Position Statement

Fossil Fuels

Summary: SFDR Article 8 and Article 9 funds require good governance from investee companies — an expectation the fossil fuel sector cannot meet due to its history of corruption and opposition to climate action. Because HealthInvest only offers Article 8 and 9 funds, we exclude fossil fuel producers and distributors from our investment universe.

Purpose of this document

This document explains the reasoning behind our fossil fuel exclusion, and its implications for HealthInvest's portfolios.

What is covered by our policy?

In the context of our exclusion, fossil fuels include the production and distribution of crude and refined petroleum products, natural gas, and coal. This includes sub-categories like oil sands, fracking, and thermal coal, which are sometimes specified by asset owners. It also includes companies involved in prospecting.

Our position

While fossil fuels have enabled industrialization and human development, their use has also contributed to the rise in atmospheric carbon dioxide, which in turn has contributed to a warming of the climate system, the most urgent and widespread threat to human well-being and economic development. Additionally, fossil fuel development has historically contributed to undermining a wide variety of Sustainable Development Goals including through terrestrial and aquatic ecosystem degradation (SDGs 6, 14, and 15), population displacement (SDGs 1, 11, and 16), economic and social inequality (SDGs 5 and 20), armed conflict (SDG 16), gender-based violence (SDG 5), tax evasion and corruption (SDG 16 and 17), increased risk of health problems (SDG 3), and general violations of human rights. These observations come directly from the oil and gas industry itself in a report written in collaboration with the United Nations Development Program (UNDP 2017).

We have determined that the fossil fuel industry is fundamentally unsustainable and therefore choose to exclude the sector outright rather than invest and seek to create value through engagement on sustainability issues. The basis for this decision is that the industry is an untrustworthy partner for engagement due to its long history of rampant corruption which, at least for oil and gas, has enabled its establishment as a profitable industry and from which the industry has not been willing or able to separate itself (Moisé 2020; Sovacool 2016). Additionally, the sector has a storied history of intentionally concealing dangers of climate change and its links to fossil fuels, creating doubt about climate science, and undermined public support for climate action (Franta 2018; Wentz and Franta 2022). SFDR Article 8 and Article 9 funds require good governance from investee companies—an expectation the fossil fuel sector cannot meet due to this history. For this reason, we consider the entire industry fundamentally unsustainable and uninvestable.

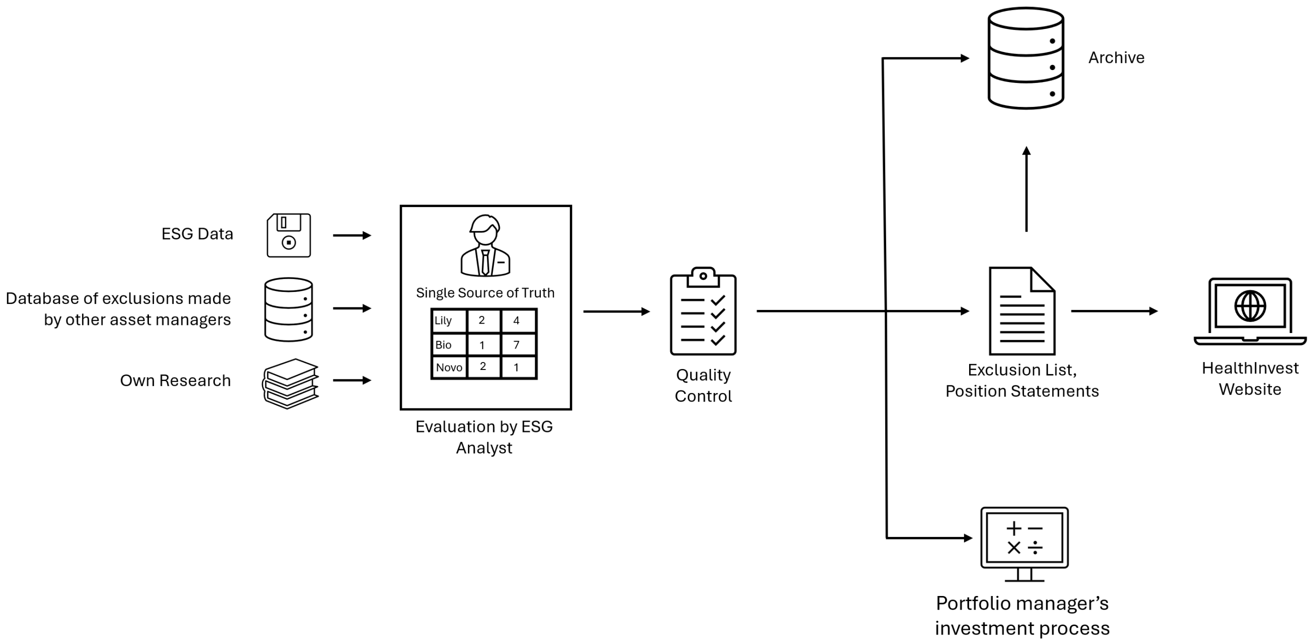
Portfolio implications

For Fossil Fuels, we exclude Bruker.

HealthInvest's Due Diligence Process

Our due diligence process is built around a *single source of truth* ESG dataset. We gather information on companies from ESG data providers, the exclusion lists of other asset managers, and our own internal research. This information is reviewed by our ESG Analyst and validated through internal checks before it is committed to the ESG dataset. Potential and current investments are evaluated against this dataset.

Changes to the *single source of truth* ESG dataset are automatically reflected in our online documentation and in the digital tools used by portfolio managers to evaluate potential investments and monitor portfolios. All changes are documented to ensure traceability and consistency over time. In practice, updates most often occur due to corporate actions (e.g., IPOs, delistings, mergers, and name changes) as opposed to changes in a company's underlying economic activities.



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