

06



## Responsible consumption and production, and climate action

Our approach	60
Energy consumption, carbon footprint and climate change risk	62
Climate-related financial disclosures – a summary	67

# Our approach



We remain committed to minimising our business's impact on the environment and to climate change. Our property portfolio has the greatest direct environmental impact, and we strive to keep up to date on current trends and mitigating responses to manage our property portfolio effectively and efficiently as well as our own workplaces.

We stringently monitor, measure and analyse electricity supply, water usage and waste management throughout our portfolio. We have comprehensive awareness campaigns aimed at positively influencing our tenants' behaviour to assist our efforts to reduce consumption of scarce resources. We also assess the environmental impact of our supply chains, and find measures to enhance our SEE strategy.

We focus on implementing new initiatives to efficiently manage resources, such as investing in solar power for our buildings, harvesting rainwater, installing composters to manage and recycle waste and, in our efforts to benefit the community, developing programmes such as rooftop gardens and urban farming.

This year, we again participated in the CDP's climate change questionnaire, achieving a B score (2019: B) for managing and reducing our contribution to climate change. Liberty actively manages its performance in sustainability indexes such as the FTSE/JSE Responsible Investment Index and the FTSE4Good Emerging Index Series. We received an overall ESG score of 4.2 in the FTSE/JSE Responsible Investment Index, which falls within the "high achievement" category. Importantly, Liberty was also included in the FTSE/JSE Responsible Investment Top 30 Index for the first time in 2020, because of our improvements in making our ESG information publicly available.

## Relevant material matters

- Contributing to national economic and social transformation**
  - Managing and protecting our physical environment as well as the health and safety of our employees**
  - Responding to stakeholder expectations, with a focus on ESG principles and climate change**
  - Funding national infrastructure development and the transition to a green, low-carbon economy**
- For more information on our material matters, refer to page 19.

## UN context

While global economies depend on consumption and production, the dangers posed by the unsustainable use of natural resources must be taken into consideration. Furthermore, climate change is a threat that continues to consume the globe, with reversal seemingly out of reach. Climate disasters have increased across the world, with 2019 being the end of the warmest recorded decade, and global temperatures continuing to rise.

In June 2020, the World Economic Forum started The Great Reset initiative – a call for global stakeholders to work together to manage the impacts of COVID-19 on our world. The global response to the pandemic has illustrated that it is possible to reset our economic and social foundations<sup>1</sup>. In the same way, the lessons we learnt from dealing with the COVID-19 pandemic can be leveraged to create tangible improvements to resource sustainability and efficiency. It is imperative that the global community acts together to create climate-resilient economies<sup>2</sup>.

<sup>1</sup> <https://www.weforum.org/agenda/2020/06/now-is-the-time-for-a-great-reset/>  
<sup>2</sup> The Sustainable Development Goals Report 2020

## South African context

The South African government, in partnership with businesses and civil society organisations, has committed to investing in green industries to support resource-efficient development. South Africa is still heavily dependent on coal for energy; while meaningful transformation could take some time, strides are being made towards sustainable patterns of consumption and production. This is supported by developments in policy and legislation, initiatives to save energy, and the effort to generate energy from renewable sources, along with establishing mechanisms for sustainable procurement<sup>3</sup>. Importantly, these developments should bring about a just transition to a low-carbon economy, making the process of shifting to renewable energy as fair as possible and empowering workers in sectors who may face job losses.

Climate change remains a major threat to development, with the poorest and most vulnerable at risk for being the most impacted. South Africa recorded increased temperatures over the last eight decades, estimated to be 1.5 times the global average. With a comprehensive set of strategies and policies created for key sectors of the economy, the goal is to meaningfully reduce the country's GHG emissions<sup>4</sup>.

<sup>3</sup> JET-one-pager\_31July2018\_last-version  
<sup>4</sup> South Africa Voluntary National Review (VNR) Report 2019

## Liberty's contribution to responsible consumption and production, and climate action in 2020

We understand that our stakeholders care about our promises to responsibly steward the natural resources our business depends on. In the table below, we detail the progress we have made in several of our 2020 projects.

<p><b>CDP climate change participation (B score)</b> (to mitigate our climate change risks)</p>	<p><b>Greywater system</b> (filtered to flush toilets)</p>	<p>Achieved a <b>6 star green rating</b> for Sandton City</p>	<p><b>Rooftop gardens and urban farming</b></p>	<p><b>Solar energy projects</b> (to improve our renewable energy mix)</p>	<p><b>Recycling projects to reduce waste to landfill</b> (unlocking the value in waste)</p>	<p><b>Single-use plastics reduction and awareness campaign</b></p>
-------------------------------------------------------------------------------------------------	------------------------------------------------------------	---------------------------------------------------------------	-------------------------------------------------	---------------------------------------------------------------------------	---------------------------------------------------------------------------------------------	--------------------------------------------------------------------

# Our approach (continued)

## Liberty's contribution to responsible consumption and production, and climate action in 2020 (continued)

Our promise	Achievement	Our progress
<b>Energy efficiency and renewable energy</b>		
<b>GBCSA existing building performance ratings</b>	●	<ul style="list-style-type: none"> <li>Applications for Green Star certification for all L2D-managed shopping centres were submitted during 2020, with successful certification achieved in January 2021:</li> <li>★★★★★★ 6 Star                             <ul style="list-style-type: none"> <li>- Sandton City Precinct</li> </ul> </li> <li>★★★★★ 5 Star                             <ul style="list-style-type: none"> <li>- Eastgate Shopping Centre</li> <li>- Midlands Mall</li> <li>- Nelson Mandela Square</li> <li>- Promenade Mall</li> </ul> </li> <li>★★★★ 4 Star                             <ul style="list-style-type: none"> <li>- Botshabelo Mall</li> </ul> </li> </ul>
<b>Solar PV installation at Eastgate Shopping Centre</b>	●	<ul style="list-style-type: none"> <li>A 1 MW solar PV plant was installed and has been operational since December 2020</li> <li>The plant has the potential to generate 1 949 MWh of renewable energy annually</li> </ul>
<b>Phase 2 of solar PV installation at Midlands Mall, and expansion of the project to Promenade Mall, Sandton City and Umhlanga Ridge Offices</b>	●	<ul style="list-style-type: none"> <li>Feasibility studies were completed in 2020, and budget estimations submitted for approval</li> <li>The combined estimated annual renewable energy generation is expected to be around 26 500 MWh                             <ul style="list-style-type: none"> <li>- Midlands Mall – 5 000 MWh</li> <li>- Promenade Mall – 6 500 MWh</li> <li>- Sandton City – 15 000 MWh</li> </ul> </li> </ul>
<b>Water conservation</b>		
<b>Midlands Mall rainwater system</b>	●	<ul style="list-style-type: none"> <li>Harvested 4 600 kL of rainwater since becoming operational in July 2020</li> </ul>
<b>Waste reduction</b>		
<b>L2D net-zero targets</b>	●	<ul style="list-style-type: none"> <li>L2D is set to achieve net-zero waste readiness across its portfolio by mid-2021, with actions to meet targets commencing during the first quarter of 2021</li> <li>Ongoing actions are in place to achieve net-zero water by 2025 and net-zero energy by 2030</li> <li>A 73% recycling rate by volume was achieved across the portfolio in 2020</li> </ul>

● Completed ● In progress



### Green star certificates



# Energy consumption, carbon footprint and climate change risk

As a responsible corporate citizen, we are committed to playing a meaningful role in society, which includes understanding and managing our environmental impacts. We do this by focusing on both our direct and indirect impacts, where we can be a catalyst for change.

**We continue to find innovative ways to save resources by reducing our energy and water usage and the waste we generate.** We have an extensive resource management programme in place to guide our approach to renewable energy, and water and waste efficiency, and initiatives aimed at reducing our footprint.

We also disclose our environmental impacts in accordance with the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). In doing this, we ensure transparency in detailing our progress while also benchmarking ourselves against our peers.

 Refer to page 67 for details on our TCFD disclosure.

## Our resource management programme – reaching net zero

We understand that consistent monitoring and accurate measurement of our usage is key to getting where we want to be. Therefore, during 2020, we implemented an eco-analytics dashboard, an online platform that monitors and analyses our water, electricity and carbon footprint monthly by extracting information from linked metres across our portfolio. This results in more accurate and detailed monitoring of resources, allowing us to

track our progress while also keeping our tenants aware of their usage and, if need be, encouraging them to take appropriate action.

L2D, which manages a significant part of Liberty's property portfolio, established a sustainability management forum to develop a sustainability strategy with supporting roadmaps. During 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.

We intend to align our net-zero targets with the GBCSA's Net Zero Certification Scheme, and our eco-analytics dashboard will house the data necessary for monitoring and measurement. In 2020, applications for Green Star Existing Building Performance certification were submitted for all retail buildings managed by L2D, with successful certification achieved in early 2021.

### Managing our waste responsibly

At Liberty, we are committed to responsible waste management, and continue to explore ways to minimise our impact on the environment by reducing our waste through initiatives such as installing composters and eliminating the use of plastics in our buildings. We appoint responsible and reputable contractors to dispose of or recycle our waste effectively, educate our employees, and encourage responsible behaviour.

A waste assessment conducted in 2019 identified several opportunities for us to manage our waste more responsibly. We have since trialled two composting initiatives at Sandton City and Eastgate Shopping Centre to determine how effective the composters would be in managing organic waste at site. The trials have proved extremely successful, and we plan to roll this initiative out to other retail centres in our property portfolio.

In total, approximately **2 468 tonnes of waste** were diverted to recycling facilities in 2020, and we achieved a **73% recycling rate** based on our total waste volume (m<sup>3</sup>).

### Total waste - weight

Tonnes (t) <sup>1</sup>	2020	2019	2018
Waste to landfill	2 809	4 579	4 916
Total recycled waste	2 468	2 547	2 662
Recycling rate by weight	47%	36%	35%
Glass	198	369	342
Metal	23	27	39
Paper	1 406	1 875	1 979
Plastic	1 957	268	294
Tetrapak/mixed/other	8	8	8
Hazardous waste (disposal)	75	224	198
Organic waste (diverted/ disposal)	170	76	255

<sup>1</sup> Offices: 171 Katherine Street, Liberty Centre Braamfontein, Liberty Parkade, Libridge, 2 Jan Smuts, STANLIB Melrose Arch (Jan-Aug), Liberty Centre Century City (Jan-Jul), Liberty Centre Umhlanga Ridge, Eastgate Office Tower, Atrium on 5th, Sandton Office Tower, Nelson Mandela Square Offices. Malls: Botshabelo Mall, Eastgate Shopping Centre, Liberty Midlands Mall, Liberty Midlands Mall Lifestyle Centre, Promenade Mall, Nelson Mandela Square Retail, Sandton City Retail.



# Energy consumption, carbon footprint and climate change risk (continued)

## Saving water

Operating in a water scarce country, it is imperative that we minimise our consumption of potable water (i.e. municipality-supplied water) as much as possible. We hope to achieve this by implementing various projects focused on improving efficiencies across Liberty. These include only using potable water for purposes such as handwashing and showering while greywater, or non-potable water, will be used for toilets and urinals, cooling towers and irrigation.

Our Midlands Mall alternative water harvesting system has been fully operational since July 2020. The project has already proven to be successful – as at the end of 2020, the system harvested enough rainwater to offset 7% of the mall’s total water consumption. The system includes alternative water sources with a capacity of 310 kL greywater and 170 kL rainwater.

In 2019, we also **completed a water conservation project at our Braamfontein campus** and, through **greywater collection and rainwater harvesting**, we have been able to **reduce our reliance on municipal water supply by 10%**.

## Liberty's water consumption

Kilolitres (kL)	2020	2019	2018
Water consumption at owned and occupied properties <sup>1</sup>	254 079	341 188	125 154
Tenants' water consumption in shopping centres and offices <sup>2</sup>	397 349	551 061	845 431
Leased branches <sup>3</sup>	22 804	n/a	n/a
<b>Total water consumption</b>	<b>674 232</b>	<b>892 249</b>	<b>970 585</b>



<sup>1</sup> Offices: 171 Katherine Street, Liberty Centre Braamfontein, Liberty Parkade, Libridge, 2 Jan Smuts, STANLIB Melrose Arch (Jan-Aug), Liberty Centre Century City (Jan-Jul), Liberty Centre Umhlanga Ridge, Eastgate Office Tower, Atrium on 5th, Sandton Office Tower, Nelson Mandela Square Offices. Malls: Botshabelo Mall, Eastgate Shopping Centre, Liberty Midlands Mall, Liberty Midlands Mall Lifestyle Centre, Promenade Mall, Nelson Mandela Square Retail, Sandton City Retail.

<sup>2</sup> Offices: 171 Katherine Street, Libridge, Liberty Centre Century City, Liberty Centre Umhlanga Ridge, Eastgate Office Tower, Nelson Mandela Square Offices, Liberty Two Degrees in STANLIB Melrose Arch, Sandton Office Tower, Atrium on 5th. Malls: Botshabelo Mall, Eastgate Shopping Centre, Liberty Midlands Mall, Liberty Midlands Mall Lifestyle Centre, Liberty Promenade Mall, Nelson Mandela Square Retail, Sandton City Retail.

<sup>3</sup> We extended our efforts to improve water management across our property portfolio to the collection of water consumption data at our branches. As this is a new initiative, our data is currently limited, and our 2020 data is based on 26 of our 55 leased branches.



# Energy consumption, carbon footprint and climate change risk (continued)

## Energy consumption and efficiency

Our electricity is supplied from the national grid and is mostly generated from non-renewable carbon-intensive resources. Due to the unique circumstances of 2020, as a result of the outbreak of the COVID-19 pandemic and ensuing national lockdown, electricity consumption of our property portfolio decreased overall. We reallocated a percentage of our electricity consumption from scope 3 to scope 2 as a result of improved data measurement, resulting in a slight increase of electricity consumption in our scope 2 emissions. The electricity consumption of our tenant-occupied buildings amounted to 102 705 MWh (2019: 145 338 MWh).

### Liberty's electricity consumption

Megawatt hours (MWh)	2020	2019	2018
Liberty's electricity consumption in owned and occupied properties <sup>1</sup>	52 973	50 932	31 921
Liberty's electricity consumption in leased properties <sup>2</sup>	3 890	3 357	3 558
Tenants' electricity consumption in shopping centres <sup>3</sup>	90 920	130 256	197 263
Tenants' electricity consumption in offices <sup>4</sup>	11 784	15 082	
<b>Total</b>	<b>159 567</b>	<b>199 627</b>	<b>232 742</b>

<sup>1</sup> Offices: 171 Katherine Street, Liberty Centre Braamfontein, Liberty Parkade, Libridge, 2 Jan Smuts, Liberty Centre Century City (Jan to Jul), Liberty Centre Umhlanga Ridge, Eastgate Office Tower, STANLIB Melrose Arch (Jan to Aug), Atrium on 5th, Sandton Office Tower, Nelson Mandela Square Offices. Malls: Botshabelo Mall, Eastgate Shopping Centre, Liberty Midlands Mall, Liberty Midlands Mall Lifestyle Centre, Promenade Mall, Nelson Mandela Square Retail, Sandton City Retail. From 2019, Liberty's numbers include common area consumption that was previously included under tenant's consumption.

<sup>2</sup> We currently report electricity consumption for 39 of our 55 leased buildings. We do not have access to electricity consumption information at the other 16 buildings but we are working on this.

<sup>3</sup> Botshabelo Mall, Eastgate Shopping Centre, Liberty Midlands Mall, Liberty Midlands Mall Lifestyle Centre, Liberty Promenade Mall, Nelson Mandela Square Retail, Sandton City Retail.

<sup>4</sup> 171 Katherine Street, Libridge, Liberty Centre Century City, Liberty Centre Umhlanga Ridge, Eastgate Office Tower, Nelson Mandela Square Offices, Liberty Two Degrees in STANLIB Melrose Arch, Sandton Office Tower, Atrium on 5th.

Our solar PV project is expanding rapidly. In 2020, installed solar PV panels generated 1 986 MWh in renewable energy, reducing our dependency on the national grid and saving the company approximately R2,3 million. Solar panels at Midlands Mall (with a capacity of 1 MW) generated the largest proportion of this – 1 216 MWh (saving R1,46 million); followed by Liberty Centre Braamfontein head office, generating 661 MWh (saving R0,8 million); and Liberty Centre Parkade, generating 109 MWh (saving R0,13 million) in 2020.

We completed feasibility studies for solar PV plants at Promenade Mall, Sandton City and Umhlanga Ridge Offices. The approval process is currently underway and we expect to extend the solar PV project to these buildings during 2021. The combined estimated energy output for these projects is 26 500 MWh, which is enough energy to reduce grid energy reliance by 4% across the portfolio.

An energy study conducted by group real estate services (GRES) found that our head office was consuming an average of 333 kWh/m<sup>2</sup> annually, which is higher than the national average of 219 kWh/m<sup>2</sup>. As part of our efforts to reduce our energy usage, we implemented a project in 2020 to rezone our heating, ventilation and air-conditioning system. While this project has been in the pipeline for a few years, it was only during the national lockdown that we had the opportunity to implement it as the majority of our employees were working from home. We expect to save 2 245 tCO<sub>2</sub>e annually from 2021. Furthermore, the project has the added benefit of reducing the spread of airborne diseases, which is particularly important in the context of COVID-19.

## 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/>



# Energy consumption, carbon footprint and climate change risk (continued)

## Liberty's South African carbon footprint

Tonnes carbon dioxide equivalent (tCO <sub>2</sub> e) <sup>1</sup>	2020	2019	2018
<b>Scope 1 direct tCO<sub>2</sub>e</b>	<b>L 2 542</b>	<b>3 684</b>	<b>1 730</b>
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 <sup>2</sup>	-	-	-
<b>Scope 2 indirect tCO<sub>2</sub>e<sup>3</sup></b>	<b>L 58 000</b>	<b>56 568</b>	<b>32 584</b>
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
<b>Scope 3 indirect tCO<sub>2</sub>e, including tenants' electricity</b>	<b>L 115 653</b>	<b>167 297</b>	<b>203 893</b>
<b>Scope 3 indirect tCO<sub>2</sub>e, excluding tenants' electricity</b>	<b>10 893</b>	<b>16 145</b>	<b>15 214</b>
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
<b>Total combined Liberty scopes 1 and 2 emissions</b>	<b>L 60 542</b>	<b>60 252</b>	<b>34 314</b>
Total combined Liberty scopes 1, 2 and 3 emissions (Kyoto Protocol), including tenants' electricity emissions	<b>L 176 195</b>	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) <sup>4</sup>	7,79	7,61	4,39
Total scopes 1 and 2 emissions per square metre of space (tonnes per square metre) <sup>4</sup>	0,15	0,14	0,24
Non-Kyoto Protocol fugitive greenhouse gas emissions (R22)	261	653	2 358

<sup>1</sup> 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<sub>2</sub>e 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.

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

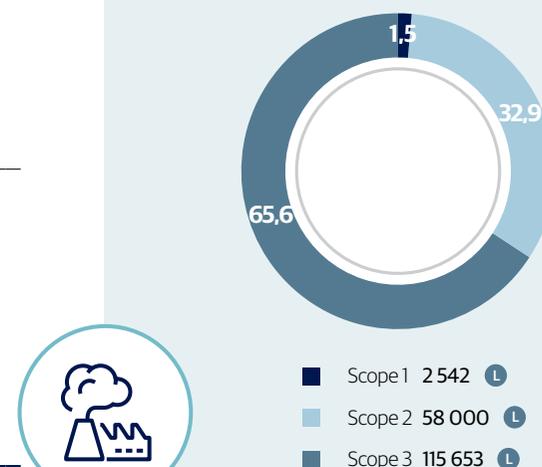
<sup>3</sup> From 2019, numbers include emissions for Liberty Two Degrees, scope 2 emissions where common areas were moved from scope 3 to scope 2.

<sup>4</sup> Total square metre of space used: 413 858 m<sup>2</sup> in 2020 (2019: 424 192 m<sup>2</sup>, 2018: 144 954 m<sup>2</sup>). 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.

**Liberty's emissions 2020**  
% of tCO<sub>2</sub>e by scope



## Energy consumption, carbon footprint and climate change risk (continued)

### Saying goodbye to single-use plastics

Creating meaningful behavioural change is imperative to mitigating our impact on climate change and the environment. In 2019, we introduced an initiative to reduce single-use plastics at our Braamfontein campus and expanded it to all regions in 2020.

Posing a massive threat to the environment, these plastics take between 10 and 1 000 years to break down into microplastics, wreak havoc on ecosystems and eventually enter our food systems. To play our part, we removed all plastic cutlery, containers and polystyrene cups from our canteens, coffee shops and pause areas.

In 2020, we eliminated single-use plastic bags at our portfolio of retail centres, an initiative that was unfortunately badly disrupted by the COVID-19 pandemic given that our tenants were not consistently operating during the various lockdown alert levels. Our focus for 2021 is to analyse the progress of this initiative at both a tenant and building level, and subsequently identify the steps we need to take to achieve zero plastic bags at our retail centres. Part of this initiative is to create awareness of our own behaviour, and to educate our tenants and consumers on the risks for the environment associated with single-use plastics.

We also introduced reverse vending machines at Sandton City in October 2019 to educate and reward customers for recycling. These machines are linked to the Imagined Earth app, and reward customers with vouchers that can be spent at the shopping centre when they deposit their recyclable packaging waste.

In 2020, the four reverse vending machines collected **57 699 units of recyclables with a total weight of 2,2 tonnes**, which is equivalent to reducing **3 591 tCO<sub>2</sub>e emissions**.



# Climate-related financial disclosures – a summary

## Overview

The TCFD recommendations on climate-related financial disclosures are designed to promote more informed investment, credit and insurance underwriting decisions. The recommendations are structured around four themes – governance, strategy, risk management, and metrics and targets – aimed at equipping stakeholders with a better understanding of the concentration of carbon-related assets in the financial sector, along with 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, and apply to all financial and non-financial companies with public debt and/or equity.

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:

- GRI Standards
- King IV™
- FTSE/JSE Responsible Investment Index
- UN Global Compact
- UN SDGs
- PRI (STANLIB publishes an annual PRI Transparency Report and the STANLIB Stewardship Report)
- CDP – to which we submit annual disclosures in terms of their climate change questionnaire

While our current reporting frameworks will not change, we do believe that reporting in terms of the TCFD recommendations will strengthen our climate-related disclosures. 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 step towards full disclosure on all 11 TCFD recommendations.

## Governance

### Liberty's governance around climate-related 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 CEO who is supported by the 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.



*For more information on management's role in assessing and managing climate-related risks and opportunities, refer to page 6 of our full climate-related financial disclosures report.*

Looking ahead, Liberty expects to establish a groupwide ESG forum to further identify and monitor ESG-related matters, including climate-related risks and opportunities.

## Strategy

### 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
- 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

For STANLIB, ESG-related factors are a material investment consideration in line with its principles for responsible investing. Through the Khanyisa Impact Investing Fund launched in 2020, STANLIB invests in assets with a significant ESG focus. An ESG forum was established in 2019 to improve ESG awareness and culture across various investment platforms. STANLIB also actively participates in opportunities to finance more sustainable investments, such as wind and solar power.



*For more information on responsible investing, refer to page 75.*

# Climate-related financial disclosures – a summary (continued)

STANLIB also 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, South Africa 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 OECD, 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<sup>1</sup> 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.

<sup>1</sup>A supercritical coal plant (as opposed to a traditional coal plant) will decrease waste heat produced by 25%, and cut pollution and lower case carbon dioxide by roughly the same amount according to the World Coal Association.

## Risk management

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

Our group sustainability team monitors and reports on SEE aspects and activities which feed into Liberty's business decisions. These initiatives are then monitored by the SET committee to ensure responsible and ethical management of all sustainability-related matters – including climate-related issues. Our GRES department implements infrastructure-related sustainability projects focused on energy, water, waste and safety.

The STANLIB 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 the STANLIB investment executive committee.

Our risk management framework is supported by policies, processes and activities relating to the management and reporting of risk, with specific relevance to ESG-related factors and climate change, including:

- Investment management risk policy;
- STANLIB's responsible investing principles and investing in coal-based power policy;
- Group sustainability policy; and
- L2D water efficiency policy, solid waste management policy and sustainable procurement and purchasing policy.



Liberty will publish its first climate-related financial disclosures report in conjunction with this report to society. To read the full report, please go to [www.libertyholdings.co.za](http://www.libertyholdings.co.za)

# Climate-related financial disclosures – a summary (continued)

We are increasingly investing in innovative renewable energy solutions through STANLIB, which is committed to responsible investment that delivers value.

With the energy challenges faced by South Africa, the country continues to explore renewable solutions, and investment in solar energy is a viable option. However, solar power – while presenting remarkable potential – faces an ongoing challenge. Demand typically peaks at sunset, when the sun's energy is fading. Concentrated solar power (CSP) offers an excellent solution, as it harnesses the sun's energy to generate steam. This steam then drives generator turbines and creates thermal energy that can be stored and released for power generation after sunset.

## Kathu solar project

One such project using CSP is the Kathu solar plant in the Northern Cape, where solar heat is gathered using parabolic mirrors, transferring the heat to a molten salt reservoir which operates like a battery. The heat released by this reservoir can generate power for up to 4,5 hours, and when performing optimally can generate power for nearly 180 000 South African homes.

To date, STANLIB has **invested R350 million in the Kathu initiative**

## The future of food production

With a culture of innovation and creativity, Liberty is always exploring new ways to contribute towards the sustainability of the environment.

South Africa is one of the most water scarce countries, and sub-Saharan Africa's population is set to double by 2050<sup>1</sup>. This will lead to an increased demand on food production and fishing – and along with rising farming input costs and the decline of the farming community, it is imperative that we find new ways of saving water and creating food security.

**L2D partnered with Icthyx, a leading consulting firm supplying high-quality produce through eco-friendly and sustainable urban farming,** to curate unique experiences in their retail spaces and facilitate community engagement by creating and implementing urban aquaponic rooftop gardens.

Aquaponics is a food production system whereby the waste produced by farmed fish (aquaculture) creates and supplies the nutrients necessary for plants that are hydroponically grown in water. The water from the fish provides nutrients to the plants, and the plants use the nutrients to grow food and filter the water returning to the fish. This system presents many advantages; with its low maintenance and zero waste, aquaponics uses 90% less water and is 500% more productive than conventional farming. Safe for the environment and people, it is possible to scale the farm to work in any space, in any urban setting, creating dual income through plants as well as animal proteins (fish).

Liberty and L2D launched South Africa's first rooftop aquaponics farm at Eastgate Shopping Centre's rooftop parking in 2019. Our vision is to generate an organic market with fresh, local and organic produce from the 300 m<sup>2</sup> urban farm, creating a unique shopping experience which brings the community together, creates local employment and invests in South Africa's future. Linked to a sustainable CSI initiative in partnership with Africa's Got Game, the model was developed in a way that will enable us to replicate it throughout our retail portfolio.

<sup>1</sup> <https://businesstech.co.za/news/lifestyle/323763/heres-how-many-people-will-be-living-in-south-africa-by-2030/>