NATURAL CAPITAL

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Our approach to environmental governance

Momentum Metropolitan, which is classified as having a low environmental impact, recognises that the responsible management of our environmental footprint through reducing energy and water consumption and managing waste in line with the waste management hierarchy is key to the sustainability and wellness of our business, clients, employees and communities. Our environmental and sustainability policies and our sustainability framework govern our approach to the sustainability of our business.

We have adopted a precautionary approach to environmental management, which is based on best practice and legal compliance with all applicable environmental legislation and regulations.

OUR RESPONSE TO CLIMATE CHANGE

Take urgent action to combat climate change and its impacts on SDG 13, one of the six SDGs to which we are able to make a meaningful contribution.

MITIGATING OUR IMPACT ON CLIMATE CHANGE

Climate change represents one of the biggest risks for society, the economy and financial institutions. Mitigating climate change, including the reduction of greenhouse gas (GHG) emissions, is a major global challenge. Momentum Metropolitan believes that governments, companies, and investors have a responsibility to mitigate their impact on climate change and facilitate a transition to a low-carbon economy.

As a financial services provider, we do not operate energy or resource-intensive processes in the offices and data centres that comprise our direct business operations. The majority of the direct environmental impacts of our business activities is from the use of electricity, our company-owned vehicles and generator diesel, all of which largely depend on the burning of fossil fuel, which releases GHG emissions. We recognise that through our investment practices, underwriting decisions and property management practices we also have an impact on climate change. We are in the process of identifying and assessing this impact and how best to manage the risks and opportunities it presents.

We are voluntary participants in the CDP Climate Change Disclosure Project, which assesses calendar year data.

We maintained our B rating for our 2020 submission despite the CDP increasing the stringency of the financial sector questionnaire.

Please note that the environmental data included in this section of the report covers the calendar period 1 January to 31 December 2020 and does not cover the first six months of 2021.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Momentum Metropolitan is proud to demonstrate our commitment to supporting the objectives of the TCFD by becoming a formal supporter of the TCFD. We are the first South African insurer to sign up and become an active member of the TCFD.

Our contributions to combating climate change include:

- becoming a formal supporter of the TCFD
- efforts to reduce our carbon footprint (page 155)
- investment in renewable energy projects that contribute to the just transition to a low carbon economy (page 144)
- commitment to responsible investing, which includes maintaining portfolios invested in assets that meet ESG criteria and the Just Transition Initiative to a low-carbon economy (see page 148 of the social and relationship capital section of this report)
- investing in research into understanding the risks and opportunities related to climate change and how best to address their impact on our clients and our business

INFORMATION RELATING TO OUR APPLICATION OF THE TCFD RECOMMENDATIONS

Recommended disclosures	Response
Governance	
Board oversight of climate-related risks and opportunities	The Momentum Metropolitan Board, which is ultimately accountable for our end-to-end climate risk management and the assessment of its effectiveness, has mandated responsibility for climate risk management to its Social, Ethics and Transformation (SETC) and Risk, Capital and Compliance (RCCC) committees.
Management's role in assessing and managing climate-related risks and opportunities	Our Group FD, who reports directly to our CEO (a member of the SETC and RCCC), is ultimately responsible for both the Group's sustainability and risk management. Group Sustainability and the Risk Department work together to identify and address climate-related risks and opportunities. The Group Chief Risk Officer, who reports directly to the CEO, is responsible for the risk management function. This function is responsible for the Group's governance of risk and capital management. It maintains an optimised level of risk management and governance and provides the business with the information it needs to effectively manage its risks and opportunities. Group Sustainability, through the recently established Sustainability Forum, fosters the implementation of the Group's sustainability-related policies, framework and strategy (ESG), including the management of climate-related impacts, and encourages collaboration on sustainability matters across the Group. Our publicly available policies and statements related to sustainability include: • Climate change positioning statement • Climate change investment policy • Sustainability policy • Environmental policy • Statement of investor commitment to supporting a Just Transition on Climate Change

Recommended disclosures	Response
Strategy	
The climate-related risks and opportunities the organisation has identified over the short, medium and long term	Our 2019 Climate Change Position Statement acknowledges the COP24 and IPCC global initiatives and commits us to: • voluntarily mitigate carbon emissions from our operations and simultaneously disclose our climate-related risks and opportunities through our annual CDP submission • comply with future and existing climate-related legislation • enhance our research and investment into understanding the climate change-related risks and opportunities in order to protect the Group and its stakeholders • invest in renewable energy technology and products and services that contribute to climate change mitigation and adaption, whenever possible
The impact of climate-related risks and opportunities on the organisation's business strategy and financial planning	Momentum Metropolitan has begun its journey of assessing its investment practices, underwriting decisions and own operations, in relation to climate-related risks and opportunities. Given our federated business model, it is important that our business units understand the risks and opportunities associated with climate change and how these will impact their businesses. Key considerations in this process will include: • an understanding of the physical climate changes, their socio-economic impacts and possible reputational and market risks • the need for product innovation, especially in short-term insurance products • the inclusion of ESG factors in our supply chain management • research into climate-related risks and opportunities and the just transition to a greener economy
Risk management	
The organisation's processes for identifying and assessing climate-related risks	Our climate risk management process includes the management of transitional and physical climate change risks that may arise
The organisation's processes for managing climate-related risks	Our risk management process, which is a documented process, does not focus on climate change risk alone. Instead, climate-related risks and opportunities are identified and assessed through the Company's centralised enterprise risk management (ERM) programme, which covers all the possible types/sources of our risks and opportunities
Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management	The risk assessment process is a key part of the Group's risk management framework and incorporates feedback from the risk community and the wider business. The Momentum Metropolitan Board's SETC and RCCC identify and assess climate-related risks and report on these to the Board Group Sustainability plays a supporting role to the Group and business unit risk management functions with regard to climate-related risks and reports on the outcomes to the SETC and RCCC every quarter

Recommended disclosures	Response
Metrics and targets	
The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Disclosure with the UNPRI (momentummetropolitan.co.za/en/responsible-investment) Annual voluntary CDP submission (cdp.net/en/companies/companies-scores)

OUR CARBON FOOTPRINT

Our participation in the CDP Climate Change Disclosure Project provides us with information that helps us identify where we can take further action to reduce our carbon footprint. Our carbon footprint is verified annually by an independent external emissions verification agency using the operational control approach. During the 2020 calendar year we achieved a 32.59% reduction in our overall GHG emissions (Scopes 1, 2 and 3) against our 2014 baseline, exceeding our target of a 25% reduction in Scope 1 and Scope 2 emissions by 2030; and we achieved a 26.20% reduction in our Scope 1 and Scope 2 GHG emissions. While both these results exceed the target we had set ourselves of reducing our emissions by 25% by 2050, these results are skewed by the unusual circumstances created by the measures taken to keep our employees and clients safe during the Covid-19 pandemic. While we will continue to do everything we can to reduce our carbon footprint, which includes providing our employees with information on the steps they can take to reduce their individual carbon footprints, we will have to wait until working life settles down to how it is likely to be in future before we can decide on new targets.

32.6% reduction in overall GHG emissions against 2014 baseline

26.2% reduction in Scope 1 and Scope 2 emissions against 2014 baseline

Exceeded target of 25% reduction in Scopes 1 and 2 emissions

0.8% reduction in Scope 1 emissions year-on-year (2019: 22.6%)

17.5% reduction in our Scope 2 emissions year-on-year (2020: 4.6% increase)

54% reduction in Scope 3 emissions year-on-year (2019: 24.1% increase)

Scope 1 emissions

Direct GHG emissions from sources that are owned or controlled by Momentum Metropolitan – petrol and diesel consumption by our vehicles and equipment and emissions from heating and cooling systems

We achieved a 0.8% reduction in our Scope 1 emissions year-on-year (2019: 22.6%).

Factors impacting our Scope 1 emissions in 2020

The retrofitting of air conditioner chillers at our Parc du Cap offices in Cape Town and our Centurion office, contributed to the reduction of our Scope 1 emissions. Load shedding and the lack of an electricity supply from Eskom for some weeks at a an Eris Property Group building, resulted in increased diesel emissions, which impacted our Scope 1 emissions and we only achieved a 0.8% reduction in these emissions.

Scope 2 emissions

Location-based indirect GHG emissions produced during the production of the electricity we purchase from Eskom

We achieved a 17.5% reduction in our Scope 2 emissions year-on-year (2019: +4.6%).

Factors impacting our Scope 2 emissions in 2020

Over the past four years our R400 million investment in upgrading our main office buildings, which includes energy efficient technologies, has reduced both our water and energy consumption. Upon completion we expect to achieve further GHG emission reductions. Our Scope 2 emissions have also been impacted by Covid-19 as most of our employees have been working from home, which resulted in the substantial reduction in our consumption of water and energy.

Scope 3 emissions

Indirect GHG emissions from sources not owned or controlled by Momentum Metropolitan – e.g. waste disposal

Our Scope 3 emissions were reduced by 54% year-on-year (2019: +24.1%).

Factors impacting our Scope 3 emissions in 2020

The reduction in our Scope 3 emissions has also been impacted by most of our employees working from home during the Covid-19 lockdowns, which has reduced waste generation in our offices.

Energy management

Our Responsible Investing team chose to add UN SDG 7 to the list of SDGs to which Momentum Metropolitan can make the most meaningful contribution. This is in recognition of the contribution we are making through our investment of R2.1 billion in renewable energy projects in support of the government's integrated resources plan, which is discussed on page 141 of the social and relationship capital section of this report. Not only will this investment reduce South Africa's carbon emissions it will also generate sufficient electricity to power nearly one million South African households.

While the impact of the reduction in our use of energy on our carbon footprint has already been discussed in the section on our carbon footprint, the impact of our energy management efforts on our use of electricity and the reduction in costs is covered in this section. The upgrading projects already mentioned contributed to the reduction of our annual electricity costs at our Centurion offices by 27% or R6.2 million and by 8% (R1.1 million) at the Parc du Cap offices in Cape Town.

Annual electricity consumption in these two properties has been reduced by 11 782 515kWH and 7 503 387kWh, respectively in 2020. Data will be available from our Cornubia offices for the 2021 calendar year, however, building audit reports rate its electricity consumption as below the national average. Our newest building, The MARC, in Sandton, which has a 5-star Green Rating, was only occupied in October 2020, which was insufficient time to assess the efficiency of its electricity consumption.

This assessment will be done for the 2021 calendar year. However, the building's carbon footprint for the three months it was occupied during 2020 was included in our Group carbon footprint calculation.

Eris Property Group, a subsidiary of Momentum Metropolitan, has to date installed solar photovoltaic units generating 1 400 000kWh of renewable energy at seven of its sites. These solar units will reduce Eris' GHG emissions and conventional energy costs over time.

Water and waste management

The Eris Property Group's efforts to reduce its use of water, a scarce resource, its GHG emissions and its costs, include:

- **Smart metering to reduce water and electricity waste**
- **The use of ground water and water harvesting**
- **Energy efficient lighting in all its buildings and solar systems at seven of its sites with more in the pipeline**
- **26.5% of the waste from its buildings is recycled**

Water management

The introduction of water management technologies and other initiatives to reduce our water consumption achieved a 54% reduction year-on-year in our consumption of municipal water in our Centurion offices and a 10% reduction year-on-year in our Parc du Cap offices in Cape Town.

Our Parc du Cap offices also have access to a borehole water supply of 1 315 kL installed during a recent drought, which is available should the area experience water shortages in future. Data from Cornubia and The MARC will be available for the 2021 calendar year.

Waste management

We make every effort to avoid sending waste to landfill. Monitoring of waste management currently takes place at our Centurion and Cornubia offices, with 40% of the waste at Centurion being recycled in 2020 and 36% of the waste at Cornubia being recycled in 2020. Waste management monitoring and reporting is now in place at Parc du Cap and The MARC and we will be reporting on their waste generation from 2021.

THE WAY FORWARD

The need to reduce our environmental impact, and in particular our carbon footprint, is becoming increasingly urgent. However, the new world of work will provide us with new challenges in this regard that we will have to find ways to address.

Our role as a responsible investor is also becoming increasingly more important in providing for investors' preferences for investments that match their ESG criteria; using our influence on companies in which we invest to be environmentally responsible and reduce their carbon footprint as quickly as possible; and encouraging better disclosure using the TCFD guidelines.

We will also continue, where possible, to invest in renewable energy infrastructure.