Climate change investment policy

Our purpose

Our purpose is to ensure due care and diligence is taken when considering broader climate change results from our investment endeavours.

Our position on climate change

The intent of this policy is to address all concerns regarding climate change and our commitment to transition to a low carbon economy. We acknowledge that we are at the start of this journey. However, we are committed to embedding the appropriate principles to transition over time. Climate change is a global challenge that requires public and private cooperation globally.

We participate in the CDP (previously the Carbon Disclosure Project) annually and our submission is publicly available on the CDP website at www.cdp.net.
As a large financial services organisation, our business is vulnerable to the effects of climate change.
Climatic conditions affect our short-term insurance business as well as mortality and morbidity felt by our life insurance operations. We are, therefore, acutely aware of the effects of climate change as they will affect our bottom line too.

Our investment philosophy is an outcome-based investing approach, which is to be aware of managing the clients' experience and journey to achieve a defined investment goal over a determined time period.

Climate change is a real risk that affects the sustainability of our markets and companies and it is, therefore, especially relevant to our investment decision-making process.

The physical (i.e. extreme weather events) and transitional (i.e. transition to low carbon economy) risks emanating from climate change could negatively affect companies' financial bottom lines and/or could present new investment opportunities.

The physical risks, such as droughts or flooding, could result in large unexpected financial losses for businesses. The negative effect will not only have a financial implication, it will also affect some of the most pertinent concerns in South Africa, which are the socio-economic factors. Communities' wellness will be directly affected by extreme weather events and may well be linked directly to job losses, housing shortages, supply of food, water shortages and restricted access to quality education. It is in our interest to encourage companies to increase their resilience to environmental shocks.

We support government's commitment to the Paris Agreement of 2015[1], which will be an inclusive and

just transition. The Carbon tax bill tabled in 2019 will facilitate the transition to a low carbon economy.
As investors, we acknowledge change is inevitable and, therefore, the future of employment in the energy sector of South Africa needs to be considered to ensure a just transition is achieved. The coal industry is one of the significant sectors of our country and a real concern on how workers will become displaced. Other examples of transition risks that companies may face include regulatory changes, technological innovations and evolving consumer preferences. Companies that have operations or value chains with particularly high greenhouse gas emissions may be exposed to risks in the event of regulatory changes or other market developments. These risks may result in higher operational costs or reduced demand for the product.

Our fiduciary duty to stakeholders

We work to incorporate climate change considerations and ensure sustainability forms a cornerstone of our business principles, dealings and undertakings.
Through our responsible investment approach, we aim, as fiduciaries of client investments, to invest in a manner that is fair and driven by the intention to generate
long-term, sustainable investment returns, while, at the same time, ensuring we remain true to our philosophy, portfolio construction and robust investment processes.

In the preamble of Regulation 28, issued by the minister of finance, under section 36 of Pension Funds Act of 1956, it is outlined that it's the fiduciary's duty to "give appropriate consideration to any factor which may materially affect the sustainable long-term performance of a fund's assets, including factors of an environmental, social and governance character." This concept applies across all assets and categories of assets and should promote the interests of a fund in a stable and transparent environment".

Implications for our investment approach

We will assess climate change risks in our investment processes and, if deemed material, across our various investment offerings. We believe in active ownership as one of the important levers to successfully integrate responsible business practices together with the entities we invest in. Therefore, we use our market presence, through shareholder activism, as bondholders and engagements to ensure climate change risks are considered by the management of companies with whom we invest. In our engagements, we encourage management of companies to equip themselves to transition to a low carbon economy.

The relevant investment committees have the oversight to ensure we will seek to invest in the various energy options working towards the transition to a low
carbon economy.

The fossil fuel (namely coal, oil and gas) investments will be subject to:

- Entities report in line with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations
- Decommissioning stages of the project is in place to allow for renewable and or low carbon technology investments in future
- The banks involved with the transaction apply the Equator Principles[2], which is a set of voluntary standards designed to help banks identify and manage social and environmental risks associated with the projects.

We support the recommendations of the TCFD[3], which was set up by the G20's Financial Stability Board. It's a voluntary, climate-related financial risk

1. https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en
2. https://equator-principles.com/
3. https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-2017-TCFD-Report-11052018.pdf

disclosure guideline for companies to provide information to investors, lenders, insurers and other stakeholders.

Our responsibility and accountability

Our climate change policy is aligned and integrated with our responsible investment policy and is approved, practically implemented and maintained by the relevant business areas.

Our different portfolio and business offerings result in various different levels of arrangement. For direct investments and where we have investment management agreements in place with underlying investment managers, we are able to direct strict compliance with our policies. Where we outsource to external investment managers, their approach to climate change is one of the core considerations in our assessment of their capabilities. Clients have access to execution and advisory services, which allow them to select their own investment managers. In some instances, these investment managers may not comply with the extent we believe they should, but they meet our minimum requirements.

Policy review

This policy is approved by the Momentum Metropolitan Holdings executive committee and practically implemented and maintained by the relevant business areas. The executive committee will review this policy at such time as it sees fit to revise the policy.

2. http://www.unpri.org/
3. http://www.iodsa.co.za/
4. https://www.icgn.org