

Task Force on Climate-Related Financial Disclosures

(TCFD) Report

TCFD | TASK FORCE ON
CLIMATE-RELATED
FINANCIAL
DISCLOSURES

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1 | INTRODUCTION

Momentum Metropolitan's purpose is to enable businesses and people from all walks of life to achieve their financial goals and life aspirations. Our purpose is underpinned by our values that reflect our priorities and the beliefs by which we conduct ourselves. They are:



We take our responsibility to our people, society, and the environment seriously and align our activities with the relevant international standards. Over the years, we have shown our support through various climate-related statements and disclosure projects, which are detailed in this report. We have for example been a voluntary participant in the CDP (formally Carbon Disclosure Project) since 2013, obtaining a B-rating since 2017. Becoming a formal, listed supporter of the international Taskforce on Climate-Related Financial Disclosures (TCFD) was a natural progression.

This TCFD-report is a further step on our journey towards enhanced climate resilience. With it, we want to create a baseline for future improvements.



“ Perspectives on our first TCFD-report:

Key to our Reinvent and Grow corporate strategy is our commitment to running a sustainable business so that we can deliver on our promises to our clients and the society that depends on us. Understanding the impact climate change will have on our ability to do this, is key.

That is why we welcomed the opportunity the TCFD-framework offers us to both assess our performance and inform our plans towards building a financially sustainable and resilient portfolio for the future. We hope this provides a clear signal of the importance we attach to climate change and broader ESG matters.

Risto Ketola, Group Finance Director, executive accountable for Sustainability at Momentum Metropolitan



“ This report comes at a time when globally, and particularly here in Africa, we recognise that climate change is a clear and present threat already impacting us all. At Momentum Metropolitan, we recognise the critical role that businesses must play to secure a more sustainable future for our clients, business, and the greater community.

This first TCFD-Report is one of the ways in which Momentum Metropolitan is demonstrating our commitment towards the environmental stewardship necessary to forge a future where we can all thrive. For certain, our adherence to the relevant TCFD guidelines will help us determine areas of improvement, but we are and will remain committed to addressing these improvements as we mature in our understanding of climate-related financial disclosures. It is our firm belief that these disclosures are decision-useful and will continue to help our business grow in its support for a Just Transition.

Momentum Metropolitan is a proud supporter of the Global Just Transition Statement. As such, we will continue to monitor local and international developments that influence climate change mitigation and the adaptation of actions needed for a sustainable and inclusive future

**Dr Sharron McPherson,
Chair of the Social, Ethics and Transformation
Committee overseeing Sustainability Issues
including Climate Change issues**



2 | OVERVIEW

Announced in 2015, TCFD is the first industry-led initiative working to bring climate-related financial reporting to a mainstream audience. In 2017, after extensive stakeholder consultation, TCFD responded to the Financial Services Board remit and developed “voluntary recommendations for climate-related financial disclosures that are reliable, clear, and efficient, and solicit decision-useful information from companies to inform lenders, insurers, and investors.” These recommendations provide a framework for climate risk disclosure, useful to all sectors, but particularly the financial sector. The framework is structured around four thematic areas that are designed to interlink and inform one another. Figure 1 shows these thematic areas.



Momentum Metropolitan is a responsible business with a long-term perspective, committed to contributing positively to the communities where we operate and dedicated to combating climate change and its impacts, and contributing to the Just Transition to a low carbon economy.

During F2021, the Momentum Metropolitan Executive Committee and the Board delegated Social, Ethics and Transformation Committee (SETC) approved the sign-up and formal adoption of the TCFD recommendations. This report covers Momentum Metropolitan’s journey towards climate change resilience. In it we disclose our progress and the processes we have in place towards mitigating and adapting to climate-risk across our Group’s enabling functions and portfolio of businesses using the framework provided by the TCFD recommendations.



3 | OUR CLIMATE JOURNEY

Climate change due to carbon emissions caused by human activity is regarded as one of the most pressing scientific and social issues of this era. The Intergovernmental Panel on Climate Change (IPCC) published its 6th Assessment Report on climate change, which details modelling and predictions by scientists on the effects of climate change – a major concern globally because of the severe impacts.

Climate change risk is one of the most complex risks and challenges that our business, society, and economy face. As with the Covid-19 pandemic, its consequences are, and will be felt much deeper in emerging markets like South Africa, exacerbating historical injustices of inequality, poverty, and unemployment. The way business will react to this change depends on the commitments made, medium to long-term strategies put in place and actions implemented to mitigate the identified risks.

The pressure to incorporate climate change risks and disclose our efforts and commitments towards managing these risks have accelerated in recent years. Our ongoing journey towards climate change resilience and sustainability within our business and operations is illustrated in Figure 2 below.



Figure 2: Our climate journey

For 2021 and beyond, Momentum Metropolitan aims to strengthen its climate change reporting and disclosure and identify whether risk management can be improved to enable an enhanced climate risk focus.

3.1 SUSTAINABLE DEVELOPMENT GOALS

Momentum Metropolitan recognises that sustainability is an approach to business that places shared value creation in a long-term context. We articulate our commitment to sustainability along the dimensions of economic, social, environmental and governance impact. Our Sustainability Strategy is currently being reviewed to ensure integration and relevance at all levels of the business for the benefit of all stakeholders.

The United Nations Sustainable Development Goals (SDGs) are a global framework and plan for the world to reduce extreme socio-economic inequality and protect the planet by 2030. Achieving these goals will require commitment and collaboration from government, business, and society. The United Nations have identified 17 SDGs that are themed around social, environmental, and economic sustainability. However, to ensure a targeted and specific approach, Momentum Metropolitan has prioritised specific goals that we can focus on and make a meaningful contribution towards (refer to page 1 of the F2021 Momentum Metropolitan Integrated Report for more information).



As the focus of this report is climate-related disclosure, only our direct impact in terms of Goal 13, Climate Action, is listed:

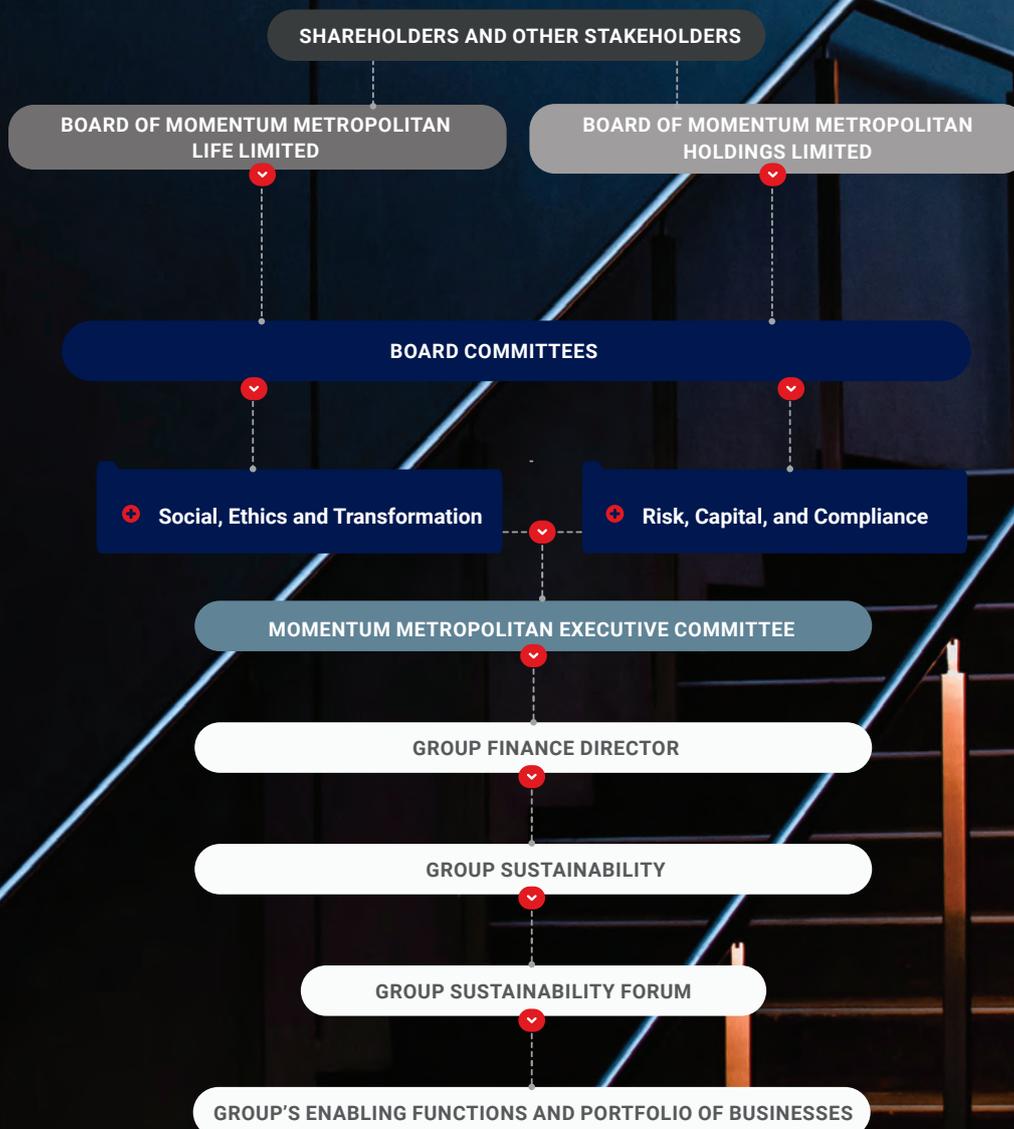
- We support the Just Transition to a low-carbon economy with a Climate Change Position Statement
- We are the first listed insurance group in South Africa to formally support and sign up to TCFD and appear on the global TCFD supporters list (refer to page 153 of the F2021 Momentum Metropolitan Integrated Report for more information).
- We were the first South African signatory of the United Nations Principles for Responsible Investing (PRI) led Just Transition Global Investor Statement which commits us to ensuring no one is left behind as we transition to a low carbon economy.
- As signatories to the PRI, we ensure that the six principles for Responsible Investment are embedded into our practices.
- We monitor our carbon emissions and have set carbon emissions reduction targets against our operational emissions.
- We install energy and water efficient technologies in our new and refurbished buildings.
- We have to date invested R2.1 billion in the production of renewable energy through Empowerment Finance initiatives



4 | GOVERNANCE

Our governance framework positions the Board as the custodian of corporate governance in Momentum Metropolitan and provides it with effective control of the business. By effectively governing the Group and taking into consideration our stakeholders' interests, our Board and management enables value creation for both our business and our stakeholders.

The diagram below sets out our sustainability governance structures, which includes a climate focus, at Board, executive management, and operational levels.



4.1 BOARD OVERSIGHT ON CLIMATE-RELATED ISSUES

The Momentum Metropolitan Board provides leadership, direction and oversight of the Group’s strategy and operations. The Board is ultimately responsible for the governance and end-to-end process of sustainability, climate risk management and the assessment of its effectiveness.

These responsibilities are managed through frameworks, policies and the Board designated committees for Social, Ethics and Transformation (SETC) and Risk, Capital, and Compliance (RCC). Chaired by independent non-executive director Dr. Sharron McPherson, the SETC meets three times each year. Further, the RCC meets every quarter and is chaired by non-executive independent director David Park. The SETC has the delegated accountability for sustainability matters within Momentum Metropolitan, thus, they are responsible for overseeing the response and performance on identified climate risks and opportunities. This is done in cooperation with the RCC who is responsible for monitoring emerging climate risks and any other risks that could result of from it.

Climate change will have a significant impact for Momentum Metropolitan and the society within which it operates. Thus, our Board and the delegated committees monitor and address material matters relating to climate change to ensure business sustainability.

4.2 MANAGEMENT’S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED ISSUES

Momentum Metropolitan’s executive committee provides supervision with regards to climate change disclosures as well as the identification and mitigation of climate risks and opportunities.

Established in 4Q F2021 and chaired by the Group Head of Sustainability, the Sustainability Forum is a senior management advisory committee on operational sustainability matters which aims to drive the incorporation of climate change mitigation and adaptation initiatives within the broader business.

Group Management Structure	Role	Response	Frequency of Reporting to the Board
Group Chief Executive Officer	Our Group Chief Executive Officer (CEO) is a member of the Board delegated Social, Ethics and Transformation and Risk, Capital, and Compliance Committees.	The Group Finance Director and Chief Risk Officer report directly to the CEO.	Quarterly
Group Finance Director	Our Group Finance Director, who reports directly to our CEO, is ultimately responsible for both the Group’s sustainability and climate risk management.	Group Sustainability is accountable to oversee all sustainability and climate change initiatives within the business.	
Group Chief Risk Officer	Our Group Chief Risk Officer reports directly to the CEO, has the responsibility for the risk management function, which is responsible for the governance of risk (inclusive of climate risk) and capital.	Group risk maintains an optimised level of risk management and governance to provide the business with the information required to effectively manage its risks and opportunities.	
Group Sustainability	Group Sustainability is the custodian of environmental matters within Momentum Metropolitan and responsible for identifying, assessing, and managing climate-related risks and opportunities.	Group Sustainability fosters the implementation of sustainability-related policies, frameworks, and strategy. This includes the management of climate-related impacts and encouraging collaboration on sustainability matters across the Group.	

Key Achievements

- 1Q F2021 – Adoption of the Group-wide Sustainability Framework, a set of principles which provides the foundation for the long-term integration of sustainability matters throughout the business
- 3Q F2021 – Establishment of Sustainability Forum
- 1Q F2022 – Initiated a review of the Sustainability Strategy, set for completion in 4QF2022
- 1Q F2022 – First listed insurance group in South Africa to be recognised as a formal supporter of the international Taskforce on Climate-Related Financial Disclosures (TCFD).

5 | STRATEGIC RESPONSE

5.1 NATIONAL POLICY CONTEXT

There has been growing concern regarding climate change related issues. Internationally and locally, several agreements and policies have been developed in the last few years to advance climate change mitigation and adaptation. As a JSE-listed entity with a vested interest in the health and well-being of the environment, the economy and society, Momentum Metropolitan recognises the need to contribute to global and national efforts to build climate resilience.

Policy	Implications for South Africa	Implications for Momentum Metropolitan
Sustainable Development Goals	Established in September 2015 to replace the Millennium Development Goals, the aim of the Sustainable Development Goals (SDGs) is to end poverty, protect the planet and ensure that all human beings can enjoy prosperous and fulfilling lives in harmony with nature. South Africa has committed to achieving the SDGs and developed policies and frameworks that will help achieve this goal.	Momentum Metropolitan created a Sustainability Framework that is anchored on the SDGs. We identified 5 SDGs that correlates with our purpose (SDG 3, 4, 8, 9 &13). SDG Goal 13: "Climate action" directly relates to climate change. Our direct contribution to climate action is noted in sections in 3.1, 6.2.1 to 6.2.3.
The Paris Agreement	The Paris Agreement was adopted during the 21st Conference of the Parties (COP21) in December 2015. Its intention is to strengthen the global response to climate change by reducing emissions and adapting to the effects of the changing climate.	Momentum Metropolitan supports the South African governments' commitment to the Paris Agreement and have issued a Climate Change Position Statement and a Climate Change Investment Policy.
South Africa's Nationally Determined Contributions	As a country who signed the Paris Agreement, South Africa agreed to report regularly on their carbon emissions and submit their Nationally Determined Contributions (NDCs). These are contributions that each country has committed to make towards reducing global carbon emissions. These can also provide guidance when planning for climate change responses and opportunities.	Momentum Metropolitan has committed to reducing its operational emissions and ensures that responsible investment practices aimed at mitigating and adapting to the changing climate are incorporated into investment decisions. We have signed an international PRI led Just Transition Statement, which is an investor commitment to support a Just Transition to a low carbon economy.
National Development Plan	This is a strategic long-term plan that aims to eliminate poverty and reduce inequality in South Africa by 2030. Additionally, the National Development Plan (NDP) also focuses on creating an environmentally sustainable country that will transition to a low carbon economy in a just manner.	The NDP notes the importance of developing strong climate change strategies and policies that will help industries to adequately respond to climate change. Momentum Metropolitan's Sustainability Framework aligns itself with the goals of the NDP.

5.2 MANAGING CLIMATE RISKS

Climate change is a real risk that affects the sustainability of our economic markets and the institutions (financial and non-financial) that operate in these markets. It is, therefore, especially relevant to the ongoing operational viability of our business. The climate risk management process refers to the Group's overall risk management process which does not specifically focus on addressing climate. Currently, Momentum Metropolitan acknowledges climate change risk as an emerging risk that has the potential to affect all our other risk types. Our understanding of climate risk, especially the impacts, is still in the nascent stage of development because we are unable to rely on historical data since the impacts are reliant on future unpredictable occurrences. As our knowledge and understanding of this risk grows, the aspiration is that the impact of climate change together with the mitigation and adaptation measures will be considered within each of the company's risk areas.



Momentum Metropolitan is maturing on its climate change journey and are in the process of enhancing our climate risk management efforts to strengthen the Group's resilience. The cross-cutting nature of climate change and its impacts require a collaborative effort across the Group, and as such, the following initiatives are currently being undertaken to manage climate change related risks:

- Disclosure and transparency:
 - CDP response – climate change questionnaire
 - UNPRI submission
 - TCFD report
- Momentum Metropolitan has undergone an exercise for climate change scenario analysis. These scenarios are intended to inform the business' understanding of climate risk and how it can be incorporated in strategic processes and decision making.
- We are making progress with our climate change risk management framework that will be used as a basis for how the group advances towards climate change risk management.

5.3 CLIMATE RISKS AND OPPORTUNITIES

Climate Change Risk refers to the risk resulting from human activities that cause extreme environmental pressures which lead to climate changes that ultimately affect society and business. These risks vary, and they can be expressed in terms of physical and transitional risks.

Physical Risk refers to the weather induced impacts of the changing climate which could affect the operations of the business, stakeholders, and investment partners. Physical risks can be classified as acute or chronic physical risks.

- **Acute Physical Risk** refers to event-driven physical risks resulting from climate change such as an increased severity of extreme weather events, for example cyclones, hurricanes, or floods.
- **Chronic Physical Risk** refers to the longer-term shifts in climate patterns that may cause sea level rise, chronic heat waves, floods, and increased storm events due to sustained higher temperatures.

Transition Risks are those risks emanating from the global transition towards a low carbon economy due to market and policy changes, and changes in reputational expectations, where failure to adhere to these changes could have a negative impact on the company's reputation, operational costs, and demand for its products.



5.3.1 Physical risks and responses

The climate risk mitigation and adaptation efforts we have in place are based on our current understanding of climate risk and they will contribute towards our resilience in the future. This is because the climate is changing but the impacts are experienced at different time frames, some immediate and others in the longer term. The focus of our journey is on knowledge and capacity building so that we can make more informed and longer-term strategic decisions that will build operational resilience for the business.

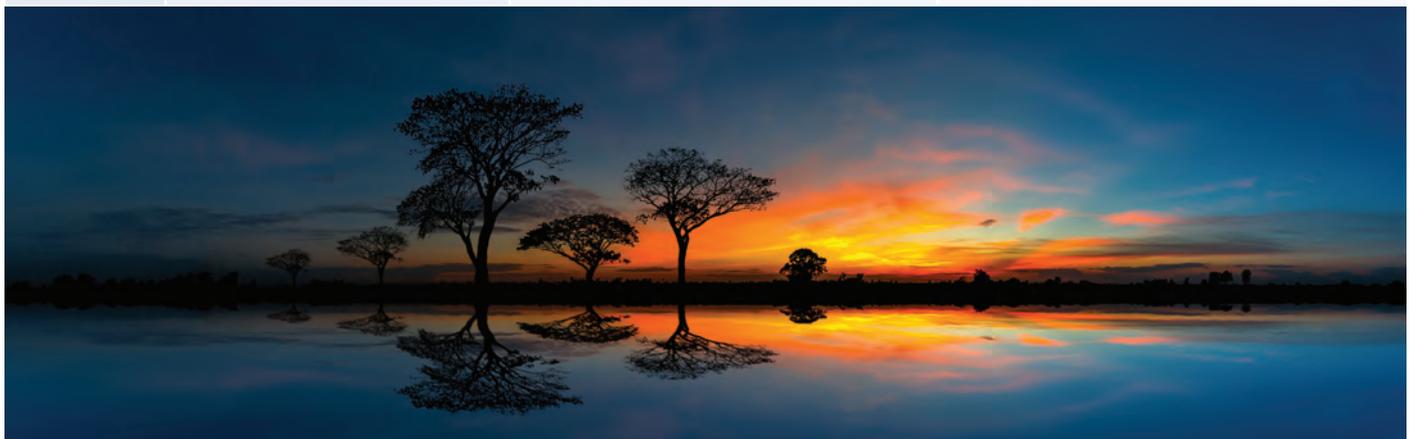
The nature of climate change impacts is considered in the long term and the timeframes for understanding climate change risk are heavily reliant on the Paris Agreement, which puts the expected science-based global impact on a 2050/2100 timeline. This differs from the risk management timeframes applied within the business. As short-term insurers and asset managers we must consider climate risk and its impacts in the short; medium; and long term to ensure sustainability in our operations.

	Short term	Medium term	Long term
Risks	Increasing short-term insurance claims due to damages caused by extreme weather events such as storms, hail, floods, and veld fires, but impacts will be more severe in the medium to longer term.	<p>Increased severity of drought, fire events because of droughts, hurricanes, or floods.</p> <p>Increased air pollution in areas prone to forest fires is most likely to affect the health of our clients – this will impact both health and life insurance.</p> <p>Increased extreme weather events that would affect our operations and staff's ability to work efficiently.</p>	<p>Sea level rise and chronic heat waves affecting health and morbidity claims.</p> <p>Communities' wellness to be impacted by extreme weather events resulting in increased poverty, job losses, water, and food shortages.</p> <p>Increased extreme weather events that would affect our operations and staff's ability to work efficiently.</p>
Mitigation and Response	<p>Currently our mitigation and response has been focused on disclosure, building understanding of climate risk, protecting our employees and operations, and appropriate investments opportunities that add to South African communities' climate resilience.</p> <p>We voluntarily mitigate carbon emissions from our operations and simultaneously disclose our climate-related risks and opportunities through our annual CDP submission and Group Integrated Report. We have set carbon emissions reduction targets to monitor the reduction of our carbon footprint.</p> <p>There have been major infrastructure upgrades at our Parc du Cap and Centurion offices which included the retrofit and installation of more energy and water efficient technologies.</p> <p>We have installed boreholes and water management systems in our Parc du Cap offices as they are in drought prone areas.</p> <p>We make investments in renewable energy power generators which mitigate carbon emissions associated with energy production.</p>		

5.3.2 Transitional risks and responses

Risk Type	Description	Mitigation Measure	Response
Regulation	Risk that could arise due to the inability to adhere to changing regulation as South Africa makes strides to implement and strengthen climate regulation.	We ensure that the business is compliant with and adheres to current climate-related regulatory requirements relevant to the business. We monitor the development of new proposals or frameworks being considered by government.	<p>Carbon taxation laws were promulgated and made effective since 1 June 2019. The implications for Momentum Metropolitan have been assessed and still considered minimal as current laws exempt us from any financial obligation for the period 2020 – 2022.</p> <p>As we continue to monitor carbon tax implications for the business beyond 2022, our operational plans are being assessed to ensure limited impact from carbon taxation laws.</p>
Technology	The financial risk of not keeping up with technological innovations and trends as well the potential losses attributed to technology failure.	Momentum Metropolitan has in place a Technology Risk Management Policy which documents sound practices to help ensure that technology risk within the Group is managed and measured in an effective and consistent manner by describing the key elements of the Technology Risk Management Framework.	<p>Possible technology risks that could affect the Group are inclusive of but not limited to the availability of and stakeholder expectation to implement energy efficient and water savings technology, as well as investment in renewable energy technologies.</p> <p>When upgrading infrastructure in our main buildings, our Facilities Management Team takes great care and consideration in ensuring that the technologies installed are energy and water efficient. They do the same with newly constructed buildings for example, The Marc which is rated a 5-star green building by the Green Building Council of South Africa.</p>

Risk Type	Description	Mitigation Measure	Response
Legal	The risk related to the exposure of fines, penalties and punitive damages resulting from contractual relationships, private settlements, and intellectual property.	The Momentum Metropolitan Legal Risk Management Policy provides guidance on how legal risk should be managed in the business and is aligned with the ORSA Framework. We have also set environmental, and sustainability policies.	<p>The Sustainability Department reviews new and emerging climate-related legislation and assesses how it will impact the business. Currently, climate-related legal risk could result from the inability to adhere to government legislation such as Carbon Tax or annual GHG-emissions reporting regulations set by the Department of Forestry, Fisheries, and the Environment (DFFE). If not adhered to, this could result in fines for the business as well as reputational damage.</p> <p>We adhere to requirements by the DFFE for JSE listed companies that have stationary combustion activities with a combined capacity that exceeds the 10MW(Th) threshold, to report on the annual carbon emissions from their facilities.</p>
Market	The risk of financial loss due to adverse movements in the market value of assets supporting liabilities, relative to the value of those liabilities, or due to a decrease in the net asset value, because of changes in market conditions, or because of the performance of investments held.	There is a global shift towards a demand for environmentally friendly products which contribute towards the transition to a green economy as well as the incorporation of sustainability (environmental, social and governance) issues in all spheres of business.	Momentum Outcome-based Solutions conducts an annual responsible investments assessment of our investment managers so that we can understand their responsible investments journey. As signatories of TCFD, we encourage investment managers to incorporate climate change risk, and have added a new question which assesses whether climate-related risks are addressed in the relevant managers' policies. Even though there are anomalies, the 2021 responsible investment ratings show that most of our investment managers recognise the importance of responsible investment practices and the integration of Environment, Social and Governance (ESG) matters.
Reputation	The potential loss of financial and/or social capital as well as market share due to damage to the Group's reputation. Reputational risk is often measured in lost revenue, increased operating, capital, or regulatory costs and/or destruction of shareholder value.	The failure of Momentum Metropolitan to comply with existing and emerging regulation, the inability to adapt to technology and market demands, could indirectly result in reputational damage for the business. This is because of an increasing demand from stakeholders to incorporate and/or disclose climate change and to a larger extent environmental management information.	The Sustainability Department manages reputational risks that could result from non-disclosure by ensuring consistent and timeous reporting and disclosure of ESG and climate-related information through CDP, the DFFE and the PRI with the support of the Responsible Investments Department.



5.3.3 Climate-related opportunities

A key part of identifying risks is ensuring that the risk is mitigated, and any opportunities are incorporated into business operations, thus contributing towards the shift to a greener economy. We have provisionally identified the following opportunities over the short, medium, and long term:



- Mitigate current and future operational emissions by committing to net-zero targets
- Increase employee awareness on climate change mitigation and adaptation
- Review of sustainability strategy that will give stronger guidance on climate change and overall ESG matters



- Incorporate climate change and overall ESG matters within business strategies
- Assess and monitor the resilience of our operations from the impact of physical climate risks
- Increased investment in renewable energy technologies
- Product innovation in the non-life insurance, medical scheme and life industries to meet the demand for climate change related claims



- Increased investment in renewable energy technologies
- Product innovation in the non-life insurance, medical scheme and life industries to meet the demand for climate change related claims
- Use of lower emission sources of energy

5.4 SCENARIO ANALYSIS

This component aims to support Momentum Metropolitan to develop an understanding of how the climate change threat could affect the business under different scenarios. The complex nature of climate change and predicted future impacts make it challenging for historical data to be used to mitigate and adapt to this pending reality. Thus, a more forward-looking approach is necessary to inform future modelling and to deepen our understanding of the associated socio-economic implications.

These scenarios presented here, are an update to the high-level qualitative climate scenarios generated in 2018 and 2020. To generate these scenarios, members from the Sustainability Forum – senior management from the Momentum Metropolitan Group and its subsidiaries – assessed the climate change landscape and went on to map out qualitative scenarios for the Group.

These scenarios are a positive step in our journey towards understanding climate change risk and its implications for the business. They will strengthen our planning and strategic integration of climate risk whilst enabling us to identify and prioritise actions that will help the business adapt to achieve a sustainable 1.5°C pathway. Momentum Metropolitan seeks to improve the way we consider and address climate risk. We will also identify suitable methodologies to be able to conduct quantitative climate change risk scenarios in the near future. These quantitative scenarios will not only strengthen our planning, forecasting and strategy integration, they will be a step closer towards our net zero climate strategy.

5.5 CLIMATE CHANGE SCENARIOS DEVELOPED BY WORKING GROUP

To do scenario analysis we assessed the climate change situation that the business could face in the long-term future (by 2050). This is because the Paris Agreement (an international treaty on climate change) aims to keep global temperature increase well below 2 degrees Celsius and pursue effort to keep this increase to 1.5 degrees Celsius. To reach the goals of the Paris Agreement, the world must commit to net zero carbon emissions into the atmosphere by 2050, a long-term perspective of risk.

Achieving the goals of the Paris Accord would greatly reduce climate change risks and its impacts. Thus, our scenarios were plotted considering the longer-term time frames to achieve net zero emissions as opposed to the risk management time frames used by the business (refer to section 5.3.1).

From this we generated four scenarios that were based on two drivers which both had high uncertainty and high potential impact:

1. The global response to climate change
2. The South African response to climate change.

These drivers were plotted in a matrix, resulting in four quadrants with each quadrant representing a scenario. An overview of the four scenarios for 2050 is shown below. The probability, expressed as a percentage, of each quadrant is the working groups' current estimate of the probability of the scenarios occurring. Three of the possible scenarios have very similar probabilities and this is an indication of the high level of uncertainty related to the impact of climate change. There is no clear answer to the one side, or the other.



5.6 COMPARISON OF MOMENTUM METROPOLITANS SCENARIOS FOR 2050

We also did a comparison of Momentum Metropolitan scenarios for 2050. Light grey is generally considered better for business, the environment and society. Light red can be both better and worse, for example, in the two low carbon scenarios, the global temperature rise is contained, which is better, but it still carries negative consequences. Dark red is generally negative or worse.

Factor		SA a part of a low carbon world	SA left out in a low carbon world	SA decarbonises in a hothouse world	All burn together in a hothouse world
Global climate	Emissions reduction effort and collaboration	Strong	Strong	Limited	Limited
	Net zero emissions achieved	2050	2050	Very late	Very late
	Temperature rise	1.5°C by 2050	1.5°C by 2050	>2°C by 2050	>2°C by 2050
SA climate	Emissions reduction effort and collaboration	Strong	Limited	Strong	Limited
	Temperature rise	3°C by 2050	3°C by 2050	4°C by 2050	4°C by 2050
	Physical climate change damage	Some	Some	Severe	Severe
	Need for adaptation	Some	Some	Very strong	Very strong
SA economy	Finance and technology support for SA from the developed world	Happened	None	None	None
	Green tech investments and advances	Happened	Did not happen	Very limited	Did not happen
	Able to fund and develop infrastructure	Happened	Did not happen	Limited	Did not happen
	Able to execute a low carbon strategy	Happened	Did not happen	Very limited	Did not happen
	Economy restructured	Restructured	Not restructured	Only partially	Not restructured
	Renewable energy replaced fossil fuels	Happened	Did not happen	Only partially	Did not happen
	Economic growth	Initially moderate, sustainable going forward	Initially good, collapsed in 2030s	Initially good, collapsed in 2040s	Initially good, collapsed in 2040s
	Climate change litigation	Significant	Significant	Some	Few
SA socio-economic	Orderly Just Transition	Being achieved	Not being achieved	Not being achieved	Not being achieved
	Poverty, inequality and unemployment	Being addressed	Worsened	Worsened	Worsened
	Social problems	Much less than in 2020s	Severe	Severe	Severe
Implications for MMH	New investment opportunities	Major	Limited	Minor	Minor
	New infrastructure	Major	Limited	Major	Major
	Insurance volume	Increased	Increased	Strongly increased	Strongly increased
	Operational resilience	Some issues	Some issues	Severe issues	Severe issues

6 | RISK MANAGEMENT

6.1 IDENTIFYING AND ASSESSING CLIMATE-RELATED RISKS

Momentum Metropolitan's risks and measures for managing risks are assessed by the Board and / or individual committees of the Board. Within Momentum Metropolitan, the facilitation and identification of organisational and business risks is managed by the risk management functions at group and business portfolio level. As coordinators of sustainability across the business, the Sustainability Department is also a key part of identifying and managing climate-related risks that are reported to the Board delegated SETC.

A risk that is recognised as having substantive impact at the corporate level is recognised through the ORSA process. The ORSA method is required to consider all material risks that may have an impact on the ability of Momentum Metropolitan to meet its obligations to its stakeholders. Included in the assessment is a consideration of the impact of future changes in economic conditions and other external factors. The Groups ORSA considers some of the following risk types at a high level: Market Risk, Long- & Short-Term Insurance Risks; Operational Risk, Legal and Compliance Risk, and Tax Risks. Over the years, our understanding of these risks has been enhanced, hence they are integrated and considered in the ORSA. The Groups aspiration is to have a more in-depth understanding of climate risk and embed it into the ORSA so that it will flow through the standard company risk governance cycles.

The Groups risk classification is designed to best reflect risk exposures by risk category, that can be event driven, functional, a life cycle or regulatory classification approach. Each main risk category is supported by the appropriate policies, methodologies and frameworks designed to give insight to the application of the risk identification, assessment, monitoring, managing, and reporting. Figure 3 below illustrates our risk management process, which lies at the centre of the Group's ORSA framework.

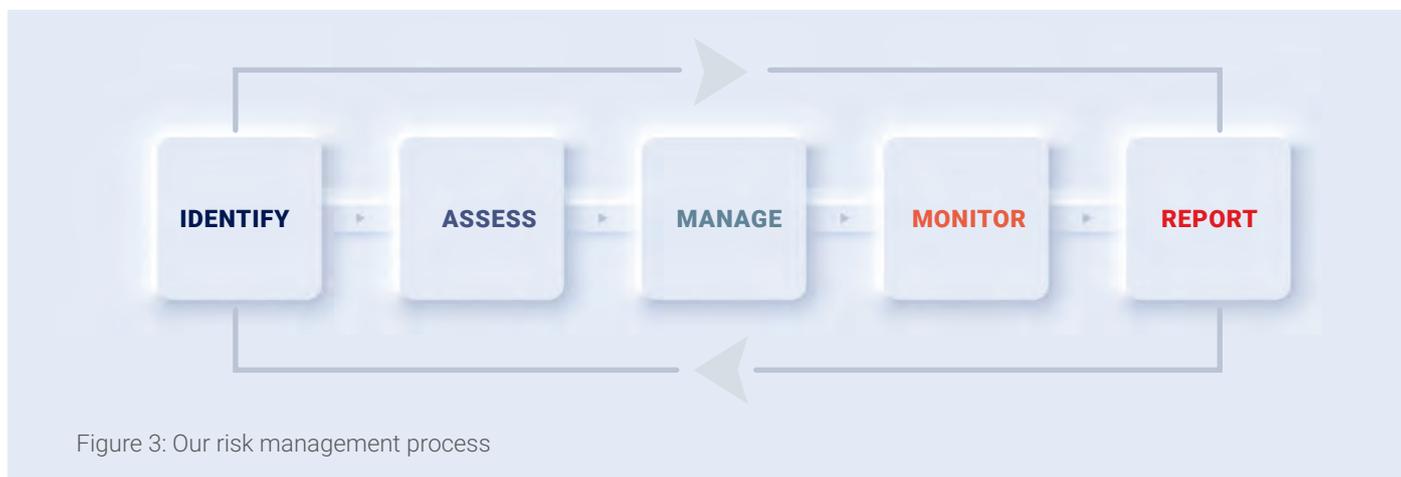


Figure 3: Our risk management process

Climate change impacts are cross-cutting in nature and are expected to impact some of the risk types already addressed in the ORSA (refer to sections 5.3.1 and sections 5.3.2). Physical and transition risks are expected to have consequences for financial risks such as credit, market, liquidity, and operational risk. For example, market risk is considered as part of the businesses' financial risk, and legal and compliance risks are considered as part of business risk whilst on an asset level, the physical impacts can affect individual facilities.

Momentum Investments is already furthering the Groups climate change aspirations, through responsible investment practices, identifying and assessing climate-related risks and opportunities at a company and asset level.



6.2 MANAGING CLIMATE-RELATED RISKS

6.2.1 Momentum Metropolitan's policies and statements

Momentum Metropolitan has in place several policies and statements which support the management of climate-related risks within the Group.



6.2.2 Operational Resilience

Several processes are in place to ensure that climate change risks and opportunities are identified and managed across the Group. To monitor the Groups resilience towards direct operational impacts, the Sustainability Department has formed a close relationship with the Group Facilities Department who are responsible for managing the infrastructure of the Group.

The Facilities Department takes great care and consideration in the technologies installed within our head offices, specifically with regards to new buildings where the aim is to ensure that they are Green Star rated. An example of this are our newest buildings in Cornubia and Sandton (The Marc), which are 4- and 5-Star Green Star rated buildings respectively. Existing buildings are retrofitted with more energy and water efficient technologies when they are being upgraded. In addition, they monitor the infrastructure of our major head office buildings and ensures that they are compliant with national building standards.

In terms of acute physical risk, the Sustainability Forum through input from the Group's enabling functions and the Group's portfolio of businesses oversees the monitoring and assessment of current climate change induced weather related risks and how they will affect Momentum Metropolitan's operations. The intention of the Forum, being newly constituted in March 2021, is to ensure that any action plans arising are tabled at the relevant oversight body meetings (for example at the SETC meeting).

Through the Sustainability Forum we will remain responsive where physical risks emerge and put in place long-term adaptation measures as we have done in the past. An example of this was the 2017 drought in Cape Town where one of our major offices, in Bellville, Cape Town was directly impacted by the drought. To contribute towards water management, the Facilities Department reduced water pressure from the taps to improve water use efficiency. Water demand was managed by including the following initiatives:

- Changing water-cooled systems with air cooled chiller plants in identified buildings
- Creating a mechanism to keep water pressure at levels suitable for the operation of a modified fire system; and
- Borehole installations.

6.2.3 Responsible Investments

(Refer to pages 148 to 149 of the F2021 Momentum Metropolitan Integrated Report for more information on our responsible investing approach.)

Responsible investing is part of Momentum Investments core beliefs system. Sustainable responsible investment practices are material factors underpinning our long-term success. As asset managers, we consider the ESG risk of assets in which we invest to be relevant to the performance of the overall investment objective, across all asset classes, sectors, markets and through time.

As investors, we ensure due care and diligence is taken when considering any potential investment with regards to the impact such an investment could have on the environment and specifically on climate change. Climate change is a real risk that affects the sustainability of markets and companies globally and it is therefore especially relevant to our investment decision-making process.

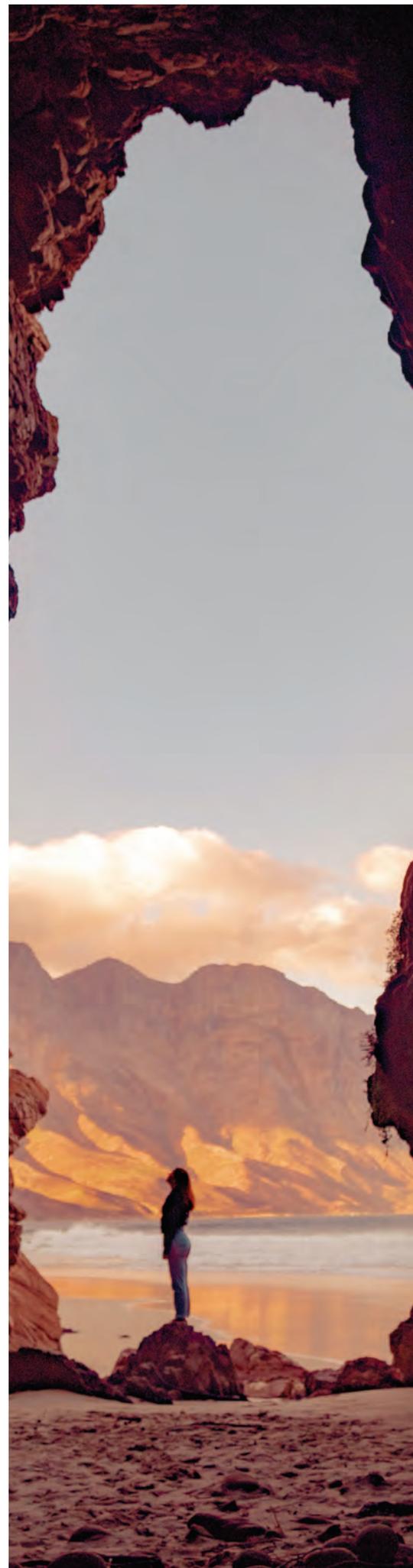
As investors, we acknowledge change is inevitable and, therefore, the future of employment in the most affected sectors such as energy, oil and gas need to be considered carefully to ensure a Just Transition is achieved. As an example, the coal industry remains a significant sector in many developing and developed countries from an employment perspective and the socio-economic impact of potential job losses and worker displacement during a transition should be carefully managed. Other examples of transition risks that companies and countries may face include regulatory changes, technological innovations, and evolving consumer preferences. These are examples of risk factors that we consider as part of our investment decision making process.

It is not only about phasing out polluting sectors, but also about creating new jobs, new skills, new investments, and the opportunity to create a resilient economy. Social dialogue is key to collaborate and to acknowledge in policies that a Just Transition is necessary.

We are not looking to invest in any new fossil fuel investments. Any investments in fossil fuel (namely coal, oil, and gas) businesses will be subject to whether:

- Entities report in line with the TCFD recommendations
- Decommissioning stages of the project are in place to allow for renewable and or low carbon technology investments in future
- The banks involved with the transaction apply the Equator Principles, which is a set of voluntary standards designed to help banks identify and manage social and environmental risks associated with the projects.

Momentum Investments have a proactive approach towards managing ESG issues with the aim of, where possible, managing and mitigating events before they escalate. As investors, it is in our interest to encourage companies in which we invest to increase their awareness of climate matters, and to ensure that they also have a climate focus for a sustainable and resilient future business. We believe in active ownership – through our engagement with companies in which we invest, we focus on ensuring that climate change risks are considered by management. In our engagements we encourage the management of companies to equip themselves to transition to a low carbon business.



Through our annual investment manager RI rating assessment, we encouraged investment managers to adopt a climate change focus for a sustainable and just transition future. We assessed if climate-related risks were acknowledged and evident in the respective investment manager's policies. Information on how to write a climate change investment policy and information on TCFD recommendations were shared as we want our appointed investment managers to be aligned to our investment approach. The total universe assessed were 46 investment managers in South Africa. The results showed that 96% of the investment managers agreed and recognised climate change as a real risk. It is important to us that we achieve alignment with our appointed investment managers and therefore encouraged 43 investment managers to publish a climate change investment policy.



Our Responsible Investment team has also conducted a training roadshow across the different investment teams to educate and create awareness on the importance of integrating SDGs and climate-related information as part of its due diligence and risk assessment process. We form part of an international group that signed a Just Transition statement to support the workforce in our transition to a resilient and low-carbon economy. An inclusive and Just Transition to a lower carbon economy can have significant benefits for achieving the objectives of the SDGs.

It is important that our investment professionals are equipped with the necessary skills to integrate climate-related risks in their investment processes. This is achieved through attending climate change related conferences for investors, internal training provided by our responsible investment team and completing formal climate courses. This year, 17 investment professionals completed the PRI African Asset Owner Climate Awareness Course that is also certified by Batseta. Also, being part of the PRI led international investor working group on the Just Transition provides us useful insight and opportunity to learn what information and data we need as investors to understand companies' approaches to the Just Transition and management of climate-related risks.

We have in place a Climate Change Investment Policy and a Responsible Investments Policy which addresses the importance of taking concerns such as climate risk and ESG risk factors into consideration as they may affect the sustainable nature of an investment. Through involvement with the Association for Savings and Investment South Africa (ASISA), support for the Code for Responsible Investing in South Africa (CRISA) and being a signatory to the United Nations-supported Principles for Responsible Investment (PRI), Momentum Investments endeavours to encourage other investment managers, service providers, asset consultants and investment owners to apply responsible investment practices in their daily operations.

6.2.4 Managing Social Risks

The Sustainability Forum serves as the central platform for the discussion of climate change risks, the integration of ESG matters (including our social impact work) with the Group's enabling functions and portfolio of businesses within the Momentum Metropolitan Group. This is because climate change will not only have a physical and financial implication, as it is interconnected with socio-economic factors.

Communities' wellness will be directly affected by extreme weather events and may well be linked to job losses, housing shortages, food security and water shortages. Our investment in building social and relationship capital contributes to the transformation of South Africa. This includes our inputs in access to skills for our own workforce and the broader society (refer to page 115 of the F2021 Momentum Metropolitan Integrated Report 2021), our efforts to advance diversity and inclusion, and the development of black-owned businesses and procurement from these businesses.

Specifically, through the Momentum Metropolitan Foundation, we are supporting the development of entrepreneurship opportunities for young people in the green economy. Through our Enterprise and Supplier Development Trust, we are supporting four black women-owned enterprises in the green economy to grow their business. Collectively, all these efforts contribute both to business sustainability and promoting social equality and equity which we will need as society to build resilience against the impacts of climate change.

6.2.5 Sustainability Opportunities

There is a global shift towards a demand for greener products which contribute towards the transition to a greener economy and the incorporation of ESG considerations in all spheres of the business. The Covid-19 pandemic and resulting financial consequences has increased awareness on how we interact with our environment and has elevated the value of incorporating ESG as a risk management framework for business.

A key part of identifying risks is ensuring that the risk is mitigated, and opportunities are incorporated into business operations. Some examples of where we have done this are listed.

1. With the shift towards cleaner energy and a greener global economy, Momentum Investments has identified investment in renewables as having attractive investment opportunities that meet our return and impact objectives. Momentum Investments is an equity investor in SA's first renewable energy independent power producer to receive Environment Authorisation – a wind power producer in Hopefield.
2. To mitigate and reduce the financial risks faced by South African grain farmers who are vulnerable to drought and grain price volatility, Momentum Metropolitan (through Guardrisk) provides tailor-made insurance to them. This partnership with Agnovate Entails developing a multi-peril yield insurance (MPYI) product which calculates insurance rates according to the historical yield performance of a predefined production area and considers similar soil and climate in one geographical area. Claims are based on the weighted average of yield shortfall determined across the production area, and clients pre-agree to absorb a percentage of the total financial loss. This product was launched in August 2019. The volatile climatic conditions triggered several claims during 2019/2020, but the product responded in accordance with expectations, adequately protecting our clients' risks and living up to its promises.
3. Through our Empowerment Financing division, we have to date invested R2.1 billion in renewable energy initiatives, thereby contributing towards energy security and powering more than 1 million houses (refer to page 144 of the F2021 Momentum Metropolitan Integrated Report for more information).
4. 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' greenhouse gas emissions and conventional energy costs over time.

Momentum Metropolitan will continue to seek out opportunities, using climate change and ESG considerations as lens, to contribute to the overall sustainability of the business.

7 | OUR METRICS AND TARGETS

7.1 OUR DIRECT CARBON EMISSIONS

Momentum Metropolitan is considered to have a low environmental impact because of the nature of its business. However, we recognise that the responsible management of the environment is key for the sustainability of our business and a key consideration for our clients, employees, and communities. As such, we have adopted a precautionary approach to environmental management and comply with all applicable environmental legislation and regulations.

We believe we have a responsibility to:

- Mitigate our direct impact on the environment.
- Encourage our employees to reduce their impact on the environment.
- Apply responsible investment practices across all our savings and investment products.

Although considered a small carbon emitter, Momentum Metropolitan directly contributes towards global carbon emissions through its direct operations. The largest contributor to our carbon emissions is electricity consumption that is attributed to South Africa's dependence on mostly coal derived energy. Thus, we disclose our greenhouse gas emissions through our annual carbon footprint (refer to Figure 4) which is verified by an external carbon emissions verification agency on an annual basis.



During the 2020 calendar year, we achieved a significant reduction in our Scope 1, 2 and 3 carbon emissions due to the Covid-19 pandemic lockdown restrictions where we encouraged our employees to keep safe and stay home. Thus, we have exceeded our target of a 25% reduction in our combined Scope 1 and 2 emissions by 2030 from the 2014 baseline (Figure 4). Specifically, our Scope 1 and 2 emissions reduced by 26.20% from the 2014 base year emissions (refer to page 156 of the F2021 Momentum Metropolitan Integrated Report for more information).

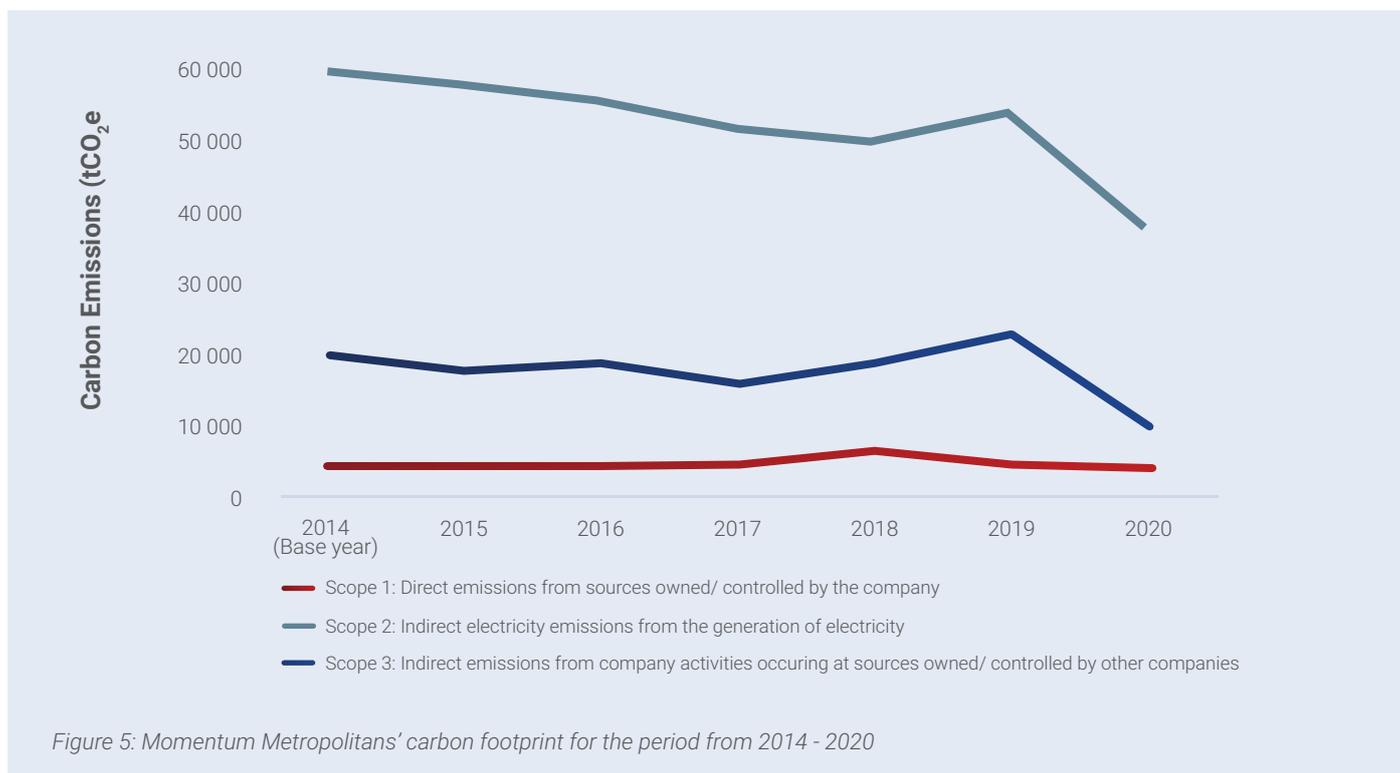
The Groups stationary fuels (generator diesel & LPG) emissions have increased by more than 1 500% since the 2014 baseline year. This is because of increased generator diesel usage and storage because of Eskom's load shedding.

	1 January to 31 December 2020 (tCO ₂ e)	Financial Year 2014 (tCO ₂ e)	Change from 2014 - 2020
Stationary Fuels - Generator Diesel & LPG	1 228	71	1 630%
Product Use - Refrigerant Gases (Kyoto Protocol)	510	381	33%
Mobile Fuels – Owned Cars	381	992	-62%
Total Scope 1 Emissions	2 119	1 444	47%
Purchased Electricity – Location Based	41 906	58 209	
Total Scope 2 Emissions	41 906	58 209	-28%
Purchased Goods and Services – Paper	518	901	-43%
Purchased Goods and Services – Water	101	212	-52%
Fuel and energy related activities – T&D Losses	4 151	6 556	-37%
Fuel and energy related activities – WTT Fuel	382	-	-
Waste Generated in Operations	39	-	-
Business Travel - Flights	11	10 544	-100%
Business Travel – Car Hire	120	269	-55%
Total Scope 3 Emissions	8 643	18 483	-53%
Total Scopes 1&2	44 025	59 653	-26%
Total Scopes 1,2&3 Emissions (GHG) Protocol	52 668	78 136	-33%
Total number of employees included	16 234	17 422	-7%
Total emissions per employee	2.71	3.42	-21%

Figure 4: Momentum Metropolitan's annual carbon footprint



Over the years, we have witnessed a reduction in our carbon footprint (see graph on Figure 5) because of more energy efficient technologies being installed in our larger head office buildings as they are maintained and upgraded. The 2019 spike in Scope 2 emissions is due to a 9.5% increase in the South African emission factor used to calculate electricity emissions. During 2019, there was also an increase in Scope 3 emissions because of increased flight travel. This is something we will monitor going forward.



Noteworthy are some of our indirect Scope 3 emissions that are not included in calculations because of data limitations. These are:

- Supply chain emissions. Due to the nature of our business which is largely services based, our supply chain emissions are considered minor. We have begun discussions regarding the integration of ESG into the supply chain.
- Cloud computing storage emissions (although the main environmental impact is due to the energy consumed to run data centres which has been accounted for in our Scope 2 emissions), and
- Organisational portfolio impact due to our investments. We have begun discussions regarding quantifying our investment emissions. As investors our current approach is to encourage companies in which we invest to increase their awareness of climate matters.

Our carbon emissions savings might be reversed when our working from home policy is finalised and working life settles down post-Covid. We will continue to monitor and make efforts to reduce our carbon footprint and set new targets that will contribute towards the Just Transition to a low carbon economy.

8 | WAY FORWARD

Globally, the need to reduce our environmental impact, and in particular our carbon footprint, is becoming increasingly urgent as the world seeks to significantly reduce global emissions in the coming years. Our role as a responsible corporate who leads by example, is also becoming increasingly clear. We have the responsibility to support the advancement of investments with positive ESG impacts; developing investment opportunities, social initiatives, and products, that will improve the resilience of our environment and society at large. We must use our influence to encourage others (our stakeholders and business partners) to reduce their carbon footprint as quickly as possible and encourage better disclosure using the TCFD guidelines, as we ourselves learn to improve in this.

Over the next two years we intend to strengthen our governance and understanding of climate issues, growing our skills and capacity in these topics, and creating partnerships that will help us accelerate our efforts towards environmental stewardship.

We have recently updated our scenario analysis and will do so annually going forward as the rapidly changing climate change context demands.

Even though our direct emissions are considered small, our indirect emissions (Scope 3 – Category 15 investments emissions exposure) are currently not known. To understand our overall impact on the environment, we have started our journey to better understand and quantify our investment portfolio's (inclusive of our property portfolio) emissions exposure.

All these undertakings come with a fair amount of complexity, but which we are committed to undertake.

9 | APPENDIX

RCC	Risk Capital and Compliance Committee
CDP	Carbon Disclosure Project
CO₂e	Carbon dioxide equivalent
COP	Conference of the Parties
DFFE	Department of Forestry, Fisheries and the Environment
ESG	Environmental, Social, Governance
IPCC	Intergovernmental Panel on Climate Change
IT	Information Technology
NDC	Nationally Determined Contribution
NDP	National Development Plan
ORSA	Own Risk and Solvency Assessment
PRI	United Nations Principles for Responsible Investments
SA	South Africa
SDG	Sustainable Development Goals
SETC	Social, Ethics and Transformation Committee
TCFD	Task Force on Climate-Related Financial Disclosures

