



**ENVIRONMENTAL
IMPACT**

Environmental impact contents

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This supplementary report and discussion per material enabler provides stakeholders with insight into how Sanlam managed environmental impact for the financial year from 1 January to 31 December 2016.

Environmental impact

Sanlam recognises the increasing impact of climate change and its potential impact on future earnings growth. Therefore, the Group continuously investigates how best to bring environmental factors into its investment decisions, while increasing its share of investments in environmentally responsible markets where feasible. Sanlam also continuously works to minimise its environmental footprint to prepare for and support a low-carbon economy.

Key performance indicators

Sanlam has committed to reducing its scope 1 and 2 emissions intensity by 10% per full-time employee (FTE) by 2020, applying 2014 as the base year. In addition to greenhouse gas (GHG) emissions targets, Sanlam has sustainability targets linked to paper consumption, electricity, water, travel, waste and recycling. To this end, the Group is committed to recording and tracking at least 80% of its scope 3 emissions.

In 2016, the Group included Santam in the calculation of its scope 1, 2 and 3 emissions for the first time. As such, Sanlam's emissions include the Group's six main buildings (Sanlam Head Office, Houghton, Sanlam Investments, Alice Lane, Glacier and Sanlynn), as well as Santam's five main buildings (Santam Head Office, Auckland Park, Garsfontein, Alice Lane and Glacier). The scope for these buildings includes all common areas but excludes consumption by external tenants.

While Santam is included in the carbon emissions data for the first time in 2016, they are excluded in the rest of the environmental data (paper, waste and water).

	2014*	2015	2016	2020 target**
Total emissions/FTE	9,71	9,54	8,55	7,41
Total emissions per m²	0,44	0,44	0,43	0,36
Scope 1 and 2 emissions/FTE (tCO₂)	7,26	10,02	5,35	5,11
Electricity usage (kWh/m²)	312	298	263	235
Water usage (kl/m²)	0,63	0,53	0,60	0,92
Paper consumption (kg/FTE)[#]	30,90	36,20	28,0	27,81
% waste to landfill (%) by weight[•]	49	44	37	10
Recycled waste by weight (%) (kg)[•]	51	56	63	90

* Baseline year

Office paper only


• Sanlam Head Office only

** Targets revised to include Santam

Environmental impact continued

➤ Managing Sanlam’s environmental impacts

As a leading South African financial services group, Sanlam understands that a sustainable business requires a sustainable environment. Therefore, Sanlam acknowledges its responsibility to ensure that the Group, its solutions, support structures and business practices incorporate responsible environmental principles. This approach is captured in the Group Environmental Management Policy, which comprises the following key focus areas:

Investment management activities	As a signatory to the United Nations Principles for Responsible Investing (UNPRI), the Group favours companies that demonstrate sound environmental practice. This forms part of Sanlam’s responsible investment strategy criteria.
Supply chain	Sanlam extends its influence across its supply chain by encouraging its supplier network to adopt best environmental practice.
Product development	Sanlam considers environmental benefits in the development of new products.
Influencing behaviour through research and awareness	Sanlam is committed to creating awareness among its clients’, employees, business partners and other stakeholders on environmental management. The Group supports conservation efforts aimed at preserving critical ecosystems and protected areas. For example, Sanlam has an ongoing partnership with the World Wide Fund for Nature South Africa (WWF-SA). This partnership enabled the Group to understand the impact of environmental risk on its investments. The Group has also initiated various projects together with WWF-SA to conserve and ensure the healthy functioning of South Africa’s water systems.
	 Read more about Sanlam and the WWF-SA from page 7.
Measuring and managing environmental performance	Sanlam measures and manages its performance against a range of key business sustainability and environmental performance indicators. Sanlam commits to pre-determined reduction targets in energy consumption, water consumption and waste generation. These targets apply to all Sanlam business units and are supported by employee education and awareness initiatives aimed at embedding good environmental practice.

The Sanlam Board, the Board Sustainability committee and Sanlam’s Group Chief Executive endorse the Group Environmental Policy. Responsibility for overseeing the implementation of and the adherence to the policy resides with Sanlam Group Sustainability. The Group’s Energy Management Forum also plays an important role in improving the Group’s environmental performance. Clusters participate in quarterly forum discussions to grow awareness, engage employees and maximise involvement across the Group.

Of the 73 companies that were assessed for the FTSE/JSE Responsible Investment Index, Sanlam was within the top 30 of these for 2016. The Group was also included in the Dow Jones Sustainability Index. Sanlam is the only South African life insurer that is included in the emerging market index.

Sanlam Head Office houses over 40% of the Group’s full-time office-staff component in South Africa. In most instances, Sanlam Head Office is responsible for more than 50% of total consumption (electricity). Therefore, of Sanlam’s and Santam’s buildings, Sanlam Head Office has the largest environmental footprint and warrants the focus of the Group’s environmentally protective initiatives. Initiatives that are successful at Sanlam Head Office are rolled out to smaller offices.

Carbon footprint and electricity

Sanlam recognises that climate change presents an important business and global risk that could impact the stability and quality of human society. As a provider of investment, general insurance and long-term insurance solutions, this would have a material impact on risk profiles and claims patterns. Therefore,

the Group is committed to upholding its responsibility to measure and reduce its carbon emissions, and encourages responsible environmental practice in its sphere of influence. In 2016, Sanlam has included Santam's buildings in its scope 1, 2 and 3 emissions.

	2014*	2015	2016	2020 target
Total carbon footprint (tCO₂e)	53 092	54 029	71 546	60 371
Total carbon footprint (tCO₂e/FTE)	9,71	9,54	8,55	7,71
GHG emissions per m²	0,44	0,44	0,43	0,36
Scope 1 (direct GHG emissions (CO₂e)**)	115	135	522 ^{LA}	124
Scope 2 (indirect GHG emissions (CO₂e)^)	39 584	36 999	44 761 ^{LA}	41 505
Scope 3 (other indirect GHG emissions (CO₂e))	13 311	16 850	26 681	–
Total electricity usage (million kWh)	38,4	36,6	44,2	40,2
Other non-Kyoto GHG emissions[#]	82	35	138	–
Business travel				
Air travel (km/FTE)	4 665,0	5 188,0	7 559,5	4 199
Car rental (km/FTE)	163	193	169	147
Hotel accommodation (bed nights/FTE)	3,20	3,98	3,5	2,88

* Baseline year

** Scope 1 (direct GHG emissions (CO₂e)): This represents one of the Group's Sustainability Management Framework's KPIs. The basis of measurement thereof is Scope 1 emissions based on the GHG protocol for Sanlam's six buildings and for 2016 only, Santam's five buildings.

^ Scope 2 (indirect GHG emissions (CO₂e)): This represents one of the Group's Sustainability Management Framework's KPIs. The basis of measurement thereof is Scope 2 emissions based on the GHG protocol for Sanlam's six buildings and for 2016 only, Santam's five buildings.

Non-Kyoto protocol GHG emissions are reported separately according to GHG protocol.

• Represents kWh/m² of total office space, including common areas but excluding consumption by external tenants.

^{LA} Limited Assurance



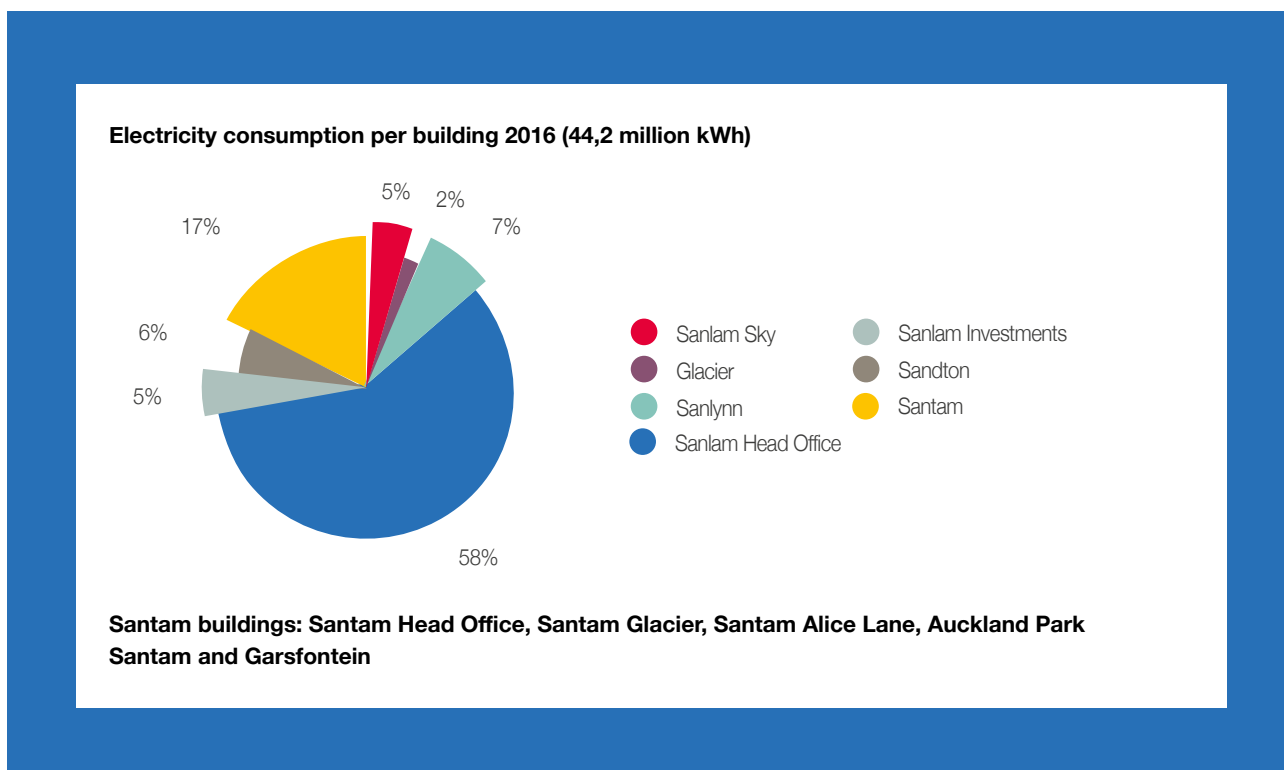
The Assurance report is available online.

The biggest contributor to Sanlam's carbon emissions is electricity consumed from the national grid. Therefore, the rising cost of energy and its unsustainable derivation from coal necessitates that Sanlam reduce its consumption and implement projects to achieve efficiency gains before committing to capital outlay. This is particularly important for Sanlam Head Office, which contributes 58% toward the Group's total electricity consumption.

Sanlam has been a signatory of the Carbon Disclosure Project (CDP) since 2007. This year, the Group achieved a score of A-, an improvement from last year. This is an excellent result indicating that Sanlam implements a range of actions to manage climate change, both in its own operations, and beyond.

Carbon footprint and electricity continued

Electricity consumption per building 2016



Together with Santam's buildings, Sanlam Group achieved a reduction in electricity consumption of 554 124 kWh against the 2014 baseline year. This reduction can be attributed to the implementation of projects listed below amongst others including better management of electricity consumption, all of which will yield ongoing savings for the lifetime of the initiative:

Initiatives	kWhs saved in 2016	Saved in 2016	Estimated lifetime of the initiative	Start date of initiative	End date of initiative
Lighting project at the Group's data centre	38 922	R67 509	10 years	September 2015	October 2026
Installation of speed drives on condensed water pumps at the Group's data centre and humidity control devices replaced	479 485	R350 000	10 years	March 2016	June 2026
Installation of water return tanks in service areas	300k/L	R245 000	15 years	September 2016	October 2031



Reducing carbon emissions through carbon-neutral events

Sanlam minimises and offsets its carbon emissions by hosting two premier, carbon neutral events, namely the Sanlam Benchmark Symposium and Sanlam Cape Town Marathon (SCTM). This is achieved through the use of carbon credits, which are purchased and traded on the JSE. Carbon credits are a financial tool representing a tonne of CO₂ or CO₂e that is removed or reduced from the environment through an emission reduction project.

This approach is facilitated by Sanlam's partnership with the Climate Neutral Group. Based in the Netherlands, the Climate Neutral Group is the market leader in the field of emission reduction and carbon offsetting, and provides guidance on sustainable business practice. Sanlam has signed a contract with the Climate Neutral Group to offset the Group's 2015 emissions.

Sanlam is also committed to raising awareness of the impact of carbon emissions among participants and delegates. The Group incorporated an offsetting app designed by Green Pop – a South African-based social venture – as part of the application process for key events it hosts. The app encourages participants and delegates to make a voluntary contribution to offsetting carbon emissions associated with travelling to and from the event.

Offsetting of the 2014, 2015 and 2016 SCTM ensured, for example:

- ① The distribution of 2 664 Wonderbags to communities across South Africa. Wonderbags are non-electric, portable slow cookers. If all Wonderbags distributed are used by these communities, the combined impact of this initiative would include a 90% reduction in indoor air pollution, fuel savings that result in increased disposable income, as well as 135 864 trees and 415 584 litres of water saved per year.

The other projects that form part of Sanlam's offsetting initiative include Basa Magogo Standerton, a rural fire education project, as well as the Johannesburg Waste to Energy Project. 512 households benefited from Basa Magogo.

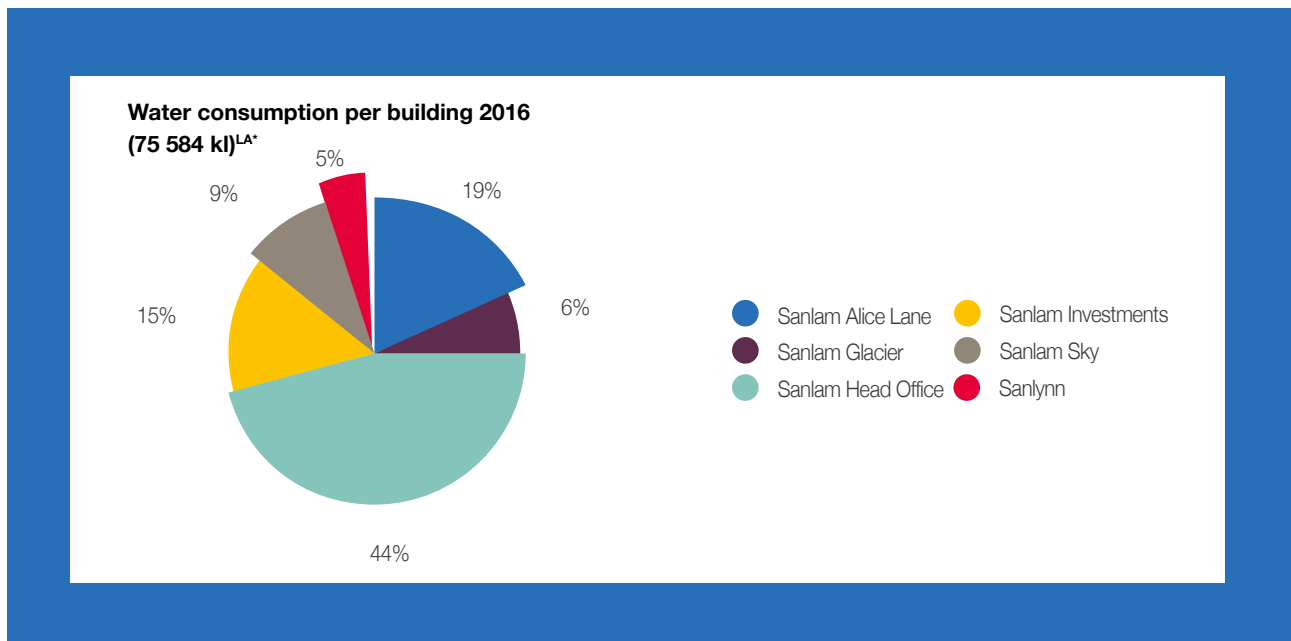
The calculated greenhouse emissions for the 2016 SCTM were estimated to be 3 331 tCO₂e – an increase from 1 292 tCO₂e in 2015. This increase was mostly attributed to the increase in transport emissions due to the growing popularity of the event.

Environmental resource conservation

The aspects with the most material impact on Sanlam's environmental resource conservation are water and paper usage, the responsible management of the Group's waste stream, and green buildings.

Water

Sanlam is a non-water-intensive business. However, the Group recognises its responsibility to preserve water and reduce consumption in light of the systematic risks associated with water crises and the resultant impact on the economies in which the Group functions.



^{LA} Limited Assurance

* This represents one of the Group's Sustainability Management Framework KPIs. The basis of measurement thereof is water usage for Sanlam's six buildings.



The Assurance report is available online.

Sanlam continues to investigate opportunities to further reduce its water consumption. Ongoing initiatives include water-saving taps at Sanlam Head Office and in Sanlam Sky, and an investigation into methods to improve the efficiency of water consumption from cooling towers. The Group currently uses four, 2 500 litre water reservoirs to harvest rain water at Sanlam Head Office. This water is used to irrigate the gardens at Sanlam Head Office, and provides a saving of at least 35 000 litres from municipal water sources. Sanlam is further committed to ensuring that water consumption will be properly managed and tracked going forward to ensure accurate representation against its saving targets.

Sanlam has also committed to a water balance programme through its partnership with WWF-SA. The Water Balance Project aims to rehabilitate critical water catchment areas in South Africa to improve the healthy functional rivers and ecosystems.

The water balance project aims to rehabilitate 70 hectares, including the removal of alien plants in order to achieve a total of 145 320 kilolitres of potential water savings. Key milestones achieved in 2016 include:

- ⊙ Approval of the alien clearing plan by the National Department of Environmental Affairs;
- ⊙ Detailed development of a clearing and rehabilitation plan; and
- ⊙ Development and training of two clearing teams (16 people in total) and the selection of sub-contractors.

In partnership with the WWF-SA, the Group has launched a tool to assess water-related risks within companies. The WWF Water Risk Filter provides companies with a structured set of risk indicators. The tool is designed for non-water experts, and requires limited information from the user. The goal is to generate awareness of the importance of water conservation, with a focus on monitoring misuse or abuse of water.

The South African version of the WWF Water Risk Filter provides an option to use local data for a more accurate assessment. The tool then interprets the best available scientific data for users, and translates it into risk numbers based on a questionnaire. This indicates where organisations face their highest risk, and whether risks present as physical, reputational or governance based. Users can then map the assessed facilities or investments on water-related map overlays. A structured set of responses and up-to-date case studies further enable users to mitigate risk and develop water stewardship strategies.

With the ever increasing demands on our country's water resources and especially with regard to the drought currently being experienced, Sanlam encourages the uptake and use of the WWF WRF in facilitating greater collaboration between different sectors and industries to enhance an understanding of water-related risks, and promote a collective response to water stewardship.

▶ WWF Sanlam partnership – creating a world worth living in

As Wealthsmiths™, it is Sanlam's vision to be the leader in wealth creation and protection. This includes protecting natural wealth, such as water.

Since 2007, Sanlam has partnered with WWF-SA on various freshwater and marine projects aimed at conserving South Africa's water systems. The vision of the WWF-SA and Sanlam partnership is for government, civil society and the private sector to work together to build a future in which healthy, freshwater ecosystems underpin the sustainable development of South Africa and enhance the quality of life of all its people.

To this end, Sanlam has committed a total of R50 million to its partnership with WWF-SA. Sanlam's investment goes toward securing South Africa's water source areas, promoting water stewardship, and empowering local government to integrate freshwater protection into its policies and plans.

In addition to the water balance project and launch of the WWF Water Risk Filter, Sanlam has invested in a collaborative project with the Table Mountain Fund (TMF). This project involves the clearing of 95,2 hectares of alien invasive vegetation to control the spread of invasive woody alien species, reduce risk of fires, as well as contribute to local economic development and job creation.

Since 2012, the partnership also included a focus on influencing greater awareness of water issues in the Group's business practices. This has led to a deeper understanding of water risks to drive better insurance and investment practices. As one of the 30 most water-stressed countries in the world, this is particularly relevant in South Africa.



**Together investing
in the future of South
Africa's freshwater
ecosystems**



Environmental resource conservation

continued

➤ Paper

In line with the Group's environmental performance targets, Sanlam aims to reduce its paper consumption per full time employee by 10%, by 2020.

Paper consumption (kg/FTE)

	2014	2015	2016
Total kg*	224 412	204 928	234 870
Kg of paper/FTE	30,9	32,6	28,0

* Office paper only

➤ Waste

Other waste produced by the Group includes printer ink cartridges, packaging waste and food. Unless consciously managed, this waste ends up in landfills and contributes to pollution levels.

To assist with waste targets for all six of Sanlam's measured buildings, the development of an Integrated Waste Management Plan was finalised in 2016. However, the current focus remains on Sanlam Head Office, with the Group's other buildings challenged to separate from source and implement waste education and training initiatives to encourage change behaviour across the Group.

Currently, 63% of Sanlam Head Office waste is recycled. This is a 7% increase in comparison to the Group's 2014 base year.

This decrease is due to a number of ongoing initiatives, which include:

- ① Sanlam appointed a dedicated waste supervisor at Head Office.
- ② The Group runs a fully operational compost heap to divert food waste and tissue paper and prevent it from reaching landfills. Two local companies, Ywaste and Recycle 1st, have been consulted in assisting the Group to run a food waste and composting process for Sanlam Head Office. This initiative supports the Group's commitment to enterprise development. Sanlam Head Office continues to send food waste to AgriProtein to further food waste and prevent it from reaching landfills.



Read more about the Group's enterprise development initiatives in the Prosperous society report, available online.

- ③ The Group runs a worm farm consisting of 50 separate farms divided into a five day feeding cycle. The compost worms get fed daily with excess food from kitchens at Head Office. An average of 8 kg of food, consisting mainly of lettuce leaves, carrot peels etc., is fed to the worms. This comes to a total of 176 kg per month, with an estimate saving of 2 112 kg of food waste per annum.
- ④ Sanlam has found suitable recycling partners to assist in the disposal of difficult materials, including soft tissue paper and polystyrene.
- ⑤ Training and awareness activities are aimed at employees. For example, this includes the establishment of electronic waste stations at Head Office, to which employees can bring and dispose of electronic waste. This is done in partnership with Sanlam ITISS (Information Technology Infrastructure Shares Services), and it part of Sanlam's commitment to promoting awareness of electronic waste pollution.
- ⑥ Additional initiatives include the Group's 'Wealth in Waste' campaign, which educates employees on the value of waste and recycling.

Environmentally responsible investing

There is a growing interest in environmental, social and governance (ESG) issues among investors. This is accompanied by a greater awareness of the role of the investment management community in promoting sustainable and socially responsible development.

Investing in sustainability has often exceeded the performance of comparable traditional investments. This is on both an absolute and a risk-adjusted basis, across asset classes and over time. Sustainable equity mutual funds have also been shown to generate equal or higher average returns, and equal or lower volatility than traditional funds. There is also a strong, positive correlation between corporate investment in sustainability and operational and stock price performance.

Morgan Stanley Institute for Sustainable Investing, 2015

Sanlam is a signatory to the UNPRI, and subscribes to the Code for Responsible Investing in South Africa (CRISA). This reflects the Group's commitment to uphold international best practice in its relationship with stakeholders and in its stewardship of natural resources.



Read more about responsible investment and the Group's investment policy in the Responsible products and services report, available online.

▶ Dar es Salaam city management learns about risk and resilience in infrastructure development

Billions of dollars are flowing into Africa to meet the growing infrastructure needs of the continent. However, with this massive investment comes the responsibility to create and build sustainably. This raises the question as to whether the stakeholders involved in individual projects are mindful of the broader risks and impacts, especially over the longer term. This entails the eventual asset management once the project is completed and handed over to asset owners.

The port city of Dar es Salaam in Tanzania faces two problems. The first is that, as one of the fastest growing economies in Africa with limited financial resources, the city has to invest in public infrastructure, which carry a number of risks, not least of which is flooding on a near-annual basis. The second problem is that global financial institutions providing capital for large infrastructure projects typically only seek insurance cover towards the end of the process. Unfortunately, often at a late stage in the process, some unavoidable risks are typically already embedded in the project.

Building on lessons learned from the United Nations Environment Programme's PSI Global Resilience project, it was felt that there would be benefit in considering risk management proactively – before projects are contracted and in a non-competitive space, where city managers could engage with insurance professionals.

Santam initiated a process in 2014 to explore how the general insurance industry in the region might best engage with infrastructure decision-makers in Africa, for example city engineers and planners, given that sustainable city infrastructure is a critical element to enhance protection and readiness against possible disaster events such as fires and floods. Under the banner of 'African Infrastructure Risk and Resilience' a series of conversations and workshops took place through 2015 and 2016. These involved representatives from Santam and Sanlam, including various experts in sustainable infrastructure, finance and investment.

The research included a two-day intensive workshop in Dar es Salaam in October 2016 between members of the insurance sector and Dar es Salaam city officials. The workshop was declared a breakthrough in mutual understanding, opening up a range of opportunities for future learning and collaboration for both sides. What emerged, aside from a lengthy list of collaborative actions various participants committed to, was a mutually agreed 'decision pathway' describing the logical necessary steps a city government must take if it is to end up with genuinely resilient, sustainable infrastructure. The city officials said they found this – and the discussions leading up to the workshop– exceptionally helpful, as they had never considered decision-making from a proactive risk management perspective before.

A key outcome of the intervention was the request for insurers to demonstrate the cost/benefit at city level for risk protection and sensible regulation. The initiative pioneered a methodology of getting city management to engage with the insurance sector, which will be shared globally. It was founded in a partnership approach and included Marsh, Munich Re, Sanlam, Global Infrastructure Basel, ClimateWise and PSI representatives.

A research paper, documenting learnings, will be published via ClimateWise early in 2017 to share important proactive risk management insights with other cities and insurance sector players.

Sanlam Emerging Markets will continue to play a role in this partnership.

Future focus

Sanlam has identified the following environmental sustainability focus areas for 2017:

- ① Identify additional locations for water reservoirs on-site to harvest rain water that can support the Group's water requirements for gardening and recycling
- ① Establish the intensity of sorting waste at its source in order to determine the Group's capacity to increase its recycling efforts and reduce waste to landfills

