

Position on the Oil and Gas Sector

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1 Introduction

Climate change represents one of the greatest challenges of our time, necessitating a fundamental shift in all economic sectors. In response, the financial industry has increasingly recognized its responsibility to play a key role in the transition to a low-carbon economy through sustainable investments. As an institutional investor, Sparkassen-Versicherung Sachsen Lebensversicherung AG acknowledges its responsibility in contributing to sustainable development. The energy sector, and the oil and gas industry in particular, is a crucial point of this commitment, given its significant contribution to greenhouse gas emissions.

Current scientific findings highlight that the combustion of fossil fuels such as oil and gas are a primary driver of global warming. The Intergovernmental Panel on Climate Change (IPCC) emphasizes that limiting global warming to 1.5°C above pre-industrial levels requires a drastic reduction in the use of fossil fuels. According to IPCC estimates, global CO₂ emissions must be reduced by 45% by 2030 compared to 2010 levels to meet this target.¹ Despite these findings, recent analyses by the International Energy Agency (IEA) indicate that oil and gas consumption is still increasing in certain regions, underscoring the urgent need to reconsider investments in this sector strategically.²

Sparkassen-Versicherung Sachsen Lebensversicherung AG is committed to its responsibility in climate protection and strives for a sustainable and long-term reduction of greenhouse gas emissions. As an institutional investor, we acknowledge the environmental and climate-related risks associated with the oil and gas sector and pledge to align our investment strategies with the objectives of the Paris Climate Agreement and our commitments as a member of the Net-Zero Asset Owner Alliance (NZAOA). This position paper outlines our strategy to reduce carbon-intensive investments in the oil and gas sector and to promote sustainable alternatives.

¹ IPCC. (2018). *Global Warming of 1.5°C. Summary for Policymakers*. Geneva: International Panel on Climate Change (IPCC)

² International Energy Agency (IEA). (2023). *World Energy Outlook 2023*. Paris: IEA

2 Portfolio Strategy for the Oil and Gas Sector

As part of our ESG strategy for the oil and gas sector, we have identified four key action areas to actively facilitate the transition to a low-carbon and future-oriented economy: Portfolio alignment and sustainable investment decisions, investments in oil and gas infrastructure, active ownership through sustainable engagement, and collaboration with asset managers. These action areas provide clear guidelines for our engagement, helping to mitigate long-term risks and secure sustainable returns.

2.1 Portfolio Alignment and Sustainable Investment Decisions

Sparkassen-Versicherung Sachsen Lebensversicherung AG is committed to progressively aligning its investment portfolio towards sustainable and climate-friendly investments. A key component of this strategy is the exclusion of new investments in companies that derive more than 10% of their revenue from unconventional extraction methods such as fracking, Arctic drilling, or the exploitation of oil sands and oil shale. Furthermore, we plan to fully divest from existing investments in companies that continue to rely on these extraction methods by 2035.

By reallocating our investments towards transition-ready companies, defined as those with science-based targets (SBTs) or credible transition plans, we actively contribute to climate protection and support a future-oriented, sustainable economy that aligns with long-term ecological challenges.

2.2. Investments in Oil and Gas Infrastructure

Direct Investments

Sparkassen-Versicherung Sachsen Lebensversicherung AG does not engage in direct investments in infrastructure projects, including those in the oil and gas sector.

Indirect Investments

In illiquid asset classes, full transparency on all underlying assets is not always feasible, making a complete exclusion of fossil components challenging in every instance.

However, when subscribing to new funds, we engage in intensive discussions with the responsible asset managers to ensure that our sustainability criteria, as set out in our investment strategy, are optimally considered. This strategy is reviewed annually and approved by our Board of Directors.

2.3 Engagement in Collective Initiatives

Sparkassen-Versicherung Sachsen Lebensversicherung AG actively embraces its responsibility as an investor by encouraging the companies in which it invests to adopt sustainable business practices. Active ownership is exercised through targeted engagement and the exercising of voting rights to influence strategic sustainability decisions. Engagement activities are coordinated within the group of public insurers to maximize impact.

To effectively exercise its role as an active investor and strengthen its impact, the group of public insurers collaborates with Deka Investment GmbH as a strategic partner.

Deka Investment GmbH follows a structured escalation approach in its engagement process. This includes active voting at general meetings, investor discussions, governance meetings with supervisory boards, and, where necessary, public statements at shareholder meetings. Deka Investment GmbH provides quarterly reports detailing all voting activities, including a comprehensive breakdown of voting actions.

2.4 Collaboration with Asset Managers

Sparkassen-Versicherung Sachsen Lebensversicherung AG maintains close and cooperative relationships with its appointed asset managers to ensure that its sustainability objectives are comprehensively integrated into the management of its investment portfolio. We expect our asset managers to systematically incorporate ESG criteria into their investment processes, carefully assessing both opportunities and risks. Through continuous, open dialogue, we regularly review the extent to which agreed-upon sustainability strategies are being upheld.

This ongoing interplay of disclosure and dialogue enables us to make timely adjustments when necessary and credibly implement our ESG principles.