NGFS	Network for Greening the Financial System
P4RR	Partnerships for risk and resilience
SES	Social, ethics and sustainability
ST	Short-term
TCFD	Task Force on Climate-Related Financial Disclosures
TNFD	Taskforce on Nature-Related Financial Disclosures
UNEP-FI: PSI	United Nations Environmental Programme – Finance Initiative: Principles for Sustainable Insurance

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