LIBERTY

In it with you

Liberty Holdings Limited

Climate-related financial disclosures report

2020

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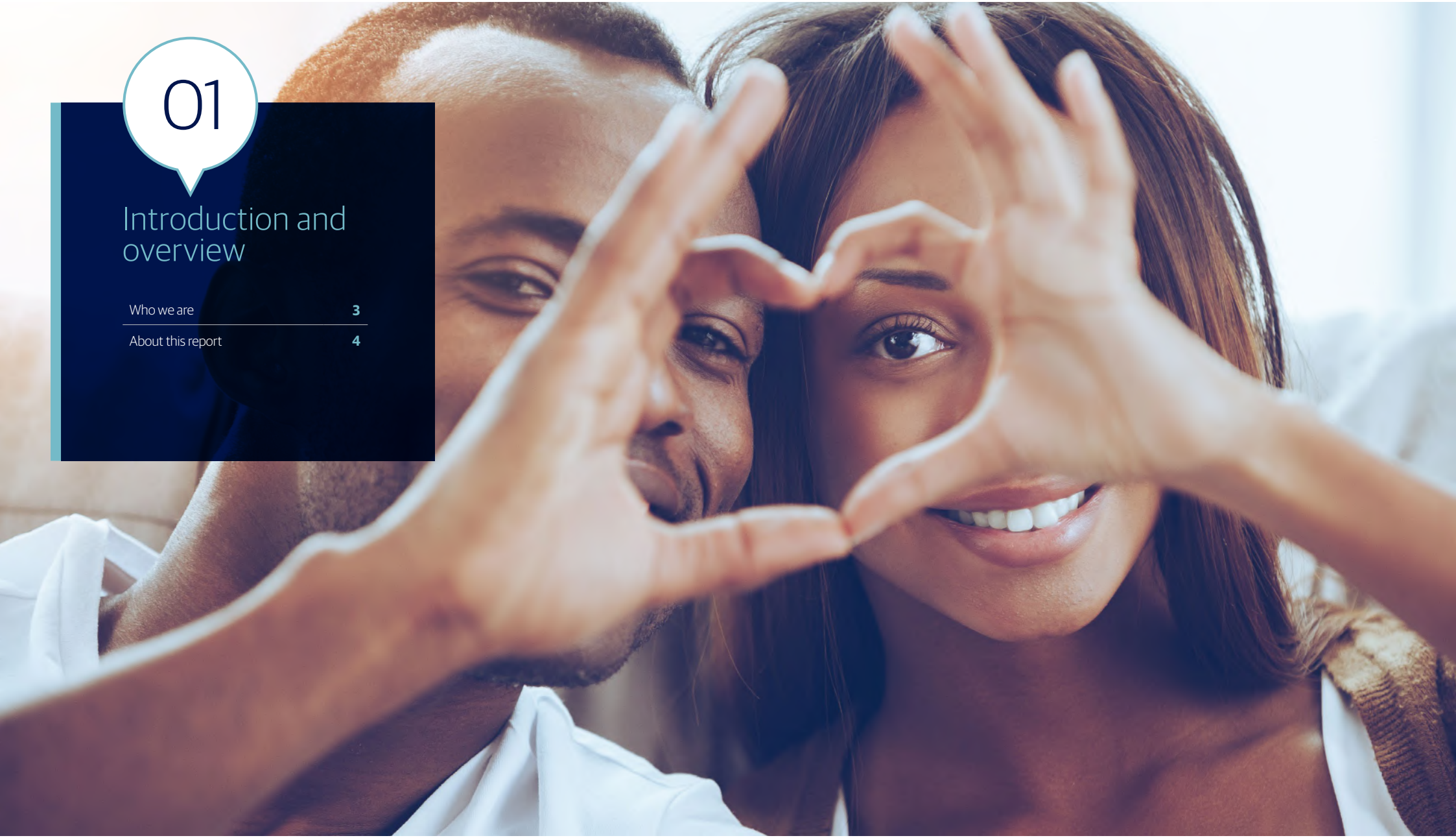


01

Introduction and overview

Who we are

Liberty is a JSE-listed financial services group that offers an extensive, market-leading range of products and services to help clients build and protect their wealth and lifestyle. Liberty is an integral part of the Standard Bank Group.

Our purpose

Improving people's lives by making their financial freedom possible.

Our vision

Transforming Liberty to be the trusted leader in South Africa and chosen markets by delivering superior value through exceptional client and adviser experiences.

Liberty was founded 62 years ago and has a proud heritage of innovation in serving South Africa's retail-affluent consumer segment where we have a significant market share

Liberty is South Africa-focused although we see opportunities in certain selected African countries, and we are committed to **growing our existing business in Kenya**

Liberty offers responsible and objective savings, investment and protection/risk advice and products to clients **through a large and established adviser force**

Liberty's strong balance sheet enables us to offer **innovative investment solutions** to our clients

Liberty has an iconic property portfolio, including Sandton City, Eastgate and Liberty Midlands Mall

Liberty is committed to growing our representation in the emerging consumer market and amongst **independent financial advisers**

STANLIB is Liberty's wholly owned asset manager, with a number of **award-winning products**

Liberty has a unique and successful **bancassurance partnership** with **Standard Bank**

The group structure simplified

Standard Bank Group 53,6%

Liberty Holdings Limited

Liberty Holdings Limited is the holding company of various operating subsidiaries engaged in the provision of financial services, the most significant of which are reflected below.

LIBERTY 100%

Liberty offers clients a range of insurance and savings products, allowing them to plan for the worst, but prepare for the best in their life journeys. A strong trusted brand for over 60 years, Liberty is one of the largest providers of long-term insurance solutions to South Africa's retail-affluent market.

STANLIB 100%

STANLIB's investment professionals cover a wide range of asset classes, both locally and offshore, from active to passive asset management to single and multi-manager solutions. Their insights and experience help them make better-informed decisions that enable our clients to achieve financial freedom.

LIBERTY two°degrees 59,4%

Liberty Two Degrees (L2D) is a predominantly retail-focused South African Real Estate Investment Trust (REIT), and a sector benchmark in innovative property asset management. L2D is focused on delivering sustainable growth, derived from quality property income, to our institutional and retail unitholders.

LIBERTY Liberty Kenya Holdings 57,7%

Listed on the Nairobi Stock Exchange, Liberty Kenya Holdings Plc is the holding company of Liberty Life Assurance Kenya Ltd and The Heritage Insurance Company Kenya Ltd. Through these operating subsidiaries, the group offers a range of attractive investment, retirement, life and education solutions, and general insurance products to individuals and businesses in Kenya.

About this report

Liberty is committed to transparent reporting, strengthening investor confidence through consistent and comparable disclosure. We are therefore pleased to present our first climate-related financial disclosures report.

To help identify the information needed by investors, lenders and insurance underwriters to appropriately assess and price climate-related risks and opportunities, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD). In 2016, the TCFD issued draft recommendations that allow for more effective climate-related financial disclosures, thereby strengthening investment, credit and insurance underwriting decisions. The recommendations are structured around four core elements – governance, strategy, risk management and climate-related metrics and targets.

Interested stakeholders are also able to better understand the concentrations of carbon-related assets in the financial sector, along with having greater insight into a company's climate-related risks and opportunities. The TCFD recommendations ensure that corporate disclosures of climate-related financial information are consistent, comparable, clear and reliable across the board. The TCFD recommendations are not limited to companies in the financial sector, but also apply to companies in other sectors with public debt and/or equity.

Assurance

The responsibility for our system of internal control lies with our board and group audit and actuarial committee. By applying a combined assurance approach, we can ensure that assurance services and functions create an effective control environment that supports the integrity of information for internal decision-making and external reports.

The limited assurance received on reported information has been indicated throughout this report as follows:

L *Limited assurance expressed over selected KPIs by PwC*

RTS *Refer to page 87 of the report to society for PwC's limited assurance report.*

In the past, our disclosures on sustainability matters have been captured in our report to society and other reports, using a range of measures and standards, including:

- Global Reporting Initiative (GRI) Standards
- King IV Report on Corporate Governance for South Africa, 2016 (King IV™)
- FTSE/JSE Responsible Investment Index
- United Nations (UN) Global Compact
- UN Sustainable Development Goals (SDGs)
- UN Principles for Responsible Investment (PRI) (STANLIB publishes an annual PRI Transparency Report and the STANLIB Stewardship Report)
- Carbon Disclosure Project (CDP) to which we submit annual disclosures in terms of their climate change questionnaire

We remain committed to our current reporting frameworks, and believe that additional reporting in terms of the TCFD recommendations will add more in-depth disclosure on our impact on climate change. Liberty is aware of the importance of this information in terms of investment analysis and investor confidence, and our initial climate-related financial disclosures report is an important first step towards disclosure on all 11 TCFD recommendations.

Our full reporting suite is available online at www.libertyholdings.co.za

02

Liberty's disclosure of the TCFD recommendations

Governance

How Liberty governs climate-related risks and opportunities.

Board oversight of risks and opportunities

Liberty's board is ultimately responsible for the effective governance of risk management and ensures that clearly defined risk management roles and responsibilities are in place for the group chief executive (CEO) who is supported by the executive committee (exco), various subcommittees and key functions.

The board has delegated to the group risk committee (GRC) independent oversight of risk and capital management, and to the social, ethics and transformation (SET) committee management of Liberty's approach to issues of, among others, good corporate citizenship and sustainability.

The board delegates oversight and management responsibilities using the "three lines of defence" governance model:

First line of defence

Operating management who act with risk in mind

Second line of defence

Risk professionals who oversee all risk types

Risk professionals also provide input from the corporate centre

Third line of defence

Assurance on adequacy and effectiveness of enterprise risk management (ERM) framework

Management's role in assessing and managing climate-related risks and opportunities

The group exco	Responsible for implementing our risk management system and all risk policies.
The group control and risk oversight committee (GCROC), along with its subcommittees	Maintain capital and risk policies, methodologies, procedures and plans to ensure the effectiveness of our risk management system.
Our Group Real Estate Services (GRES), risk and sustainability functions	Responsible for monitoring and reporting on climate-related risks and opportunities, which are incorporated into Liberty's social, economic and environmental (SEE) strategy.
The sustainability team	Reports these matters to the group's SET committee quarterly.
Our GRES team	Reports to the GRES exco, a subcommittee of the group exco.
Risk management and other control functions	Report on any other material matters to the GRC as necessary.

Liberty has a 59,4% shareholding in L2D that is listed on the JSE as a REIT. Liberty and L2D are co-owners of the property portfolio, which is managed by L2D. One of L2D's strategic building blocks is Good Spaces. Through Good Spaces, L2D ensures that it continues to reduce the impact of its operations on the natural environment. A number of initiatives have already been implemented and Good Spaces continues to pursue further opportunities relating to renewable energy supply, optimising energy and water usage and ultimately meeting its net-zero waste, water and carbon emissions aspirations.

The L2D social, ethics and environmental committee	Provides oversight of L2D's activities relating to sustainability, the environment and climate change. This committee reports to the L2D board.

STANLIB – Liberty's wholly owned asset manager – is a signatory to the UN PRI and endorses the Code for Responsible Investing in South Africa (CRISA) and, as such, has integrated ESG into its investment processes.

STANLIB's ESG committee, chaired by the head of investments	Monitors and reviews ESG investment processes and outcomes, and provides guidance on ESG matters. The committee, which meets quarterly, is appointed by and accountable to STANLIB's CEO. There are also several additional investment committees in place that discuss ESG-related matters in detail as part of their investment considerations.

STANLIB has developed a broad set of ESG guiding principles for investment decisions. They apply specific ESG-related criteria to their investment processes. An investment professional within each investment team is designated to champion these principles and to assist the ESG committee in executing its mandate.

Governance (continued)

Management's role in assessing and managing climate-related risks and opportunities (continued)

STANLIB's ESG guiding principles

STANLIB believes that ESG is a material investment consideration	ESG is a material element in driving risk-adjusted returns for clients. As stewards of clients' funds and to deliver on financial outcomes, the consideration of sustainability is essential to value creation and capital protection.
STANLIB integrates ESG factors into the investment process	Active ownership means careful consideration of ESG factors in the investment process across all investment capabilities. This ensures that the related risks associated with investment opportunities are understood.
STANLIB favours active engagement	The preferred approach to considering identified ESG concerns is to actively engage business stakeholders to effect change. Engagements with boards of directors, company management and key stakeholders is a powerful tool to drive optimal outcomes for clients. However, if discussions with the relevant stakeholders do not yield the desired outcome, STANLIB is willing to disinvest from an investment. There are also instances in which STANLIB will exclude investment in a particular company where there is no confidence that management actions will resolve the outstanding ESG issues. This would include companies undertaking activities deemed to be illegal.
STANLIB exercises its ownership rights	STANLIB exercises voting rights in the best interests of its clients. STANLIB's policy on proxy voting sets out its voting guidelines.
STANLIB is prepared to collaborate where it drives desired outcomes	STANLIB is open to collaboration where it believes the collective efforts of all relevant stakeholders around an ESG topic are more likely to result in a positive outcome for clients. Such instances would include engaging with investee companies in which there is a relatively small holding, or joining other shareholders and stakeholders to influence change.
STANLIB communicates its responsible investing activities	STANLIB communicates its policies and responsible investing activities by publishing policy documents, proxy voting reports and reporting on key engagement activities.
STANLIB applies ESG oversight to its investment capabilities	STANLIB believes that it needs to monitor and challenge investment professionals on ESG issues to ensure the appropriate outcome for clients. STANLIB's governance structures ensure accountability, tracking and measurement of ESG-related issues – including potential conflicts of interest.

TCFD *Refer to page 13 for information on STANLIBs coal funding policy.*

Strategy

The actual and potential impacts of climate-related risks and opportunities on Liberty's businesses, strategy and financial planning (where material).

Climate-related risk and opportunity impact on strategy and financial planning

It is unlikely that any direct, physical climate change-related risks will have a material impact on our business in the short term. However, responding to climate change-related risks remains a priority for the group.

The most significant risk to Liberty in the near future is potential reputational damage if we are seen as not responding adequately to threats relating to climate change – including those relating to the transition to a low-carbon economy. Stakeholder activism might increase in the short to medium term as society demands more environmentally friendly business practices, products and services.

Similarly, any regulatory developments around climate change-related disclosures could impact our business. We continue to focus on initiatives that minimise our impact on the environment and consequently climate change. We are also driving several initiatives as part of our efforts to responsibly steward natural resources, including the following:

- Active management of our carbon footprint
- The group sustainability policy setting ESG principles and standards, including climate change, was approved by the SET committee
- Implementation of a decarbonisation strategy (net-zero water, carbon and waste) for all L2D-owned properties
- An extensive resource management programme to ensure effective management of the group's impact on climate change

Through the Khanyisa Impact Investing Fund, launched in 2020, STANLIB invests in assets with a high ESG focus. STANLIB also actively participates in opportunities to finance more sustainable investments, such as wind and solar power.

TCFD *For more information on responsible investment, refer to page 12.*

Climate-related risks and opportunities in the medium to long term

The 2020 World Economic Forum's Global Risks Report highlighted that the top five rising global concerns for businesses over the next 10 years would be climate related. Response to the climate crisis has been poor, mainly due to the perceived long-term nature of its impact, but also because the impact of transitioning to a low-carbon economy would immediately affect those workers and organisations invested in a high-carbon economy. However, a fair, inclusive and just transition to a low-carbon economy is critical for effective climate action and creating thriving and resilient communities.

Climate activism has steadily increased over the years, and consumers are pressurising global leaders and leading businesses and institutions to be transparent about how they are addressing the risks posed by climate change. As a responsible corporate citizen, Liberty is compelled to play our part in combatting climate change through our sustainability initiatives, procurement policies and supply chain, and responsible investments.

The climate-related risks that we face as a company were highlighted by management and the board during our 2019 and 2020 top and emerging risks processes. We continue to monitor and enhance our understanding of the threats and opportunities posed by identified climate-related risks. These insights are fed into decision-making processes.

We have assessed our climate-related risks according to the categories proposed by the TCFD:

Physical risks

First-order risks arising from **weather-related events such as floods, droughts and other extreme weather events**

Transition risks

Financial risks arising from the **movement to a lower carbon-producing economy,** including:

- The repricing of **carbon-intensive assets**;
- Costs related to **technological and market changes**; and
- Costs related to **regulatory compliance and potential legal actions**.

Due to the speed at which physical climate change risks are expected to materialise combined with the mitigating actions available to Liberty (e.g. the repricing of products), these risks have been assessed to be relatively small. The transition risks, however, do pose the risk of occurring within a much shorter time frame as global sentiment aligns with the need to take action and financial markets accelerate the anticipated impact on market prices. Within the transition risks the market and credit risks associated with the investment of our assets is considered to be the most material. STANLIB has implemented a robust ESG framework within our investment process.

The TCFD recommendations also refer to liability risks, which could arise when parties suffering loss or damage from climate change seek to recover losses from insurance firms. At this stage, the liability risks have been assessed to be relatively small given the nature of our business.

Strategy (continued)

Climate-related risks and opportunities in the medium to long term (continued)

We completed an initial, high-level view of climate-related risks to our business according to the categories proposed by the TCFD:

Risk	Risk type	
	Physical	Transition
Strategy and business	The business and strategic opportunities and risks faced by each of our business lines in the various geographies in which we operate will be impacted by climate change, necessitating both strategic and tactical actions to be taken in response.	Liberty faces a reputational risk to the extent that it does not meet societal demands for corporates to take action to address climate risk. The transition may also result in changing demands for insurance products and changes in regulatory requirements.
Insurance	Increases in the severity of extreme weather events could impact general insurance claims (e.g. agricultural, motor or property) directly and long-term insurance claims indirectly (e.g. change in mortality or morbidity due to the spread of vector-borne diseases).	Uncertainty around future experience may impact the cost and availability of reinsurance.
Market	Physical risks could impact market prices of affected assets. Threats to food security and increasing energy costs could boost inflation, leading to higher interest rates and currency volatility which will have further implications for asset and liability valuations.	A rapid move to a low-carbon economy will increase the risk of stranded assets. The financial market impact on these assets could occur well in advance of the actual transition as markets anticipate this impact. This could result in market losses incurred by the group.
Credit	Physical risks could impact the ability of counterparties to deliver on their obligations, resulting in credit losses being incurred.	A rapid move to a low-carbon economy will increase the risk of stranded assets, thereby increasing the risk that exposed credit counterparties are unable to meet their obligations as they fall due.
Liquidity	Significant claims or market volatility due to physical risks emerging would result in increased liquidity requirements.	Market liquidity for certain assets may reduce due to the transition resulting in increased liquidity risks.
Operational	Property damage to Liberty's infrastructure and buildings as well as employees' properties, will affect productivity levels. There will also be an increase in physical risks like water scarcity, especially in a country like South Africa.	A rapid transition may place additional pressure on constrained electricity supplies in countries we operate in, resulting in various operational risks emerging.
Conduct	A sharp increase in claims and investment volatility may increase advice risks and the ability to meet the levels of service expected thereby increasing conduct risk.	A lack of a sufficiently aggressive actions to combat the threat of climate change would be viewed as poor business conduct, resulting in reputational damage to the business.
Legal and compliance	Regulatory developments around climate change and related disclosures present both risks and opportunities.	

Strategy (continued)

Climate-related risks and opportunities in the medium to long term (continued)

Several initiatives have been implemented to minimise our impact on the environment.

Mitigation initiatives driven by the group

- **Liberty manages its carbon footprint,** which we submit to the CDP and publicly disclose in our report to society.
- **Liberty has developed a group sustainability policy,** specifically addressing how our impact on climate change is managed – the policy has been approved by the SET committee.
- **L2D committed to net-zero environmental targets during 2019.** L2D aims to achieve net-zero waste by the end of 2021, net-zero water by 2025, and net-zero energy by 2030.
- **Our extensive resource management programme,** in conjunction with L2D, includes various renewable energy, energy efficiency, water efficiency and waste reduction projects, which contribute to the effective management of Liberty's impact on climate change.
- **STANLIB has initiated the following projects:**
  - STANLIB's extensive credit alternative portfolio focuses mainly on renewable and clean energy. Investment in these projects not only provides good returns to investors, but has the added benefit of reducing greenhouse gas (GHG) emissions.
  - The launch of the Khanyisa Impact Investing Fund in 2020 – a fund which specifically focuses on impact investing in assets with a high ESG focus.
  - Policies to determine the active participation in policies to finance greener investments, such as wind and solar power.

For more information on these initiatives, please refer to the Liberty report to society at www.libertyholdings.co.za

Resilience of Liberty's strategy under different climate-related scenarios

Liberty will continue to analyse the necessity of developing and conducting climate change scenario and stress testing to assess its expected impact on the business.

Risk management

How Liberty identifies, assesses and manages climate-related risks.

Identifying and assessing risks is integral to Liberty's overall risk management approach. Our board-approved risk management framework defines our approach to understanding, managing and reporting our risks. Any material or emerging risks, including climate change, are identified and assessed as part of the ERM process.

We consider both bottom-up and top-down approaches to risk management, which provide us with a wider lens to identify top and emerging risks that could prevent us from achieving our objectives.

Emerging risks are trends or conditions with a high degree of uncertainty that could significantly impact our financial strength, competitive position or reputation in the long term – defined as three years or longer. The timing and severity of these risks are uncertain, but also present opportunities to the business. Once we identify an emerging risk, management investigates both the risks and associated opportunities, which are then integrated into the decision-making process.

The top and emerging risks are reviewed on an annual basis; the process includes all strategic and other risks faced across the business, and creates conversation around the drivers behind these risks. This process allows Liberty's management and the board to be proactive rather than reactive, and builds a culture of converting threats into opportunities over the long term.

Additionally, business units drive a bottom-up risk identification approach across the business which, together with the top-down approach, provides management with a clear and prioritised list of risks to focus on to ensure the sustainability of the business.

By including climate change as part of emerging risks, our board and management teams can focus on mitigating potential impacts and ensuring the sustainability of the organisation.

Liberty's processes for managing climate-related risks

Operational and strategic processes

There are multiple channels in place through which climate change-related risks and opportunities are communicated to executive management to ensure responsible and ethical management of sustainability and climate-related matters.

The GRES department implements infrastructure-related sustainability projects relating to energy, water, waste and safety. Risks and opportunities are assessed by the group sustainability team in collaboration with group risk and GRES's sustainability department, which are then incorporated into the group's SEE strategy.

L2D identifies real estate portfolio risks, which are then scored in terms of probability and impact on financial standing, health and safety, or time delays.

STANLIB's ESG committee monitors and reviews the ESG risk process and research philosophies of STANLIB's investment teams, providing thought leadership and reviewing industry trends to provide guidance on ESG matters. The ESG committee meets quarterly, and is accountable to STANLIB's investment exco.

Active ownership is a guiding principle in STANLIB's consideration of ESG factors during its investment processes. Each investment team within STANLIB adopts its own detailed methodology, consistent with its investment philosophy, in the process of integrating ESG factors into investment decisions. In this way, they can effectively identify ESG risks and opportunities.

The respective teams focus on areas that are dependent on the nature of the asset class and investment, including, but not limited to:

ENVIRONMENTAL

- **Resource usage**
- **Carbon emissions**
- **Pollution**
- **Impact on biodiversity**

SOCIAL

- **Fair labour practices**
- **Impact on communities**
- **Health and safety**

GOVERNANCE

- **Board composition and independence**
- **Strategy**
- **Transparency**
- **Financial policies and remuneration**
- **Compliance and regulations**

Risk management (continued)

Policies related to sustainability

Group sustainability policy

Liberty's group sustainability policy describes our commitment to managing our impact on climate change. We clearly identify, measure, manage, report and monitor sustainability risks and opportunities across the Liberty group.

We ensure that we apply principles of good corporate governance and international best practice, and that we comply with all relevant legislation. Our policy statements reflect our values towards ESG principles:

Policy Statement 1

As a responsible corporate citizen embed ESG thinking in decision-making

Policy Statement 2

Responsible investing

Policy Statement 3

Enhance stakeholder relationships

Policy Statement 4

Responsible resource use and environmental protection

Policy Statement 5

Commitment to best practice building standards

Of particular relevance to the climate-related financial disclosures report, we will discuss policy statements 2 and 4 in more depth.

Policy Statement 2: Responsible investing

Liberty's greatest environmental impact is where we choose to invest. As custodians of our clients' wealth and savings, we have a responsibility to deliver long-term returns by protecting and growing their capital. Integrating ESG factors into our investment process creates shared value, and provides sustainable and risk-adjusted returns.

Our investment teams are guided by the following principles when analysing ESG investments:

- We believe that **ESG is a material investment consideration**
- We favour **active engagement**
- We communicate **responsible investing activities**
- We integrate **ESG factors into the investment process**
- We exercise **ownership rights**
- We apply **ESG oversight to our investment capabilities**

TCFD *For more information on STANLIB's ESG guiding principles, refer to page 7.*

Policy Statement 4: Responsible resource use and environmental protection

The sustainability of our business depends on the responsible use of shared natural resources and the protection of the environment. Liberty is committed to responsibly managing the environment we impact, and we support the Paris Agreement – an international treaty on climate change. In this regard, we will:

- **Comply with all relevant environmental legislation** and standards
- **Measure and report our environmental performance** through carbon, energy, water and waste monitoring programmes, and set absolute environmental targets against set baselines
- **Assess and manage Liberty's impact, risks and opportunities** related to climate change
- **Publicly disclose our environmental impact annually in relevant reports including:**
  - Integrated report
  - Report to society
  - CDP Climate Change Response
  - TCFD aligned disclosures
- **Invest in energy efficiency, renewable energy and water-saving technologies**
- **Redirect waste from landfill to reduce our impact on the environment**
- **Promote awareness and a sense of responsibility among employees** through environmental campaigns, internal communication, training and consultation on environmental matters.

L2D decarbonisation plan (net-zero plan)

Our efficient resource management plan in conjunction with L2D is part of our journey to manage our energy, water and waste as effectively as possible, and we are constantly searching for innovative solutions to help us reach our goals. L2D, which manages a significant part of Liberty's property portfolio, established a sustainability subcommittee to develop a sustainability strategy with supporting roadmaps. In 2019 L2D committed to net-zero targets to achieve net-zero waste by the end of 2021, net-zero water by 2025, and net-zero energy by 2030.

The purpose of L2D's net-zero carbon, water and waste plan is to utilise energy and water in the most efficient, cost-effective and environmentally responsible manner. Part of this is to manage solid waste and materials so that the environment and public health are protected, and to conserve natural resources and unlock value by finding the best methods to divert waste from landfill. Through the implementation of this framework, we aim to decrease our operational impact on climate change.

To read L2D's net-zero roadmap, please refer to www.liberty2degrees.co.za/about/sustainability/

Risk management (continued)

L2D's policies on water efficiency, waste management and procurement

L2D is committed to protecting the environment by creating and implementing policies that govern how it manages natural resources, including a procurement policy that supports L2D's commitments to fostering a sustainable environment.

L2D aims to achieve water efficiency through water reuse and recycling, compliance with metrics to measure consumption and reduction, water metering, and continuous water performance assessment of each property owned by L2D. Its water policy also includes L2D's goals to reach net-zero water by 2025. External disclosure of its performance will be reported annually.

Solid waste management policies are important to protect the environment and public health, while conserving natural resources and reducing waste going to landfill. L2D's solid waste management policy mandates how the organisation will collect, store and handle waste, details its waste minimisation and reduction plan through the facilitation of waste stream audits, and includes net-zero goals for waste by the end of 2021.

L2D's procurement policy ensures that due diligence is undertaken on its suppliers to confirm they meet L2D's minimum sustainability requirements. The focus is on procuring responsible goods and services that contribute towards a sustainable environment. By implementing sustainable procurement practices, resources will be used more efficiently and simultaneously address climate change, while creating healthier and more productive environments for people and communities.

L2D established targets relating to the procurement of sustainable goods and services, which are monitored and assessed annually. The objective is to reduce the harmful effects on the environment through the production, transportation, use and disposal of products, materials and services.

STANLIB's policy to investing in coal-based power

STANLIB developed a policy to govern its approach to investing in coal-based power. Coal produces approximately 41% of total global energy, and is considered one of the greatest risks to the sustainability of the environment. South Africa is one of the largest producers of coal in the world and, as a signatory to the Conference of Parties 21 in 2016, committed to accelerating actions and investments towards a low-carbon future.

Against this backdrop, STANLIB's policy on investing in coal-based power will not allow funding for the development of new individual coal power plants that do not meet the protocols of the Organisation for Economic Co-operation and Development, with some exceptions (specific cases with prior approval from the ESG committee). This allows for the potential financing of:

- Coal power plants in International Development Association-rated countries;
- Coal power projects that meet supercritical* and above technical specifications; and
- Companies that derive a portion of their revenue through coal production or coal-based power. In this instance, our policy on active engagement with company management is favoured to drive optimal outcomes aligned to reduce carbon dioxide emissions, while considering the development priorities of South Africa to alleviate poverty and address inequality.

** A supercritical coal plant (as opposed to a traditional coal plant) will decrease waste heat produced by 25%, and cut pollution and carbon dioxide by roughly the same amount according to the World Coal Association.*

STANLIB's coal-based power policy can be found at www.stanlib.com

How Liberty's processes for identifying, assessing and managing climate-related risks are integrated into overall risk management

Our risk management framework is supported by policies, processes and activities relating to the management and reporting of risks. The policies that are of particular relevance to ESG-related factors and climate change include those mentioned on this page and page 12.

The "strategic versus execution" framework is how the group identifies, assesses and prioritises risks to its strategy. This more clearly identifies risks that arise from external forces – such as extreme weather events or supply chain interruptions due to climate change – and those risks related to the execution of existing strategies. Common risks across all the different risk types are those related to people and prioritisation of resources.

The board, through the GRC, monitors and ensures emerging risks are mitigated through the group strategy and risk management practices. L2D identifies real estate portfolio risks; skilled personnel score-identified risks in terms of probability and impact on financial standing, health and safety, or time delays.

L2D and GRES manage the growing scope of Liberty's sustainability initiatives at an asset level, thereby minimising the risk profiles of our properties in terms of climate change and societal shifts. Physical risks are assessed and managed as part of our operational risk management process, and during the identification phase we actively determine opportunities to increase our investments in renewable energy for our own buildings and as part of the divestment of carbon-intensive energy generation in our investment portfolios.

STANLIB has integrated ESG factors into its investment process, and it does so through careful consideration of ESG-related matters. This ensures that the risks associated with investment opportunities are thoroughly screened and understood. Each investment team adopts a detailed methodology for integrating ESG into its processes, actively identifying ESG risks and opportunities on a case-by-case basis while making investment decisions.

Qualitative and quantitative assessments are conducted, with focus areas dependent on the nature of the asset class and investment. ESG ratings derived from these tools and methodologies are individual to each team, supplemented by ESG research and serve as a basis for engagement with stakeholders. Negative screening may also be adopted as part of an investment team's research to specifically exclude companies dealing in illegal activities and practices.

The consideration of ESG factors has been an important component of STANLIB's investment philosophy since 2012, and each team takes accountability for the implementation of its processes, which are regularly reviewed by the ESG committee to ensure that they reflect leading industry practices.

TCFD *Please refer to STANLIB's guiding principles on page 7.*

Metrics and targets

Used to assess and manage relevant climate-related risks and opportunities (where material).

Liberty's direct carbon emissions footprint

Liberty's South African carbon footprint

Tonnes carbon dioxide equivalent (tCO_2e[1])	2020	2019	2018
Scope 1 direct tCO_2e	L 2 542	3 684	1 730
Stationary fuel used in equipment owned or controlled (e.g. generators)	719	627	196
Fugitive emissions from air-conditioning and refrigeration gas refills	1 267	1 492	81
Mobile combustion from vehicle fleet consumption	556	1 565	1 453
On-site renewable energy generation[2]	–	–	–
Scope 2 indirect tCO_2e[3]	L 58 000	56 568	32 584
Purchased electricity in Liberty-owned and occupied buildings	54 032	52 969	29 204
Purchased electricity in leased and occupied buildings	3 968	3 599	3 380
Scope 3 indirect tCO_2e, including tenants' electricity	L 115 653	167 297	203 893
Scope 3 indirect tCO_2e, excluding tenants' electricity	10 893	16 145	15 214
Business travel in commercial airlines	735	2 968	3 880
Business travel in rental cars and transfers	13	59	70
Hotel accommodation	197	390	566
Employee travel claims and allowances	477	1 079	1 131
Paper consumption	65	192	203
Waste to landfill	3 629	5 916	6 352
Recycled waste	41	54	57
Losses from transmission and distribution of purchased electricity for Liberty-occupied buildings	5 736	5 487	2 955
Electricity consumed by tenants	104 760	151 152	188 579
Total combined Liberty scopes 1 and 2 emissions	L 60 542	60 252	34 314
Total combined Liberty scopes 1, 2 and 3 emissions (Kyoto Protocol), including tenants' electricity emissions	L 176 195	227 549	238 107
Total combined Liberty scopes 1, 2 and 3 emissions (Kyoto Protocol), excluding tenants' electricity emissions	71 435	76 397	49 528
Total scopes 1 and 2 emissions per full-time equivalent employee in South Africa (tonnes per employee)[4]	7,79	7,61	4,39
Total scopes 1 and 2 emissions per square metre of space (tonnes per square metre)[4]	0,15	0,14	0,24
Non-Kyoto Protocol fugitive GHG emissions (R22)	261	653	2 358

Carbon footprint

Overall, Liberty's carbon footprint is reducing due to the environmental projects we have initiated over the past few years. There has also been a reduction due to the impact of working remotely during the pandemic, however, we are cognisant that part of our carbon footprint has been transferred to our employees' homes and will again increase when employees return to the office.

The common area previously included under scope 3, 'tenants' consumption in our malls' is now being accounted for under scope 2, which is the reason for the increase in these emissions.

For specific information on how our malls have been impacted, refer to the Liberty Two Degrees ESG report at https://www.liberty2degrees.co.za/investors/integrated-reports

1. The Department for Environment, Food and Rural Affairs in the United Kingdom has published guidelines for greenhouse gas conversion factors to help businesses convert existing data sources into tCO_2e emissions. These conversion factors have been used as a basis to calculate Liberty's carbon emissions. The Eskom conversion factor of 1,02 was used for electricity in South Africa during 2020.

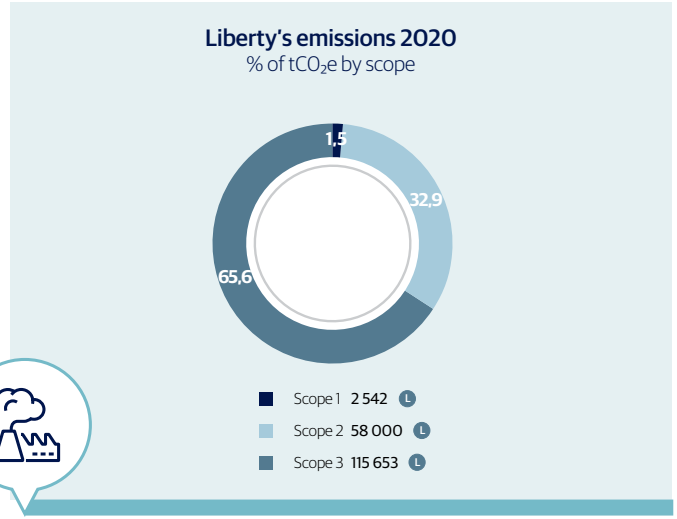
2. 1 986 MWh of renewable energy was generated at Liberty Centre Braamfontein, Liberty Parkade and Liberty Midlands Mall.

3. From 2019, numbers include emissions for Liberty Two Degrees, scope 2 emissions where common areas were moved from scope 3 to scope 2.

4. Total square metre of space used: 413 858 m^2 in 2020 (2019: 424 192 m^2, 2018: 144 954m^2). The number of full-time equivalent employees in South Africa was 7 775 in 2020 (2019: 7 916, 2018: 7 821), which includes permanent and tied advisers in our buildings.

L Limited assurance expressed over selected KPIs by PwC.

RTS Refer to page 87 for PwC's limited assurance report.



Metrics and targets (continued)

Liberty and STANLIB investments

The table below highlights Liberty and STANLIB's investment in climate risk-related entities, both as at 31 December 2019 and 31 December 2020, as estimated percentages of the group's total assets under management at each date. STANLIB's investment processes ensure that ESG factors are a key consideration in investment decisions, and through its investment holdings, we further aim to encourage entities to reduce their carbon emissions and broader impact on the environment. We invest in a large number of renewable power producers, which collectively exceed 2,2%, as at 31 December 2020, of Liberty Holdings' assets under management, through our infrastructure funds and Credit Alternatives franchise.

This year's report has focused on disclosing our investments, both directly held and via third party asset managers, in entities involved in coal fired power generation and coal to fuel production, as well as our investments in renewable energy. In future, we aim to enhance this disclosure to include other carbon intensive industry investments, as data availability and accuracy improves.

Liberty Holdings' largest climate risk-related investments	% of Liberty Holdings Limited assets under management	
As at 31 December	2020	2019
Entities that own or operate coal fired power generation or coal to fuel production facilities	1.8%	2.4%
Renewable power generation entities	2.2%	0.7%

Looking ahead

Future plans and projects

Liberty is aware of the urgency to address the global climate crisis. We are committed to playing our part in managing our impact on climate change as well as the transition to a low-carbon economy – and we will actively work to support an economy that is not damaging to the environment.

Looking ahead, we intend to focus on building on the ESG and SEE work that the group has embarked on, while also initiating and implementing future plans and projects.

Abbreviations

CDP	Carbon Disclosure Project
ERM	Enterprise risk management
ESG	Environmental, social and governance
Exco	Executive committee
GHG	Greenhouse gas
GRES	Group Real Estate Services
GCROC	Group control and risk oversight committee
GRC	Group risk committee
JSE	Johannesburg Stock Exchange
KPIs	Key performance indicators
L2D	Liberty Two Degrees
PRI	Principles for Responsible Investment
PwC	PricewaterhouseCoopers Inc.
REIT	Real Estate Investment Trust
SEE	Social, economic and environmental
SET	Social, ethics and transformation committee
TCFD	Task Force on Climate-related Financial Disclosures
UN	United Nations

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