

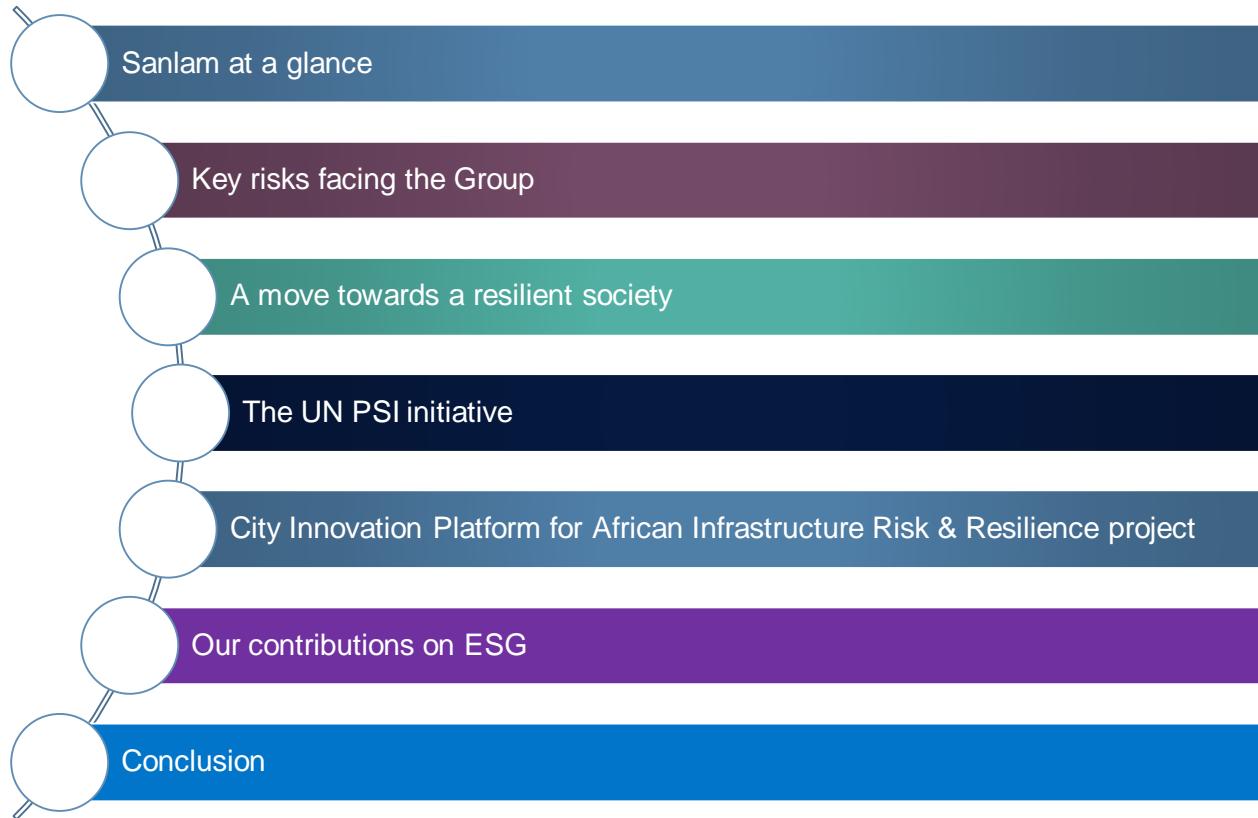
Sanlam Group initiative with the United Nations on Principles of Sustainable Insurance

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Presentation to SCOR

4 October 2018



Agenda



Sanlam at a glance



What do we do?

- ④ We are a diversified financial services group operating over 200 businesses in 44 countries, including
 - › A leading presence in South Africa
 - › Selected emerging markets (Africa, India and Malaysia)
 - › Selected developed markets (UK, Ireland, Australia, US)
- ④ We have a 100 year heritage
- ④ We provide financial solutions & products to both retail & institutional clients. These include:
 - › Insurance (general & life) and Reinsurance
 - › Financial planning
 - › Asset management
 - › Wealth management/stockbroking
 - › Retirement solutions / fund administration / health administration

An unmatched Pan-African footprint

Sanlam has a strategic role to play in the sustainable development of emerging markets



Key risks facing the Group

 Sanlam

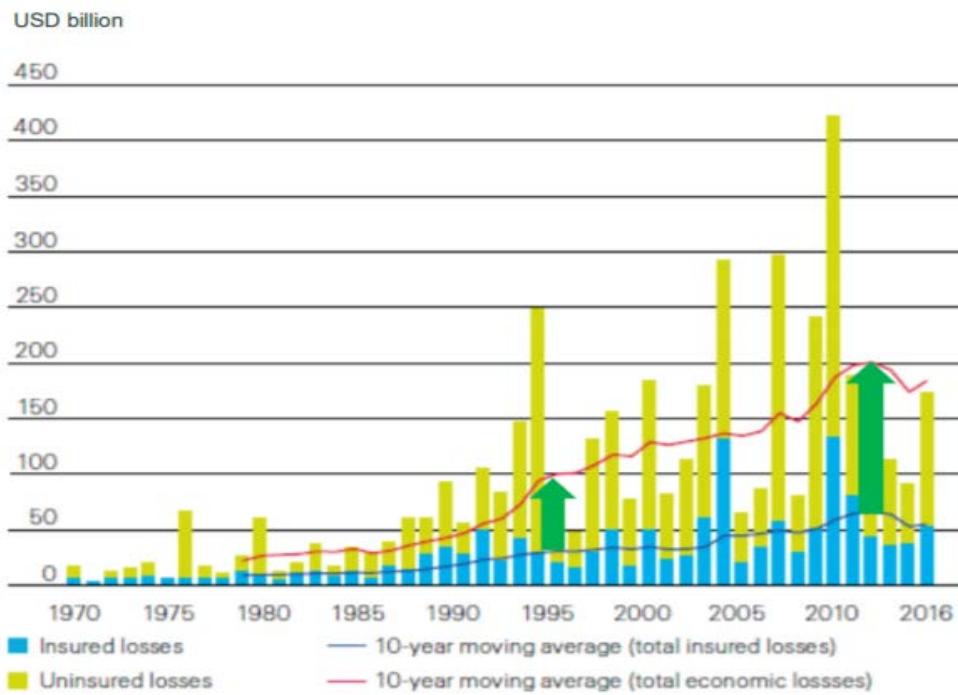


Risks and challenges

- ④ Most of the developing world in particular Africa continues to face ESG pressures
- ④ Environmental **catastrophes are increasing**
- ④ The world is experiencing its **biggest wave of urban growth** in human history
- ④ Cities will continue to deal with water shortages and climate change as inhibitors for the development of optimum conditions for future generations (recent drought in the Western Cape (SA) had impact on local and national economy)
- ④ Runaway frequency or severity of claims pose a risk
- ④ Customer **needs not served by traditional approaches**
- ④ A **huge risk protection gap exists**, and the gap between economic losses from natural catastrophe and insured losses is increasing
- ④ These conditions impact our Group, our clients and the communities within which we operate

The insurance protection gap

Gap between economic losses from natural catastrophe and insured losses has been increased



Economic development, population growth and a higher concentration of assets in exposed areas are increasing the economic cost of the disasters

The **insurance protection gap** for 2016 losses was **USD 121 billion** (Swiss Re)

In the **poorest 100 countries**, less than **3% of the population is served by effective insurance** against natural hazards (UNEP Inquiry)

Economic losses = insured + uninsured losses
Source: Cat Perils and Swiss Re Institute

A move towards a resilient society

 Sanlam



Towards a resilient society

- ⑤ We have been insuring risks for a 100 years
- ⑤ Risks were simpler, risks were slower
- ⑤ The changing nature of doing insurance is upon us – risk is increasing
- ⑤ Conventional approach for insurers is to price in the risk, passing it on the consumer
- ⑤ Our world is facing increasing ESG challenges
 - › The changing risk landscape is leading to diverse, interconnected and complex risk
 - › These also present new opportunities
- ⑤ Prudent for the insurance industry to adjust the range of risk factors considered in managing its business to maintain viability

...towards a resilient society

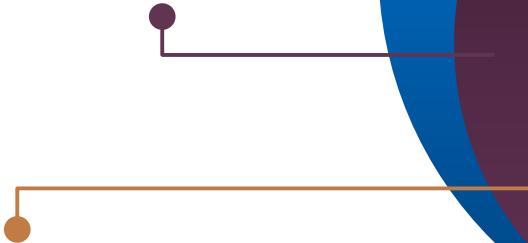
we have to adapt to the changing environment if we are to survive another 100 years

- ⑤ realize we need to do more than only rolling out products and services, a need exist to understand what the level of risk on the ground is
- ⑥ This prompted Sanlam to re-examine what ESG means to the business-
 - › The result being a common vision on ESG for the Group that will deliver on our Group Strategy, and
 - › Shaping the ESG insurance agenda in the countries we operate in and strengthen the effort of insuring for sustainable development
- ⑦ By embedding ESG into our thinking, we inculcated new strategy into our business resulting in a valuable source of new ideas with improved outcomes. Early examples include:
 - › on motor insurance we increased efficiencies in our supply chain;
 - › on commercial insurance by engaging government departments we improved our risk assessment on immovable properties; and
 - › in managing driver behavior we implemented initiatives by driving the insured home if drinking, and for high risk classes, by installing telematics devices in vehicles

The foundation of Sanlam's sustainability

Our vision is to:

- ⌚ Lead in client-centric wealth creation, management and protection in South Africa;
- ⌚ Be a leading Pan-African financial services group with a meaningful presence in India and Malaysia; and
- ⌚ Play a niche role in wealth and investment management in specific developed markets.



Our strategic intent is to create sustainable value for all stakeholders.

Our Purpose

Our Vision

Our Strategic Intent

Our Strategic Pillars

Our purpose is to build a world of Wealthsmiths™, supporting people in living their best possible lives through financial resilience and prosperity at individual, organisational and societal levels.

Sanlam's vision and strategic intent is pursued through a strategy focused on **four pillars**:

- ⌚ Profitable top -line growth through a culture of client-centricity
- ⌚ Extracting value through innovation and improved efficiencies
- ⌚ Enhancing Sanlam's resilience and earnings growth through diversification
- ⌚ Responsible capital allocation and management

The United Nations Environment Programme Principles of Insurance initiative



The UN Environment Programme (UN EP) Principles of Sustainable Insurance (PSI) initiative

- ⑤ Launched in 2012
- ⑤ Currently 120 members
- ⑤ Insurers part of PSI initiative represents over 25% of world premium and \$14 trillion in AUM
- ⑤ Largest collaborative initiative between the UN and the insurance industry
- ⑤ The PSI initiative's aim is to harness the insurance industry's role as risk managers, insurers and investors to close the protection gap and to support the transformation to a sustainable economy
- ⑤ Sanlam and its subsidiary Santam are founding members and the only 2 South African insurers currently part of the initiative

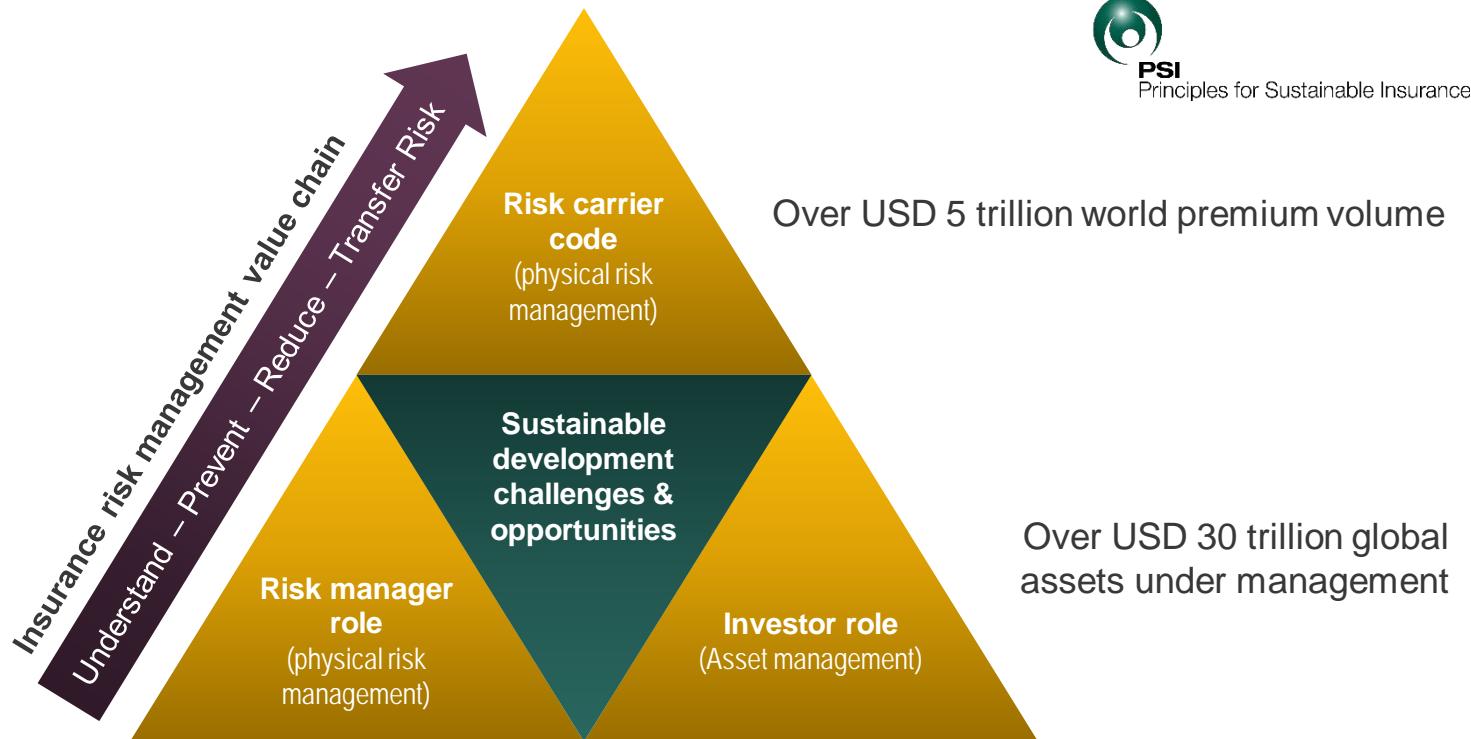
Sustainable Insurance – what is meant by it

Fundamental approach behind PSI is to embed insurance with ESG issues

Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risk and opportunities associated with ESG issues

Strategic role of Insurers

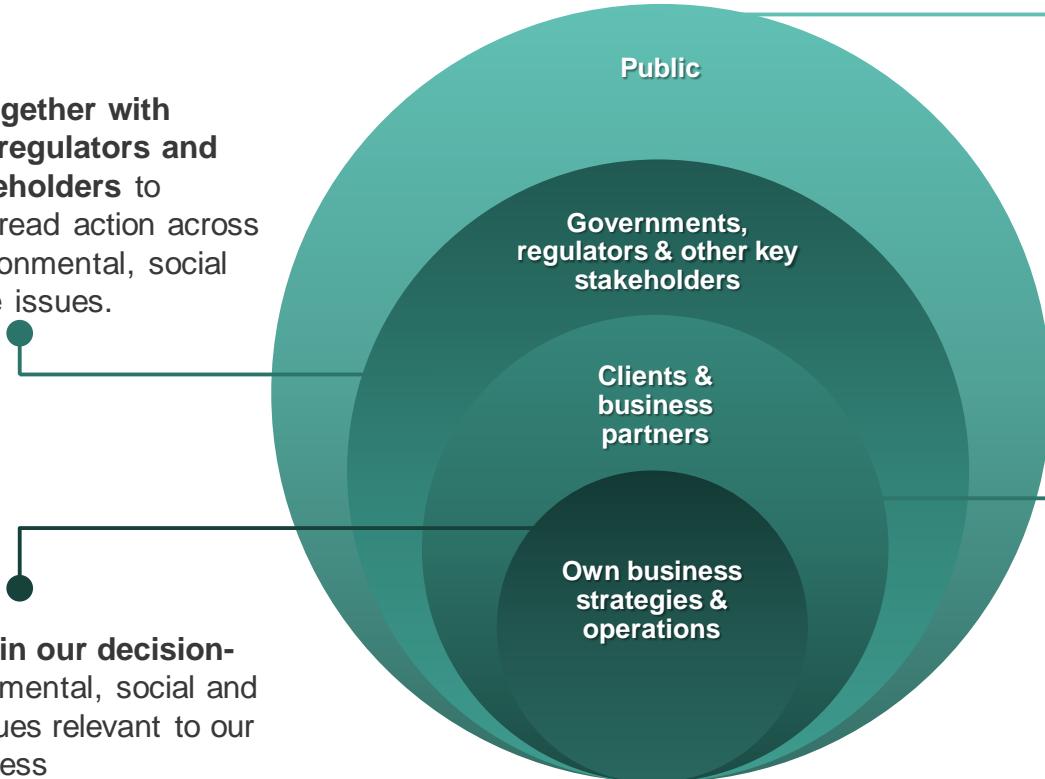
The triple role of the insurance industry in sustainable development



The 4 sustainable insurance principles

Principle 3:

We will **work together with governments, regulators and other key stakeholders** to propose widespread action across society on environmental, social and governance issues.



Principle 1:

We will **embed in our decision-making** environmental, social and governance issues relevant to our insurance business

Principle 4:

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

Principle 2:

We will **work together with our clients and business partners** to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Key UN PSI insurance industry partnerships undertaken

Sanlam/Santam 2015-17



City Innovation Platform for
African Infrastructure Risk & Resilience

2015-17 (Munich Re & IFC)

Insurers' role in sustainable growth

10 May 2015

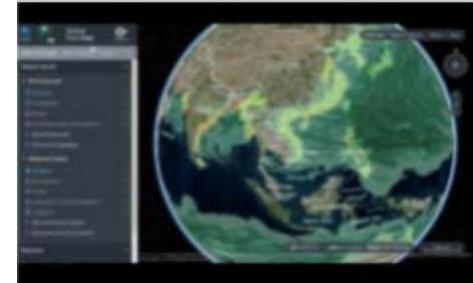


In summary:

- At present there are no international guidelines for insurance underwriters to assess the environmental and governance risks on infrastructure projects.
- An international study to overcome this will involve the United Nations, the World Bank and the world's biggest insurer Munich Re.

Surety bond underwriting, ESG and infrastructure

2015 (IAG)



2014 (IAG)



2015 (AXA)



2015 (IAG)



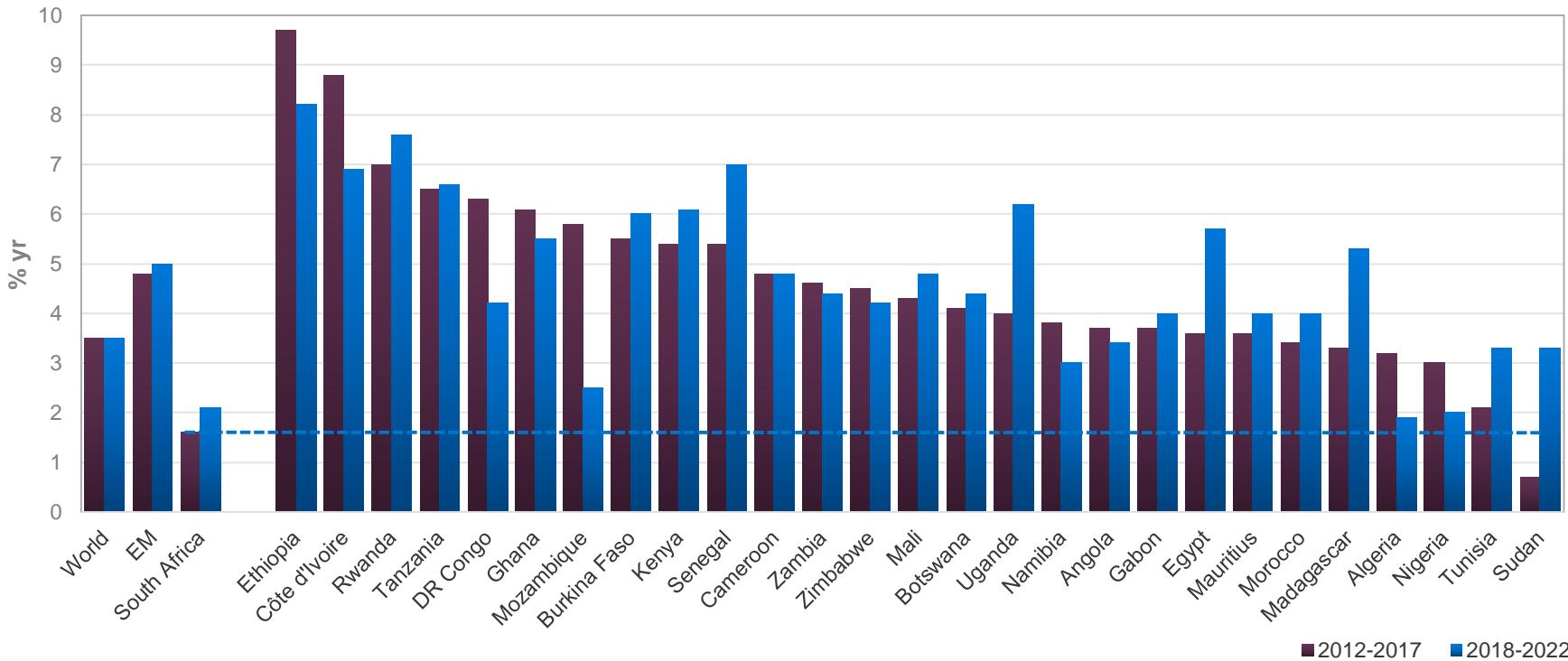
Cities, SMEs and
Climate risks

City Innovation Platform for African Infrastructure Risk & Resilience project



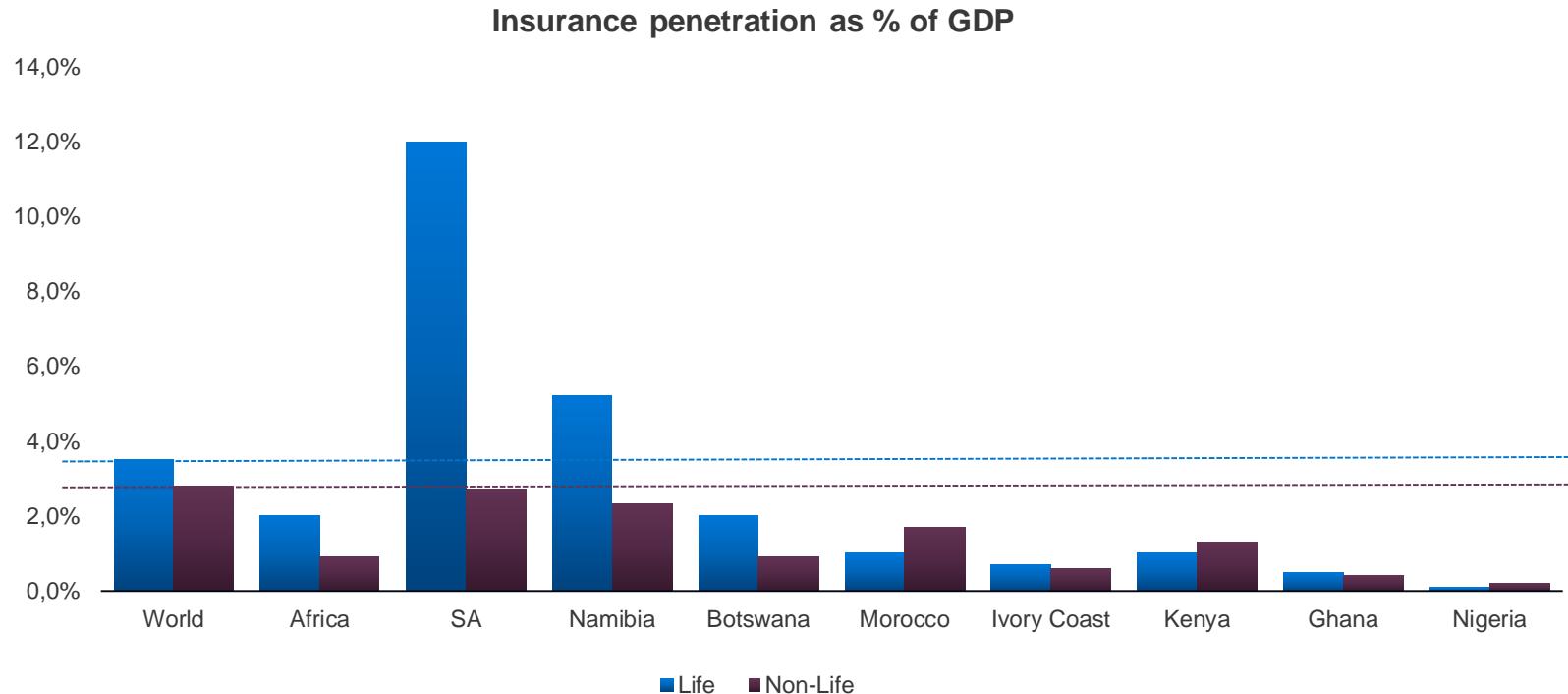
Pan-African GDP growth

In the case of many African countries, GDP growing faster than insurance growth



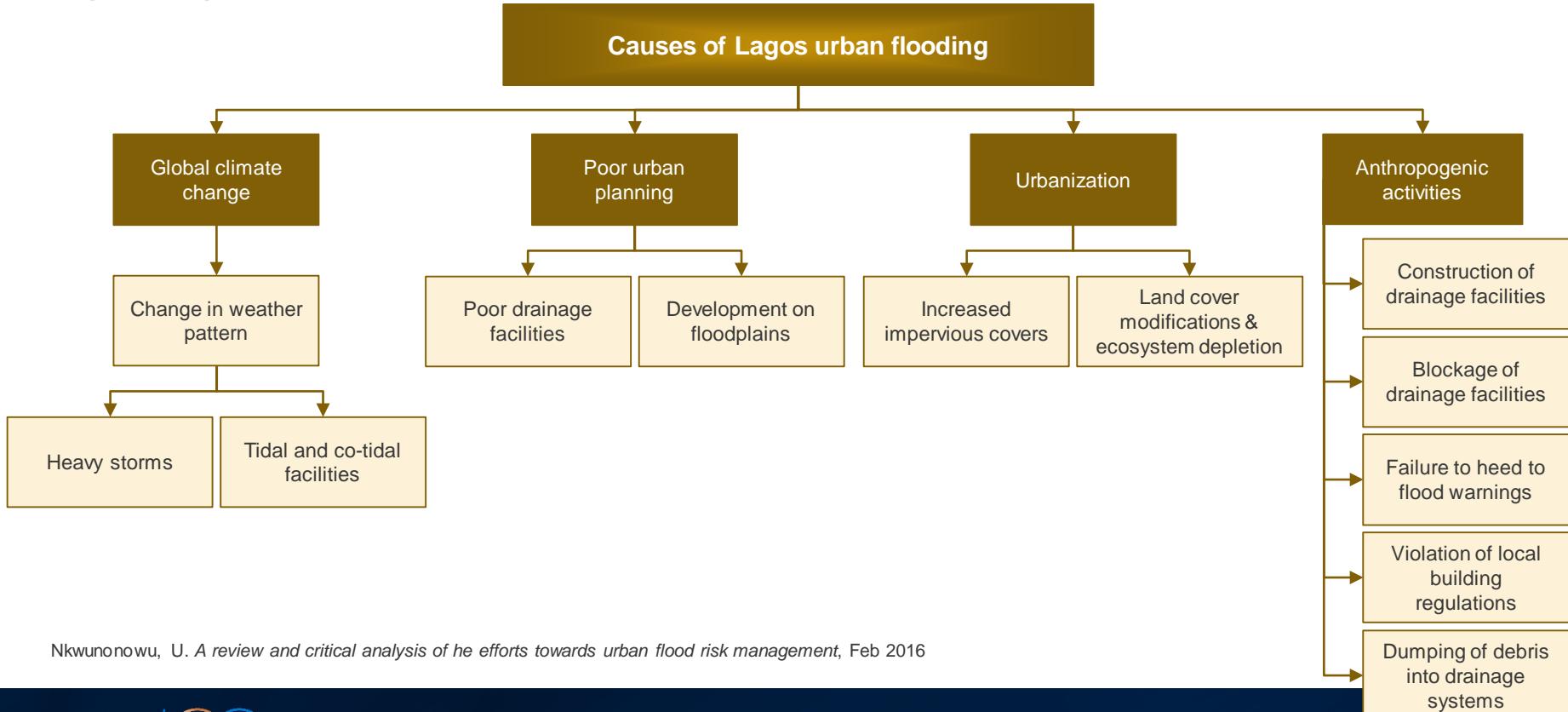
Pan-African insurance penetration

Insurance penetration is low in the vast majority of African countries



Factors impacting on resilience of African cities

Lagos, Nigeria



Nkwunonwu, U. A review and critical analysis of he efforts towards urban flood risk management, Feb 2016

Impact of Climate change on African cities

- ⑤ Mounting concern on the impact of the climate -risk protection gap and the widening divide between total economic- and insured losses
- ⑤ Particular concern for emerging economies due to low pre -existing levels of insurance penetration
- ⑤ Estimated that a climate risk protection gap of \$1.7 trillion caused by extreme weather conditions over the past decade
- ⑤ The city Dar es Salaam (Tanzania) is-
 - › growing at 5.6% p/a
 - › home to 4.5 million people
 - › contributes 40% of the national GDP
 - › Has 70% of urban dwellers living in unplanned and informal urban settlements
- ⑤ The risk of a climate related catastrophe in Dar es Salaam places the whole economy of Tanzania in a precarious position

Impact of Climate change on African cities

- ② Developing economies have **low levels of understanding** about insurance and often struggle to make use of the insurance industry's risk transfer and risk management capabilities
- ③ **Public infrastructure projects** , properly implemented, **play a vital role in enhancing resilience** and managing the protection gap
- ④ **Insurers can play a key role** in addressing the issue and closing the gap
- ⑤ Harnessing **existing expertise of insurers** could promote delivery and support public infrastructure projects – this can lead to more stable communities and translate into potential growth in demand for insurance and other risk products

City Innovation Platform (CIP) project

Partnership with several insurers, the UN and the University of Cambridge with the aim of ascertaining how the insurance industry can support sustainable infrastructure in emerging economy cities

City Innovation Platforms Partners



City Innovation Platform (CIP) project: a pilot study

Pilot City – Dar es Salaam

- ② The project explored how
 - › the public and private sectors can **collaborate** more effectively to deliver sustainable, financeable and insurable infrastructure projects
 - › **insurance data and expertise** can support cities to make better, more informed infrastructure and development decisions
- ② Workshops in Dar es Salaam (Tanzania) involved active participation from city officials
- ② The project proved cities know very little about the value of insurance and have a large protection gap
- ② Primary objective of the project was to:
 - › capture the key learnings of the process
 - › identify the methodology for how public and private can work more collaboratively in the future
 - › **map out how the insurance sector should collaborate** with the public sector in response to closing the protection gap challenge

Main outcomes

- ② City officials gained a better understanding in that -
 - › City management is able to protect the city's assets better with adequate risk management
 - › Risk transfer is attainable for large public infrastructure projects and is not a tax on poor cities as was previously perceived. It can now be seen as affordable and desirable
 - › Insurers have significant risk, governance and consultancy expertise beyond financial risk transfer – which can be used to support cities make informed decisions at every stage of infrastructure projects
- ③ City officials acknowledge that their lack of trust in the insurance industry was misplaced and that the insurance industry can play an active role in reducing risk

Keys to a successful City Innovation Platform

- 1 Have a clearly defined start and end point – this focuses minds and reassures partners they are not locked in to an ongoing process.
- 2 Reach out to city authorities early on and offer introductory sessions on the CIP. Make sure that local people and industry are represented throughout the process.
- 3 Become familiar with local protocols and customs.
- 4 Respect and adapt to the fluidity of evolving political contexts.
- 5 Identify each partner's institutional and individual constraints and embrace their expertise and reflect these in any formal commitments. This includes budget cycles, strategic planning etc.

- 6 Ensure each partner has a suitable level of seniority, or sponsorship within their institution. This enables the commitment of time, capacity and financial resources, including decision-making power.
- 7 Elect as Chair a strategic thinker with an excellent understanding of the CIP to provide leadership.
- 8 Allow time to refine the CIPs objectives to ensure all partners are aligned.
- 9 Establish rules of engagement early on by collectively approving the governance agreement.
- 10 Use tools and resources at the group's disposal to make the most of each partner's contribution.
- 11 Ensure at least one insurance industry executive becomes a lead coordinator.

- 12 Be willing to work to a high level of uncertainty and experimentation.
- 13 Continuously communicate to ensure partners understand all perspectives and promote adaptability.
- 14 Use skilled independent facilitation at all critical meetings and workshops to ensure dialogue principals are met. Ideally this would be one person throughout, to ensure continuity.
- 15 Prepare partners with the contextual information they need about the host city. Arrange an initial orientation tour to expose them to local social and economic conditions.
- 16 Prepare the host city for the CIP and offer workshop materials such as the programme and content overview, the earlier the better.

Ensure your workshops run smoothly

- A Host your workshop in a neutral venue that offers a quiet, accessible space away from City Officials' offices.
- B Prepare a brief for participants that lay out the rules of engagement and allows for each stakeholder to contribute. Remind them that this is a neutral, non-competitive space.
- C Be mindful of any language barriers that might inhibit confident participation. Make necessary arrangements.
- D Allow for adaptability within the programme and be open to exploring unexpected opportunities.
- E It is crucial that before concluding the workshop you allocate responsibilities to ensure partners follow up and deliver on commitments.



Our contributions on ESG....



Implementing the lessons learned from Dar es Salaam UN PSI

Contributing to a resilient society

The UN PSI Resilient Cities project was an excellent framework to highlight our challenges and to present opportunities for our industry

- ⑤ Via Santam we rolled out the Partnership for Risk and Resilience (P4RR) in cooperation with the SA government
- ⑤ P4RR assists municipalities' build capacity in combatting the risks of fire and flooding within vulnerable communities
- ⑤ The programme stands to benefit more than five million people between now and 2020

- ⑤ Santam launched with the UN PSI the First African Market Event (Sandton, April 2018) for insurers from around Africa
- ⑤ The aim was to stimulate the conversation on how to best respond to the systemic risk and opportunities presented by rapidly changing ESG trends on the continent and globally.
- ⑤ As a result of the success of the event we are preparing for the next event in Lagos, Nigeria in 2019



UN PSI project to develop insurance industry standard on ESG

Contributing to a resilient society

- ④ We tend to approach ESG in line with best industry practice
- ④ Currently there exists no global guidance for the insurance industry on the integration of environmental, social and governance (ESG) risks into insurance underwriting.
- ④ Via the UN EP PSI initiative we together with several other insurers are busy with a project to-
 - › define the ESG risks from an insurance underwriting perspective,
 - › Identify how to prevent and reduce such risks, and
 - › uncover opportunities

Thereby laying the future foundation on our approach to ESG issues



Environmental-related risk management

Contributing to a resilient society

Sanlam together with FMO, the Dutch development bank, provided seed capital for the establishment of a green renewable energy fund

- ④ The fund is designed to combat the detrimental effects of climate change
- ④ A truly global initiative designed to fast-track renewable energy projects in emerging markets
- ④ This award winning blended finance initiative widely regarded as highly innovative
- ④ The fund combines 3 investment funds into 1 facility to finance renewable energy projects at different stages of the project lifecycle (from idea development to construction through to refinancing) with the ability to recycle the capital



CLIMATE INVESTOR 1®
Sanlam InfraWorks

\$ 525 million

Available for green energy projects in emerging markets, in particular Africa

Increasing insurance coverage with bespoke solutions

Leading with responsible products and services

- 
- ② Through our innovative solutions we create opportunities and solutions for people in different geographies and social standing
 - › In South Africa in partnership with a Bank we recently launched a funeral insurance product (micro-insurance) where up to 21 beneficiaries can be added per policy, and which can be bought via a mobile app solution;
 - › In emerging countries with limited insurance penetration, we are establishing distribution networks (i.e. Uganda)
 - › In Mozambique, the inability to collect premiums was solved by implementing a debit order solution with a telco allowing for premiums to be deducted from mobile phone credits
 - › First large insurer in SA to offer standard life cover for people living with HIV
 - › established an umbrella retirement fund that complies with ESG principles

and in India

- affordable travel insurance if you book a ticket online
-  for less than 1 INR (less than one USD cent) you receive 1 million INR cover (about \$14 000)
- 5 million policies sold per month



Conclusion

Key learnings

- ② We are South African based and aspire to lead in insurance in Africa
- ② If we are to be successful in executing on our strategy, improve the quality of our business and deliver insurance outcomes in those areas we are active in (i.e. addressing low penetration rates and closing the insurance risk gap) we need to change how we operate on the ground
- ② The Sanlam Group is embarking on a mind shift away from the conventional way of doing insurance
- ② We embedded ESG considerations as a method to improve our strategy for both life and general insurance business
- ② We have shown success in many of our ESG projects such as making a difference for people living with HIV by providing comprehensive life insurance, and we will continue to make a difference for the next 100 years.....
- ② But most of all, we realize by collaborating with partners, the best results are achieved

thank you[◎]

