

## Divestment Challenges

Missing out on transition opportunities and Osmosis' unique re-inclusion policy.

A frequently overlooked challenge of fossil fuel divestment is the potential to miss out on transition opportunities. Many fossil fuel companies, particularly in the utilities sector, are investing heavily in renewable energy and other sustainable initiatives. By divesting completely, investors might forgo the chance to support and benefit from companies that are actively transitioning toward cleaner energy. A nuanced approach – selectively investing in firms with credible transition strategies – can help balance sustainability goals with financial opportunities.

### Osmosis' Innovative Re-inclusion Policy

Osmosis' ex fossil fuel strategy employs a re-inclusion policy specifically for transitioning companies within the utility sector. While the strategy generally excludes companies deriving more than 5% of their revenues from fossil fuels or nuclear power generation, as well as those involved in controversial weapons, civilian firearms, tobacco, or in breach of UN Global Compact Principles, it allows for the possibility of re-including utility companies that are actively transitioning towards more sustainable practices and transitioning away from fossil fuels. We recognise this can be a long and difficult process, and want to allow companies that have shown commitment through action back into the selection universe. To this end, if a utility company generates more than 50% of its electricity from renewable energy (including hydropower), and has a positive Resource Efficiency score, it is returned back into the selection pool.

This innovative approach acknowledges the dynamic nature of the utility sector, where companies may be shifting their operations towards renewable energy sources and reducing their reliance on fossil fuels. By considering the re-inclusion of such transitioning companies, Osmosis aims to support and incentivise positive environmental change while adhering to its investment criteria. In this way, our clients don't miss out on the long term growth potential of companies that are leading the transition to a more sustainable economy.

### The Osmosis Strategy

- Companies with ties to thermal coal or oil sands\*\*
- Companies with revenues from oil & gas (ex. petrochemical) >5% of total revenues
- Companies found to be in breach of the UN Global Compact
- Companies involved in the manufacturing of tobacco
- Companies that have any revenues from controversial weapons and civilian firearms
- Companies with >5% revenues from nuclear power generation

### Re-inclusion

Companies in the utility sector with revenues from oil & gas (ex. petrochemical) >5% of total revenues but that have >50% energy generation from renewable sources (such as hydroelectric and solar/wind) can be included if they have a positive Resource Efficiency (RE) score.

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