



Live with confidence

23

Investment and insurance position statement on fossil fuels



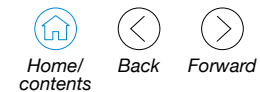
Shaping our future with confidence





Contents

- [2 Background](#)
- [3 Purpose](#)
- [3 Scope](#)
- [3 Governance of climate change](#)
- [4 Our approach to responsible investment and underwriting](#)
- [5 Our position on underwriting and investing in fossil fuel](#)

Interactive PDF digital navigation



 Indicates where further information can be found online.

 This page reference icon is applied throughout the report to improve usability and show the integration between relevant elements of this report.

Fossil fuels have historically been instrumental in driving economic development and securing energy supply. Nations with abundant fossil fuel resources have typically experienced accelerated economic growth. Yet, the imperative of climate change mitigation necessitates a re-evaluation of fossil fuels' role in the global economy. We advocate for a just and equitable transition to low-carbon energy sources. This transition must not only ensure energy security, but also consider socioeconomic factors. It should facilitate the reallocation of skills, supply chains, and job opportunities from fossil fuel-dependent sectors to low-carbon industries, while also ensuring that communities and workers affected by this shift are supported and integrated into the new economic landscape. Our approach aims to balance environmental objectives with economic and social stability, ensuring a transition that is both sustainable and inclusive.

Background

As a leading insurance and asset management group on the African continent, with a presence in India, Malaysia and select developed markets, we aim to empower generations to be financially confident, secure, and prosperous.

Sanlam adopts a forward-looking, just, and responsible approach to strategic decisions related to investment and underwriting in the fossil fuels sector and value chain. For over a century we have built a reputation of being trusted and reliable partners to ensure that our clients live with confidence.

We understand that our actions today will impact the ability of future generations to prosper and benefit from functioning natural and social resources. Thus, integrating sustainability in our investment and underwriting strategy and decision-making is at the core of ensuring future generations can prosper.



Purpose

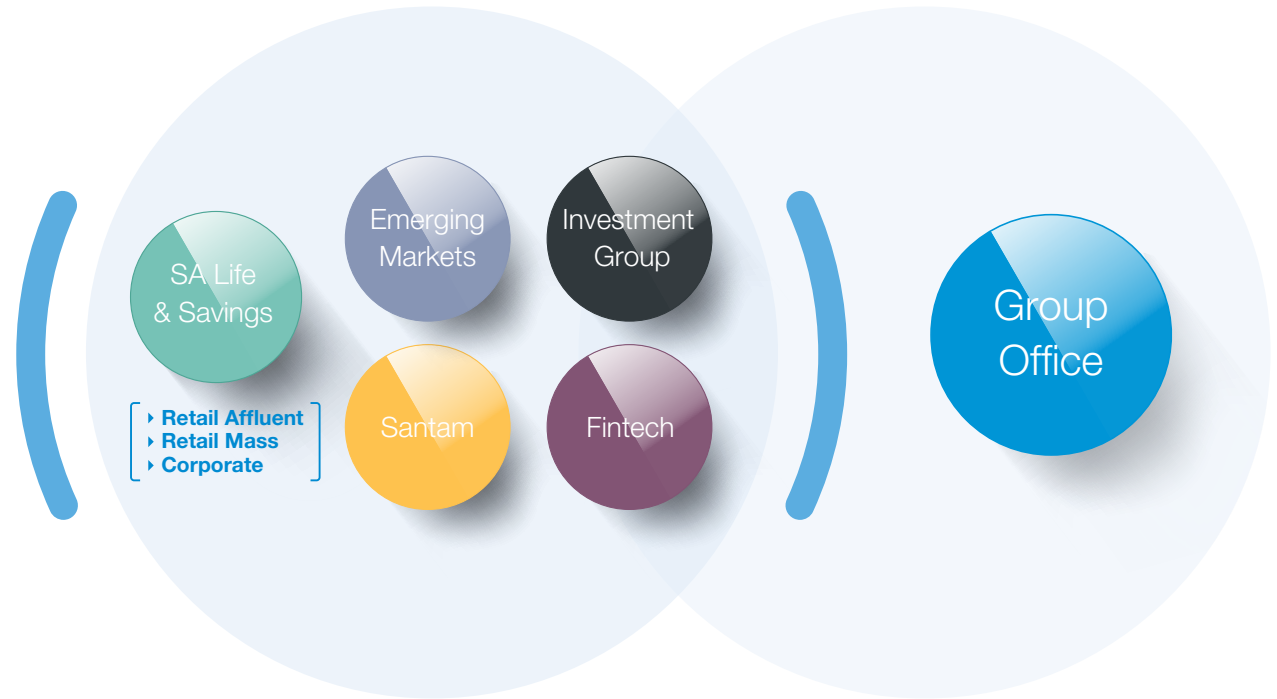
This document should be read with the following: the Sanlam sustainability integration and disclosure framework; and the Sanlam climate change position and response statement.

These documents detail how Sanlam implements its commitment to act as a responsible corporate citizen in its investments and underwriting practices. They also outline the key building blocks of Sanlam’s responsible investment and insurance approach related to the fossil fuel sector.



Scope

Unless otherwise stated in specific sections of this document, the commitments and processes we describe here are relevant to all companies and subsidiaries under Sanlam’s majority ownership, as indicated in the following details.



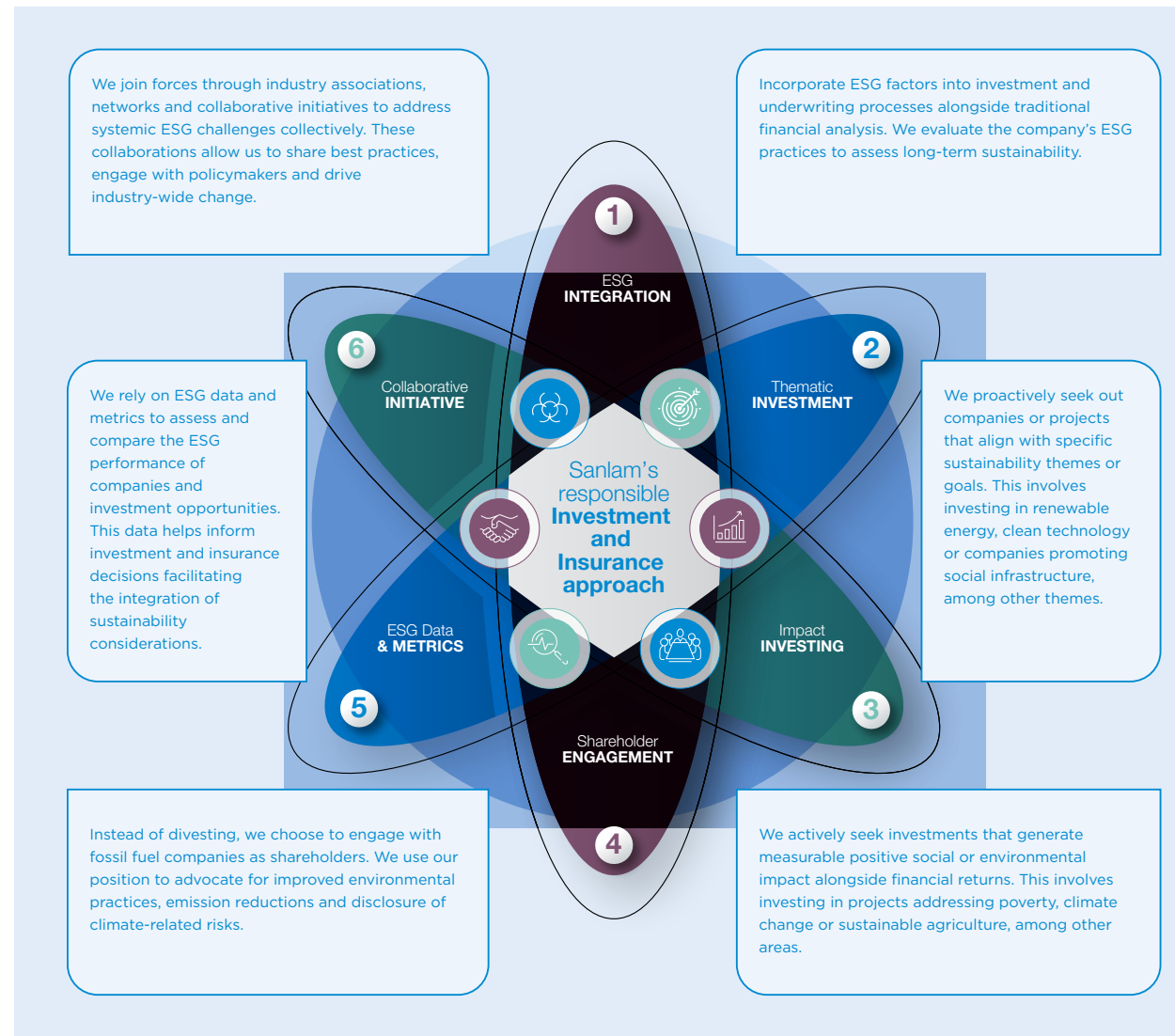
Governance of climate change

The Sanlam Board and executives oversee and monitor the adherence to the commitments made in this statement. We will regularly set and monitor our commitments and targets through the group social, ethics and sustainability committee.

Our approach to responsible investment and underwriting

We recognise that taking action on climate change is crucial to limit global temperature increases to below 1,5°C, in accordance with the goals of the Paris Agreement and the Intergovernmental Panel on Climate Change’s Sixth Assessment’s Shared Socioeconomic Pathway 1 (SSP-1) Recommendations, complemented by more ambitious Nationally Determined Contributions (NDCs). However, a strict exclusionary policy in responsible investment and insurance aimed at transitioning to a low-carbon economy could inadvertently lead to socioeconomic issues, potentially exacerbating energy insecurity and poverty among the most vulnerable in our society. Sanlam adopts a ‘just and equitable energy transition’ principle⁽¹⁾ in its approach to fossil fuel investments and insurance.

Particularly in Africa, where energy poverty is significantly higher compared to other regions, recent oil and gas discoveries in the north, west, and eastern parts of the continent are viewed as opportunities to address energy shortages and stimulate economic development. These discoveries are seen as essential for driving economic growth and alleviating energy poverty. Sanlam’s strategy for a just and equitable energy transition involves collaborating with stakeholders to assist their shift from the current fossil fuel-based energy systems to renewable energy sources. This approach aims to ensure that both the transition process and the final outcome effectively tackle socioeconomic challenges.



⁽¹⁾ A just and equitable energy transition refers to the shift from fossil fuel-based energy systems to low-carbon, sustainable alternatives in a manner that is fair, inclusive, and respects the rights and well-being of all individuals and communities. It recognises that the transition to a clean energy future should not perpetuate or exacerbate existing social, economic, and environmental inequalities, but rather address them through deliberate and inclusive strategies.

Our approach to fossil fuel investment and insurance cannot ignore these realities confronting fossil fuel-rich countries. However, we are also responsible for mitigating the physical and transitional risks of climate change to ensure our business is resilient. As we engage with our clients in the fossil fuel sector, we stress the need to expedite environmental, social and governance (ESG) integration in their strategic and operational activities to mitigate the risk of stranded assets.

Our position on underwriting and investing in the fossil fuel value chain

Our stance on underwriting and investing in the fossil fuel value chain is guided by a clear commitment to climate change mitigation. We are aligned with global policy initiatives that aim to limit global temperature rise to below 2°C, aspiring towards a more ambitious target of 1.5°C. Achieving this goal necessitates a globally co-ordinated, planned, and systematic shift towards a low-carbon economy, minimising reliance on fossil fuels.

However, an abrupt transition away from the fossil fuel sector, without meticulous planning, could jeopardise numerous jobs and value chains that are crucial for economic stability, particularly in the developing economies where much of our business operates. Such a hasty shift could aggravate existing socioeconomic challenges. Therefore, Sanlam champions a gradual, just, and equitable approach to the energy transition. This approach aims to balance environmental imperatives with the need to maintain economic stability and support sustainable development, especially in regions most affected by the transition. Our strategy is to ensure that this transition to a low-carbon economy is both environmentally sustainable and socioeconomically inclusive.

We commit to the following in our investment and insurance practices in the fossil fuel sector and its value chain:

- 1 Collaboration with stakeholders:** Working with all stakeholders, including investors, regulators, intermediaries, and reinsurers, to support emissions reduction in line with the Nationally Determined Contributions (NDCs) under the Paris Agreement. This involves reducing greenhouse gas emissions and adapting to climate change impacts.
- 2 Client engagement and support:** Taking proactive steps to engage and collaborate with our clients in the fossil fuel sector, supporting them through our innovative green investment products to gradually transition from fossil fuel energy sources.
- 3 Supporting clean energy technologies:** Assisting our clients in enhancing their business production methods towards adopting alternative and clean energy technologies.
- 4 Climate change risk assessment:** Consistently applying our climate change risk assessment, referral process, and guidelines in our underwriting and financing decisions for the fossil fuel sector.

- 5 Active ownership and stewardship:** Using our shareholder stewardship, active ownership, and voting rights to drive Environmental, Social, and Governance (ESG) integration and the incorporation of climate change transition and decarbonisation plans.
- 6 Transparency and reporting:** Enhancing transparency and reporting on responsible investment activities by disclosing our ESG integration approaches, reporting progress towards ESG goals, and providing clear communication to stakeholders about the impact of our investments and insurance practices.
- 7 Economic development and job creation:** Supporting economic development and job creation in transitioning communities, ensuring our investments contribute positively to local economies and employment opportunities.

- 8 Climate adaptation and resilience:** Investing in and promoting climate adaptation and resilience, ensuring our practices not only mitigate climate change but also help communities adapt to its effects.
- 9 Advocacy for just transition:** Advocating for and contributing to policies and initiatives that support a just transition, focusing on the well-being of workers and communities directly impacted by the move away from fossil fuels.

Our approach to climate change mitigation and adaptation is rooted in the principle of a just and equitable energy transition. This means greening the economy in a way that is fair and inclusive for all, creating decent work opportunities, and leaving no one behind. We strive to ensure our practices contribute to sustainable economic development while addressing the urgent needs of climate adaptation and resilience.

