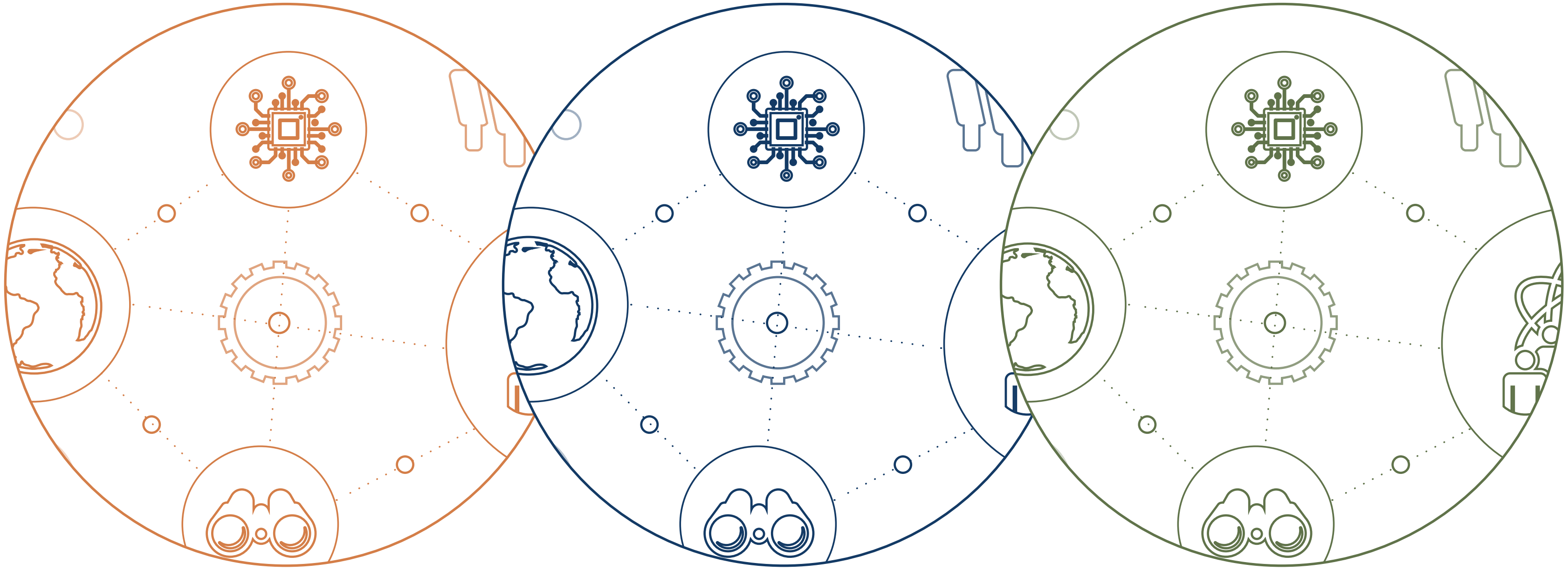
# Stewardship Report
# 2023



ARTEMIS
The Profit Hunter

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# An introduction from our Executive Chairman

**John Dodd**
Executive Chairman

In the last 12 months, investment markets have arguably become more difficult to navigate, as investors get used to interest rates at much higher levels than they had been accustomed to over the previous decade.

Sadly, the war in Ukraine has shown no sign of ending and it has been joined by the conflict between Israel and Palestine, creating a backdrop which is in marked contrast to the relative peace of most of this century.

Although the rates of increase in inflation brought about by these conflicts and other areas of international tension have slowed, it feels as if as active investment managers we are operating in a very different world to that of a few years ago.

But while the financial environment may be rather different, what has not changed is the importance of active engagement as investors, so I am very pleased to report we have continued to strive harder as stewards of our investors' capital.

Firstly, additional resource was added to the team in October 2023, making Stewardship four strong, with additional support across the business. We believe this is an example of our commitment to Stewardship and the positive impact it can have for anyone who entrusts their wealth and savings to us.

The breadth and complexity of the issues which fall within the remit of the Stewardship team continue to grow each year, so unsurprisingly as an active asset manager we operate an active Stewardship programme.

Our investment teams held over 1,400 company meetings and voted at over 800 meetings and on more than 11,000 resolutions.

Another area that we believe is fundamental to good governance is how we as a firm operate.

Since the formation of Artemis in 1997 we have always believed in giving back to society and the achievements of the Artemis Charitable Foundation are an area of which we are all justly proud.

The Foundation, which is chaired by Derek Stuart, one of the firm's founders, distributed over £890,000 during 2023. The money and colleague volunteering went to support more than 130 causes, many of which are small, low-profile charities and organisations where we believe the money makes a huge impact.

We completed Year 5 of the Artemis Profit Hunt in conjunction with Arrival Education which introduced another group of Year 12 and 13 students from state schools in London to the possibilities of a career in finance. They also pitted their wits against the stockmarket in a virtual stock picking challenge, the results of which suggest we may have uncovered the next generation of Artemis fund managers!

2024 will bring more challenges but fundamentally we view good stewardship as another tool our investment teams employ to achieve the right outcome for our clients. There are some interesting examples of this in action in this year's report.

As I hope you can see, we continue to strive to improve our stewardship practices. I hope you find our annual reporting both interesting and useful, but also take it as reassurance that we believe good stewardship can help deliver better returns to society and investors alike.

**John Dodd**
Executive Chairman

# A message from our Chief Investment Officer

**Paras Anand**
Chief Investment Officer

When I introduced last year's Stewardship Report I had not long been with Artemis. Since then, I have had the opportunity to work more closely with our stewardship and fund management teams to gain a better understanding of what makes Artemis distinct from a stewardship perspective. Also as members of the Investor Forum and various committees at the Investment Association I have a better appreciation of how the wider industry approaches stewardship issues. Collective action across investment management and with other stakeholders at a system, thematic or corporate level can be instrumental in raising awareness and contributing to progress. We value these partnerships not just in helping to deliver positive outcomes, but as forums for sharing expertise and views.

I see stewardship as an important tool in delivering value to clients. As long-term active owners, we tend to build close relationships with the managements of many of the companies we own. This gives us the scope to influence the way they act and the decisions they make, for the benefit of shareholders. This is the essence of stewardship, a focus on material issues across strategy, capital allocation, environmental, social and governance (ESG) factors.

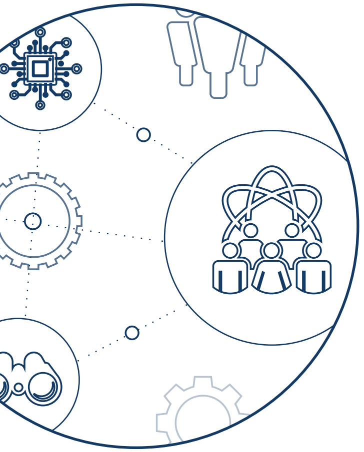
As an industry, we need to appreciate the challenges companies face and in particular the often conflicting demands of multiple stakeholders. Sometimes context is lost leading to a failure to appreciate the individual circumstances in which each company operates and misaligned or unrealistic expectations.

We are at an interesting junction. Reporting requirements, both regulatory and voluntary, have increased dramatically. Questions have fairly been raised regarding the efficacy of some of these disclosures in driving long term value creation.

At Artemis, our investment managers – the people who know the companies best and who speak most often to boards and senior managers – lead our stewardship activities. Supporting them is a small team that delivers valuable expertise and insight. I value the team's contribution – and so do the fund managers. We have recently increased our resources in this area.

I believe our stewardship work does contribute to delivering positive outcomes for our clients. I hope you will draw a similar conclusion on reading this report.

**Paras Anand**
Chief Investment Officer



# Insight to Artemis: who we are and what we do

Artemis provides dedicated active investment solutions to meet our clients' needs. As a boutique multi-strategy manager, we serve retail and institutional clients through our range of equity, fixed income and multi-asset strategies which invest in the UK, Europe, the US and worldwide.

Independent and owner-managed, we are headquartered in the UK with offices in London, Edinburgh, Munich and Zurich.

Fund managers' interests aligned with investors'

Owner managed business

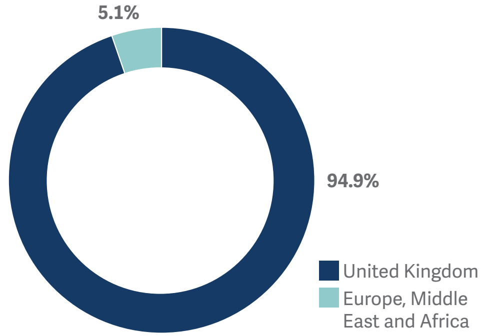
**232** colleagues

Founded in1997

Offices in: London, Edinburgh, Munich and Zurich

**46** of whom are Investment Professionals

**Clients by region***




*<0.1% in other regions.

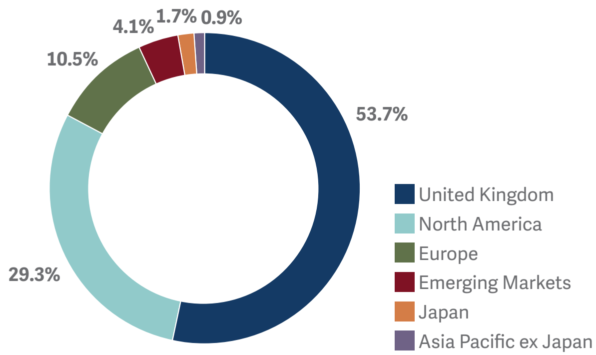
**Total assets under management**

**£23.3bn**

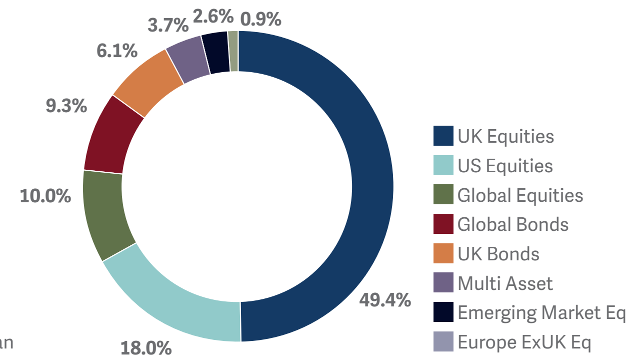
**Retail**
£17.9bn

**Institutional**
£5.4bn

**Assets under management by region**




**Assets under management by strategy focus**






Source: Artemis. All figures included in this report are as at 31 December 2023, unless otherwise stated. Please note figures may not add up to 100% due to rounding.

# Active stewards of our clients' assets since 1997

**Today, we are stewards of some £23.3billion* of client assets under management across a range of funds including UK and Luxembourg domiciled structures, an investment trust and segregated institutional portfolios.**

**Our culture supports a strong collegiate ethos where we share ideas and insights to maintain and enhance our offering as trusted and active stewards of our clients' capital.**

*Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.*

**The UK Stewardship Code 2020, Financial Reporting Council (FRC)**

## We were pleased to see that a number of our funds gained industry recognition in 2023:

### Artemis Corporate Bond Fund:
- Investment Week Fund Manager of the Year award in the Sterling Corporate Bond category
- Citywire: Best Fund Group in Sterling Corporate Bond category

### Artemis SmartGARP Global Emerging Markets Equity Fund:
- Investment Week Fund Manager of the Year in the Global Emerging Markets category.

### Artemis UK Select Fund:
- Professional Pensions Investment Awards: UK Equity Manager of the Year
- AJ Bell Investment Awards Fund Manager of the Year award in the UK Equity – Active category.

### Artemis SmartGARP UK Equity Fund:
- Lipper: Winner of Equity UK Lipper Fund Award over three, five and 10 year periods.

*as at 31 December 2023

# 2023 developments

Held over **1,400 company meetings** and voted at over **800 meetings** and on more than **11,000 resolutions.**

Actively participated in **industry initiatives** including The Investor Forum and Institutional Investors Group on Climate Change (IIGCC).

As signatories of the **Net Zero Asset Managers initiative (NZAMi)** we undertook analysis on alignment and engagement priorities.

Developed an **engagement framework** initially focusing on companies that are materially contributing to our firm's financed emissions.

We received an improved **PRI score**, scoring 4 stars across all categories.

Continued our involvement in industry initiatives on **human rights** particularly modern slavery, through The Investor Forum and the Find it, Fix it, Prevent it initiative.

Updated our **voting policy** including our principles on our diversity and climate approach.

We reviewed our policy on **firmwide weapons exclusions** and agreed extensions to its scope which we will implement in 2024.

**Additional resource** was added to the Stewardship team in October 2023 making us a team of four, with additional support across the business.

Greater **Investment Association participation** with involvement in a number of sustainability related working groups and committees including as members of the Climate Change Working Group, the Next Generation Investment Committee and the Investment Committee.

Contributed to the **FRC Lab** projects on ESG data and consumption, and materiality.

**Achieved** FRC Stewardship Code signatory status for our 2022 Stewardship report.

Completed Year 5, and launched Year 6, of the **Artemis Profit Hunt** in partnership with Arrival Education.

Became more involved in a range of **diversity initiatives at firm and industry level**, the latter principally through the Diversity Project and the mental health, working families, SMART working workstreams, and the Pathway programme, a programme which focuses on developing the female portfolio managers of the future. We also launched an internal campaign to collect additional staff demographic data on a voluntary basis.

DIVERSITY PROJECT

Made our **annual fund sustainability-related disclosures** for SFDR Article 8 & 9 funds available on our website, including enhancements identified following the previous year's publication. In the UK, we are actively participating in SDR developments, principally through the Investment Association.

SFDR Article 8

SFDR Article 9

We achieved **FNG Siegel labels** for two of our Article 8 funds – Artemis Funds (Lux) - Short-Dated Global High Yield Bond and Global High Yield Bond Funds and our Article 9 fund – Artemis Funds (Lux) - Positive Future Fund. Artemis is one of only three investment firms to receive this award for high yield bond funds.

# Stewardship in action at Artemis: a principle by principle account

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# Our Purpose and our Governance

| | |
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| 1 | Purpose, strategy and culture |
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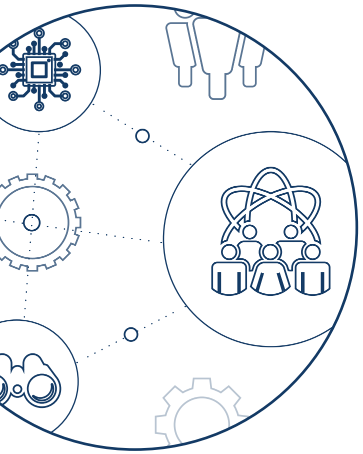
# Purpose, strategy and culture



## Our purpose and our values

As dedicated, active investors, our purpose is to create better futures for our clients through the craft of investing.

We are driven by our clients' needs and ensure our investment outcomes are aligned with those needs.

Our three core values underpin our purpose and reinforce the client- focused, investment-led culture we foster throughout the business. They are also central to our mission of being a leading multi-strategy boutique asset manager.

## Our values

**Clients come first**
**Fairness, clear communications, openness and transparency**

**Collaboration**
**Collegiality, teamwork and collaboration**

**Integrity and accountability**
**Integrity, accountability, expertise and talent**

## Our strategy

Our strategy is defined by our purpose and our mission. It is anchored on our values and our heritage and focused on ensuring we understand and respond to our clients' needs.

Our strategy rests on five interconnected aims, as outlined below.

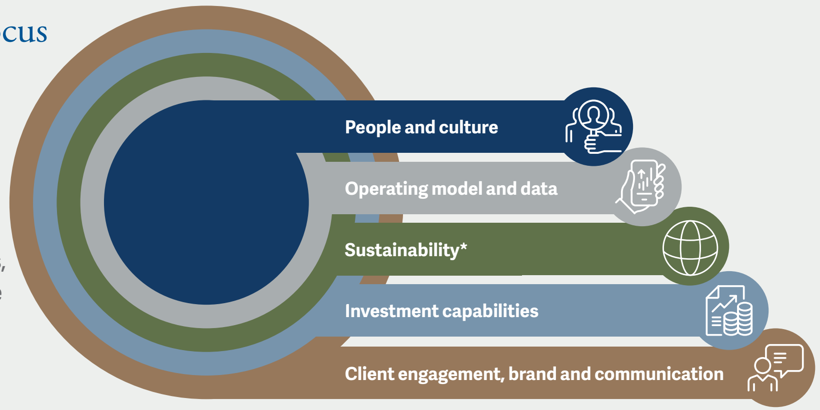
## Our strategic aims

- **A strong service mindset**
- **A suite of high-quality investment capabilities aligned to client needs**
- **An effective and integrated operating environment**
- **A data-driven and digitally-enabled platform**
- **A compassionate, inclusive and creative culture**

Everything we do is underpinned by our commitment to putting our clients first.

## Five areas of focus

To support these aims, we have also defined a set of five interconnected areas of focus, each of which are being supported by actions, to raise the collective performance of our firm.




* We use Sustainability as the overarching term to describe our approach from both a firm and investment (stewardship) perspective to ensure the long term success of our business.

## Our stewardship strategy

We believe stewardship activities can contribute to better-performing companies and therefore returns for our clients.

These activities encompass ESG integration, engagement and voting.

Stewardship at Artemis takes a dual approach:

- stewardship at a firm level
- stewardship at an investment strategy level

### Stewardship at Artemis

Stewardship team

#### Firm-level stewardship

Firm-level stewardship relates to the role we play in addressing overarching market and systemic risks.

We are involved in a range of collaborative engagement and industry initiatives that align with our firm-wide beliefs and objectives. We work with others to raise standards, manage risks and help drive change across our industry and in the companies in which we invest.

You can read more about our collaborative engagements in Principle 10.

#### Specialist stewardship insight and cross-team support

The Artemis Stewardship team supports our fund managers by providing insight, research and analysis, discussion and challenge on ESG, engagement and voting matters.

They collaborate internally on stewardship issues and in the wider industry as active participants on a range of initiatives.

You can find out more about how the team is resourced in Principle 2.

#### Investment-strategy-level stewardship

At a strategy level, stewardship activities are principally driven by each individual team within the context of the firm wide approach.

This means that a team's assessment of financial materiality – including the financial materiality of ESG issues – may differ due to factors including investment approach, geographical focus, holding period, portfolio positioning and construction, and risk tolerance.

You can read more about our approach in Principles 7, 9, 10, 11 and 12.

An assessment of the effectiveness of our stewardship and investment strategy in meeting client needs can be found in Principle 6.

## PRINCIPLE 1

Purpose, strategy and culture

## Our people

At Artemis, our people define our business and enable our purpose.

Our annual engagement survey is an important mechanism by which we capture colleagues' opinions and determine areas for action. The most recent survey was in September 2023.

81% of the firm participated, up from 79% in the previous year and we had an overall engagement score of 71%, down slightly on 73% last year, in what was a challenging year for the industry as a whole.

Following our first survey in 2021, we identified learning and development and leadership communication as key areas for focus and directed our efforts accordingly. We were pleased to see a strong improvement in these scores over the last two years, demonstrating that actions taken are having the desired impact.

**81%** colleagues participated

**71%** engagement score

## Diversity, Equity and Inclusion (DEI)

We continue to develop our approach to DEI – through our people practices, DEI Working Group activities and involvement in collaborative initiatives.

**DEI at Artemis**


We are committed to fostering an inclusive and diverse workplace, where people of different ethnicity, gender, age, religion, ability and sexual orientation, and with differences in education, personality, skillset, experience and knowledge can succeed.

We focus efforts on (i) tangible actions that benefit the firm and the industry and (ii) raising awareness and increasing internal engagement with DEI. To help achieve this we work with organisations like the Diversity Project, Future Asset and Arrival Education.

Our commitment is firmwide, and the tone is set from the top. Our CIO is the Executive Sponsor for DEI. He is a top 50 LGBT Executive Ally for LGBT Great, a Non-Executive Director of 25x25, a not-for-profit association with a direct focus on gender balance, and a member of the Diversity Project's Advisory Council. A number of colleagues also sit on the Diversity Project's Steering Committee and are actively involved in the following workstreams – Mental Health, Working Families, SMART working, and the Diversity Project's Pathway programme, a programme targeting developing the female portfolio managers of the future. Two of our female analysts were part of the first cohort.

# PRINCIPLE 1

Purpose, strategy and culture

## 2023 developments

Over the past year we have broadened the scope of demographic data we measure and report internally. We launched a campaign to collect additional demographic data on a voluntary basis – through townhalls and a number of different internal communication streams. Data collected now includes ethnicity, gender identity, sexual orientation and socio-economic background.

We also reset expectations with our recruitment consultants, standardised our hiring process, increased HR involvement in interviews, and aim for gender-balanced interview panels.

In 2023 we had some tangible results. We welcomed our first four interns from DEI related initiatives – two from 10,000 Black Interns and two from GAIN (Girls Are INvestors). We also took part in the Women Returners programme, which aims to provide those who have taken an extended career break from financial services with a six-month placement at a level akin to where they were before they left the industry, in order to help transition to a permanent role. Our first Woman Returner is an analyst in our Global Income investment team. We also recruited three experienced female fund managers to our Global Equity team.

## Our DEI Working Group

Our DEI Working Group has representation from across the business, providing leadership, support, advice and challenge to our DEI strategy.

The group has five main workstreams: gender diversity, cultural diversity, social mobility, mental health and wellbeing, and sexual orientation. A new area, Neurodiversity, was added towards the end of 2023. Members represent Artemis at industry initiatives and ensure we celebrate, support and evolve a culture of DEI throughout our business.

In 2024, the focus will be on 'allyship' in all its forms.

## DEI initiatives we support:

DIVERSITY PROJECT

GAIN Girls Are INvestors

30% Club GROWTH THROUGH DIVERSITY

INVESTMENT 20/20

FUTURE ASSET

#10000 BLACK INTERNS

arrival education

## The Artemis Profit Hunt

For the sixth year, we are proud to sponsor the Artemis Profit Hunt, in partnership with Arrival Education. This programme introduces sixth form students from state schools to the world of work and financial markets.

Year six, which is currently underway, involves 12 teams from six London schools. Mentored by Artemis colleagues, the teams create and manage a portfolio of five stocks over six months. They meet with their mentors monthly at the Artemis offices to discuss their portfolios and trading strategies.

There is also an opportunity to meet with a CEO from a leading company. At the end of the programme the teams present on one of the stocks in their portfolio. There are prizes for the best performing portfolio and also for the best team spirit.

The winning team is awarded a work experience opportunity at the Artemis London office and the students spend time hearing from colleagues across the organisation. Further information about the Profit Hunt can be found on our website.

We also encourage entry level recruitment through Arrival Education and Investment 20/20. To date, we have recruited eight individuals through Arrival Education and Investment 20/20.

*In the first five years of the Profit Hunt, 87 Artemis colleagues have mentored 294 students, 42% of whom were female. Over 80% of the students said the programme had improved their confidence as they look to take the next steps in their lives.*

## The Environmental Working Group (EWG)

The EWG is a voluntary staff group, facilitated by the Office Management team, working to reduce Artemis' corporate carbon footprint. The EWG focuses on changing behaviours on areas including travel and accommodation and on-site office utilities, to encourage those which are more sustainable.

In 2023, the EWG targeted reducing waste in the office. This initiative was introduced with a week of activities centred around World Environment Day. The aim was to reduce overall waste in the London office by 10%. In the Edinburgh office, the focus was on single use plastics, with an aim to reduce those by 10%.

PlanetMark
Certified Business

In tandem with the EWG's work, Artemis is also a member of Planet Mark , a certification programme recognising companies which have a commitment to continuous improvement in sustainability, with specific targets to reduce $CO_2$ emissions every year.

We aim to reduce our emissions by 5% per annum. Recognising that a large proportion of Artemis' emissions are from travel between the London and Edinburgh offices, a new travel policy was introduced in 2023. This policy requires staff to consider their carbon footprint whenever travelling and choose public transport over private and train over air travel. Hotels with high sustainability ratings should also be preferred.

## The Artemis Charitable Foundation

The Artemis Charitable Foundation is at the heart of our culture. Artemis gives a proportion of annual revenues to the Foundation, the Trustees of which manage our charitable activities.

*Since launch in 2007, the Foundation has donated over £13m to help countless numbers of people and charities across the globe.*

The Foundation supports a number of core charities in the areas of health, education, poverty and environment usually on a multi-year basis, to enable greater impact and a deeper understanding of their work. Colleagues have the opportunity to take part in volunteering days, charity trips, fundraising events and workshops with these charities, many of which are small, lower-profile charities and organisations where we believe we can have a significant impact. Further information on the work of the Foundation can be found on our website.

**70** ARTEMIS COLLEAGUES **VOLUNTEERED** WITH **PARTNER ORGANISATIONS**

OVER **£200,000*** RAISED BY COLLEAGUES THROUGH **FUNDRAISING CHALLENGES**

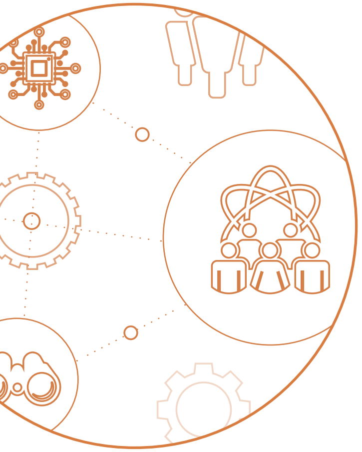
**171 ARTEMIS COLLEAGUES** TOOK PART IN **CHARITY CHALLENGES**

OVER **£88,000** GIVEN BY COLLEAGUES VIA **GIVE AS YOU EARN**

*Figure includes donations from the Artemis Charitable Foundation in support of colleagues fundraising efforts throughout the year.

PRINCIPLE 2

# Governance, resources and incentives



## Our firm-level governance

Artemis is a Limited Liability Partnership (LLP) with 232 staff including 27 partners. Independent and-owner managed, Artemis is owned by its UK based management team and Affiliated Managers Group (AMG), a US-based international investment management company listed on the New York Stock Exchange. Together, they own 100% of the equity of the business.

Artemis is strategically and operationally independent of AMG; that is, AMG is not involved in the day-to-day running of the business.

We believe this partnership model is the ideal structure for our business because it means we can focus entirely on meeting our clients' needs.

## Our stewardship governance

Stewardship matters are embedded in the responsibilities of a number of our governance mechanisms, as shown in the structure diagram.

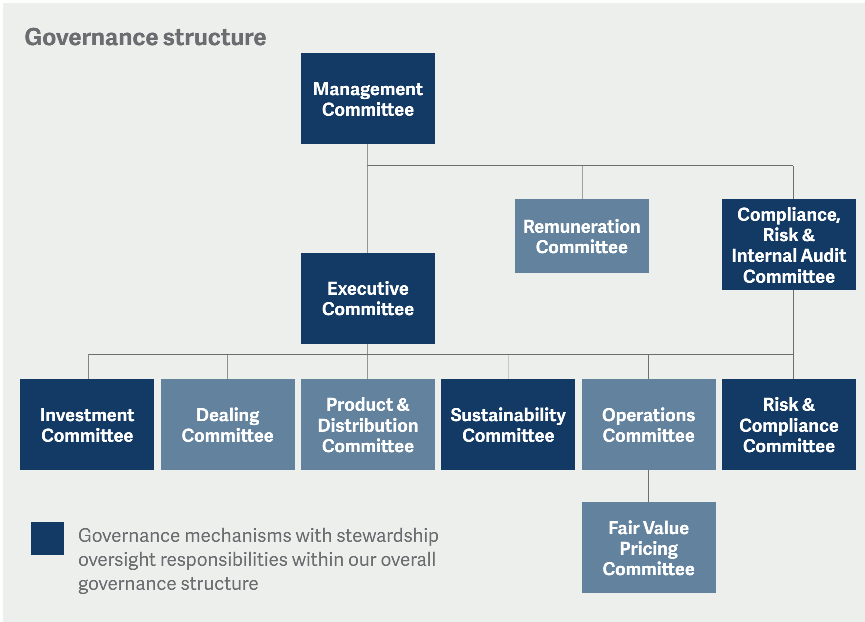
The **Management Committee** has ultimate responsibility for overseeing the firm's long-term success, establishing the firm's strategy, culture, values and standards and ensuring that risk is managed effectively. It monitors financial and regulatory reporting as well as making sure the necessary resources are in place so that our objectives, including on stewardship, can be met.

The **Executive Committee** implements strategy by managing day-to-day operations, including monitoring and assessing the delivery of good customer outcomes.

Artemis' **Investment Committee** is responsible for the oversight of our investment activities, including stewardship developments.

The **Sustainability Committee** is responsible for oversight of Artemis' approach to sustainability at a firm and a fund level, where relevant. During 2023, key areas of focus were sustainability plans, operating model, data and regulatory change.

An assessment of the effectiveness of our governance can be found in Principle 5.



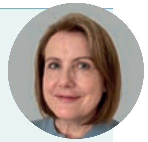
PRINCIPLE 2

Governance, resources and incentives

## The Stewardship Team

The Stewardship team provides a dedicated resource to support and challenge our investment teams, on ESG integration, engagement, voting and related activities.

As previously reported, client interest, together with our organisational imperative to strengthen our work meant that, in 2022, we increased our stewardship resource from two to three people. In 2023, we further expanded the Stewardship team and Daisy Waggett joined as a Stewardship Analyst.



**Inez Oliver:** Inez joined Artemis in 2005 and is Co-head of Stewardship. She has a degree in information systems and management from the University of London; a masters in sustainability from the University of Cambridge; and an MBA from Imperial College London. Inez has more than 25 years' experience in investment management and holds the Advanced Certificate in Corporate Governance from the Chartered Governance Institute UK & Ireland and the Certificate in Impact Investing from CFA UK.

**Antonia Stirling:** Antonia joined Artemis in 2019 as Co-head of Stewardship. She came from Standard Life Aberdeen, where from 2010 she was Head of Corporate Stewardship. Before that, Antonia spent five years at Deloitte and is ACA qualified. She holds an MA in Human Sciences from the University of Oxford. Antonia also holds the Certificate in ESG Investing from CFA UK, is on the steering committee of the Diversity Project, the Investment Association's Next Generation Investment Committee, and is chair of the Artemis Diversity, Equity and Inclusion working group.

**Daisy Waggett:** Daisy is an analyst in the Stewardship team. She joined Artemis in 2023, having previously worked at Tesco Pension Investment as an analyst in the Responsible Investment team where she carried out research into a range of sustainability topics and worked across the investment desks to integrate ESG into investment activities and engage with portfolio assets. Prior to this, she worked at derivatives exchange and clearing house, Eurex, from 2019 as an analyst in the fixed income sales team. Daisy studied Geography at the University of Edinburgh and holds the Certificate in ESG Investing from CFA UK.

**Hifsah Malik:** Hifsah is a junior analyst in the Stewardship team. She joined Artemis in 2021, spending her first year supporting clients of the firm's Institutional team. Hifsah studied English at King's College London and has completed the Investment Operations Certificate (IOC) from the Chartered Institute for Securities & Investment (CISI). Hifsah is a member of the Artemis Diversity, Equity and Inclusion Working Group and is particularly involved in the mental health initiatives across the firm. She is a mental health first aider and is certified by Mental Health First Aid (MHFA) England.

## Sustainability risk and regulation

Given the significant volume of regulatory change in relation to Sustainability, during the year we created the role of 'Head of Sustainability Risk & Regulation' within Risk & Compliance, reporting directly to the Chief Risk Officer.

For further details please see Principle 4.

## Continous professional development

We encourage continuing professional development on the theme of stewardship and sustainability across departments. Colleagues have undertaken ESG and specifically climate-related training opportunities over the past few years including the CFA Certificate in ESG Investing and the CFA Certificate in Climate and Investing. In 2023, three colleagues took part in the pilot CFA Certificate in Impact Investing and others enrolled in the Investment Association's carbon footprint training for investment management firms. We continue to encourage wider participation in these initiatives.

In 2023 we also delivered a programme of external speakers and knowledge sharing to educate our investment teams on evolving thinking and initiatives in stewardship matters. Topics included the challenges and opportunities of the climate transition, corporate sustainability, climate metrics, and our NZAMi commitments and developments.

We are also rolling out anti-greenwashing training in 2024, as part of a broader anti-greenwashing programme, ahead of the FCA rule being introduced at the end of May.

## Our remuneration philosophy

Where relevant, ESG considerations form part of the annual appraisal process and associated incentives for our fund managers and analysts, as well as their objectives for the year ahead.

Our remuneration philosophy supports our business ethos to deliver value to our clients through exemplary client service, outperformance of the market and producing long-term returns for our investors. Different structures are in place for different roles, and our rewards are discretionary.

**Partners** – All partners share in the profitability of the partnership. Our approach maximises the line of sight between investor outcomes and individual remuneration with a shared understanding of the need to manage costs and risks in order to generate sustainable revenues and profit growth. Long-term incentives are in place for key partners.

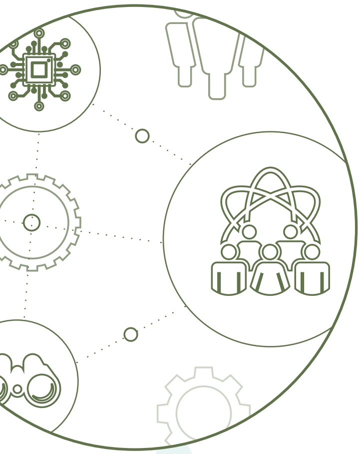
**Employees** – All employees receive a combination of salary and bonus. Industry salary surveys (produced by McLagan) are used to help benchmark employees' pay. Employees also have an annual appraisal where performance and objectives are discussed. Bonuses are discretionary and based on each employee's role and contribution.

**Equity participation** – Most partners and senior staff are investors in the holding company of the business.

**Fund Managers** – Artemis' fund managers are required to invest in the funds that they directly manage, and investment professionals and senior managers are actively encouraged to invest in Artemis' other funds. This has been a key tenet of Artemis' approach to investment since the firm started. It ensures our fund managers' interests are directly aligned with those of our clients.

PRINCIPLE 3

# Conflicts of interest



Ensuring conflicts of interest are effectively identified and managed is fundamental to the effective stewardship of the assets we manage on behalf of our clients, for the protection of our people and our business.

In line with our principles of “Clients come first” and “Integrity and accountability”, we have a well-established approach in the form of a **five-point framework** to maintain effective processes for identifying and preventing potential and actual conflicts of interest. Should any arise, this framework ensures they are actively and rigorously managed.

### All Artemis activities are subject to our firm-wide Conflicts of Interest Policy.

Our policy acknowledges the various forms conflicts can take, and highlights appropriate steps to identify and prevent conflicts of interest. Our Conflicts of Interest Policy can be provided on request.

All colleagues are required to read and adhere to the policy and provide an annual attestation of compliance as regards any personal conflicts of interest. They are also encouraged to seek advice from the Risk & Compliance team if there is any doubt about how a potential conflict of interest should be managed.

Artemis also maintains a Conflicts of Interest Register.

- The Conflicts of Interest Register records conflicts that may arise within the firm. Conflicts of interest are categorised as ‘potential’ or ‘actual’:
  - Potential conflict of interest: a reasonably foreseen situation where a conflict of interest may arise in future, conditional to certain circumstances or events.
  - Actual conflict of interest: a situation where a conflict of interest is actively present.
- In addition, each conflict of interest is assigned a conflict type designation (e.g. Firm vs Client, Client vs Client).
- The Conflicts of Interest Register also details how each conflict is managed to prevent giving rise to a material risk of an adverse effect to the interests of one or more clients.
- The Conflicts of Interest Register contains the inherent and residual risk assessment and also provides details of who is responsible for managing each conflict, including the oversight arrangements in place to ensure that the management of each conflict remains effective.

PRINCIPLE 3

Conflicts of interest

## Clients come first in our five-point framework

When considering conflicts of interest, our approach is to always act in the best interests of our clients – treating them fairly in every interaction and communicating with them in an open and transparent manner.

Our Conflicts of Interest Framework has five key components:

### 1. The Conflicts of Interest Policy

This sets out minimum requirements and standards. It describes how we manage conflicts of interest with a view to taking all reasonable steps to prevent conflicts of interest from adversely affecting the interests of clients.

The policy highlights the conflicts of interest commonly faced by investment management firms and explains the processes established by us to ensure that identified conflicts of interest are managed in an appropriate and reasonable manner.

### 2. The conflicts of interest management process

This describes the methodologies adopted to identify, assess, manage, record and, where appropriate, disclose conflicts of interest relevant to the firm. Where we identify a conflict of interest which has arisen, or may arise, we use one of four methods to manage the risk of material damage to the interests of our clients. These are to: avoid the conflict; control the conflict; disclose the conflict; or decline to act.

### 3. The conflicts of interest reporting framework

This component outlines the approach we use to report on conflicts of interest to relevant governance fora. Central to this approach is internal reporting of an aggregated conflicts of interest dashboard which communicates the status of our most significant conflicts of interest and associated controls.

### 4. Conflicts of interest governance

This refers to the governance arrangements and defined roles and responsibilities for managing and overseeing conflicts of interest.

Our Management Committee has ultimate accountability for the Enterprise-wide Risk Management Framework addressing our regulatory, financial and other obligations and responsibilities, including, but not limited to, our arrangements to avoid or manage conflicts of interest.

The Compliance, Risk & Internal Audit Committee (whose members are non-executive) is responsible for monitoring and overseeing the effectiveness of our systems of internal control to avoid or manage conflicts of interest.

At an executive level, the Risk & Compliance Committee is responsible for overseeing the management and maintenance of conflicts of interest systems and controls and for having a holistic view of the effectiveness of these.

### 5. Conflicts of interest training and awareness

This refers to the arrangements in place to ensure all partners and staff understand our approach to managing conflicts of interest risk, including their individual responsibilities. Failure to act in accordance with the framework will be regarded as a serious matter and could result in disciplinary action.

**On the following pages we summarise some of the conflicts we have recorded in our Conflicts of Interest Register and comment on the results from our 2023 monitoring activities.**

## PRINCIPLE 3

### Conflicts of interest

## 1. Conflict type – Firm vs Client

### Voting shares where Artemis has a business relationship with the investee company

**Risks**

We might support management proposals at an AGM/EGM where we have a business relationship with an investee company, such as:

- In a company which is our client.
- In a company which is a key distributor of our funds or adviser to our clients.
- In a company where a partner or a member of staff is a director.

**Controls**

- Fund managers receive an alert ahead of making a voting decision at an investee company where a material potential conflict has been identified. Any vote amendments contrary to the Artemis voting policy need to be referred to the CIO.
- On a quarterly basis conflict of interest meetings are presented to the Investment Committee disclosing whether any vote instruction amendments were made.
- On a half-yearly basis votes against policy, where the percentage of votable shares was >1% and the dissent level >20%, are presented to the Investment Committee with rationale for our voting decision.
- Directorships require Senior Partner pre-approval in line with our Outside Activities Policy.

**2023: During the year there were no votes recorded which were not in line with the Artemis policy recommendation on a holding where a material potential conflict had been identified. There were also no unusual warnings or alerts flagged by Investment Management Support team on a holding where a potential conflict had been identified.**

## 2. Conflict type – Client vs Client

### Aggregation and allocation conflicts between clients of a firm

**Risks**

- One client's trades executed before another's when dealing in the same financial instrument.
- Trades in the same underlying financial instrument are not allocated fairly between participating clients.
- In certain circumstances, transactions may be undertaken which may not be fully completed. This could encourage a fund manager to allocate the executed portion of the order to certain clients to the detriment of others.
- Investment strategies taking different voting decisions for the same resolution.

**Controls**

- Prevention. Regulatory requirements on client order priority and fair allocation reflected in internal procedures and systems controls.
- Detection. Client order priority and fair allocation monitoring conducted by Investment Oversight and reviewed by Risk & Compliance, with regular reporting provided to internal governance committees.
- Segregation of duty between fund managers and the Centralised Dealing desk.
- Monitoring and reporting: Our fund managers have the final decision on how to vote. On a small number of occasions, Artemis fund managers of different strategies chose to vote differently on a specific resolution (0.22% of resolutions were voted differently in 2023). From 2023, our split voting activity was presented to the Investment Committee on a half-yearly basis. In Q1 2024, we have been working with our proxy voting services provider, ISS, to implement split voting alerts which notify us when one or more of our strategies are voting differently for the same resolution to enable us to review our vote instructions as a firm, ahead of the AGM.

**2023: During the year our post-trade monitoring activity identified two errors where fund allocations did not align with the requirements of our Order Aggregation and Allocation Policy. Corrective actions, including revised order allocations and/or compensatory payments were applied to ensure fair client outcomes.**

## 3. Conflict type – Individual vs Client

### Artemis partner or member of staff has outside interests

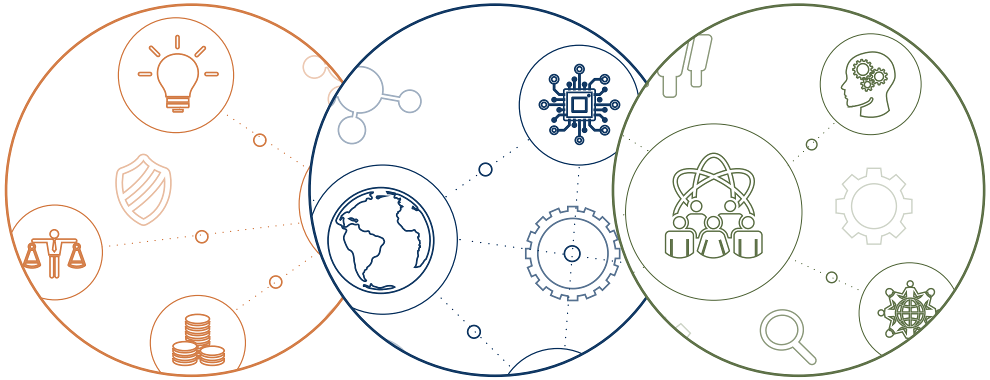
**Risks**

- Partner or a member of staff has an external directorship of, and/or material investment in, a company in which we have invested or intend to invest on behalf of our clients.
- Partner or a member of staff has an external directorship of, and/or a material investment in, a company with whom we have a business relationship.
- Partner or a member of staff has a material investment in, and/or time commitment to, a non-Artemis business undertaking.
- Artemis outsources a service to a company in which a member of staff has a financial or other interest.
- Partner or a member of staff has a relationship with an individual employed by another firm that may influence behaviour in a way that conflicts with the interests of our business and our clients.

**Controls**

- Our Outside Activities Policy requires all partners and staff to disclose outside interests where an actual or perceived conflict arises.
- Partners and staff must seek Senior Partner approval before making a material investment in, and/or time commitment to, a non-Artemis business undertaking.
- Investment by Artemis in a company in which a partner or a member of staff has an external directorship of, and/or investment in, requires approval by the Senior Partner.
- All partners and staff are required to disclose personal relationships with employees of firms in a business relationship with Artemis. We may reallocate responsibility to avoid potential conflicts of interest.

**2023: During the year Artemis' Outside Business Activities Policy and associated pre-approval and disclosure controls continue to operate effectively. The firm has not identified any significant concerns regarding outside activities that may conflict with the interests of Artemis or its clients.**



## 4. Conflict type – Intra-group

### Appointment of an in-house investment manager

**Risks**

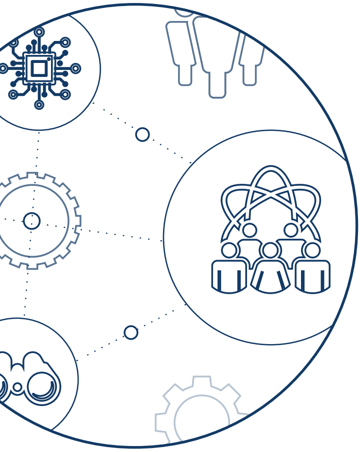
- The appointment of an in-house investment manager might lead to decisions that favour the interests of the investment manager and are not in the best interests of fund investors.
- An in-house investment manager may be less inclined to exercise a suitable level of fund oversight in comparison to that of an independent investment manager.
- An in-house investment manager might not give sufficient focus to the overall service and value being delivered to fund investors.

**Controls**

- All of our governance bodies are constituted under Terms of Reference/ Matters Reserved, which include responsibilities to identify and manage conflicts of interest and act in the best interests of our clients.
- The Artemis Investment Management (AIM LLP) Management Committee (board equivalent) includes three experienced independent Non-Executive Officers. The Board of Artemis Fund Managers Limited (AFML) includes two experienced Independent Non-Executive Directors. The role of the Non-Executives is to contribute impartial views, help to ensure decisions are in the best interests of clients, and that robust oversight arrangements (including on conflicts of interest) are in place.
- Our governance structure and Enterprise-wide Risk Management Framework is designed to ensure that effective oversight and control is exercised across the business, primarily for the benefit of clients ('clients first' cultural principle).
- The Board of AFML oversees the product governance framework, including the annual product review process and annual assessment of value reporting. Instructions will be given to the investment manager if actions are needed to enhance the delivery of value to clients.
- All of our governance bodies are subject to an annual effectiveness review, which includes an assessment of effectiveness in discharging responsibilities, including responsibilities for acting in the best interests of clients.

**2023: During the year Artemis' Conflicts of Interest Framework and the Product Governance Framework continued to operate effectively. The firm has not identified any significant concerns regarding conflicts (or potential conflicts) between the investment manager or the authorised fund manager which may conflict with the interests of Artemis' clients.**

# Promoting well-functioning markets



## Identification and response to market-wide and systemic risk(s)

The identification, assessment and management of risk is critical to Artemis' clients and ultimately to the success of Artemis' business.

Overall responsibility for risk management rests with our Management Committee.

The Management Committee has delegated responsibility for overseeing the effectiveness of the firm's risk management arrangements, including the design and operation of Artemis' Enterprise-wide Risk Management Framework (ERMF), to the Compliance, Risk & Internal Audit Committee.

The ERMF includes a range of processes to identify risks and significant developments which may impact the firm, its clients and/or markets.

We consider risk in eight main categories, as illustrated in the diagram below. For each we have underlying Key Risk Indicators (KRIs) which are used to monitor our risk profile versus risk appetite. The status of these KRIs is reported to, and challenged by, the Risk & Compliance Committee and the Executive Committee on a monthly basis, and the Compliance, Risk & Internal Audit Committee on a quarterly basis. In 2023, the ERMF was updated to include Artemis' definition of sustainability risk and the firm has undertaken work to identify and assess the sustainability risks that could impact the firm, its clients and the markets in which it operates.

## Eight risk categories


## Investment Risk

We encourage our fund managers to pursue outperformance through active fund management. Drawing on the data and analysis generated by our Performance and Investment Risk teams, our fund managers regularly assess and monitor risk including at a stock, sector, country (where relevant) and overall portfolio levels.

The Head of Investment Risk reports to the Investment Committee at each meeting, and, at least three times a year each investment strategy has an investment risk review meeting, a process led by the Investment Risk team with involvement from our CIO.

In 2023, the team continued to evolve our approach in a number of areas including our market risk analytics, notably for Fixed Income, and our liquidity risk management framework. We conducted a liquidity stress testing exercise to ensure our liquidity crisis procedures operate effectively and in our clients' best interests.

New developments in the year included enhanced trading analytics and improved business-wide investment dashboards.

At a macroeconomic level, the impact of the volatility of inflation and interest rates, both on the investments we hold and our business in general, is a risk that continues to be an area of focus and feeds into our investment risk assessments and analysis.

Principal areas for development in 2024 include our macroeconomic risk monitoring programme and further improvement of our market risk analysis in portfolio management.

## PRINCIPLE 4

### Promoting well-functioning markets

### Market-wide risks

Market-wide risks are those that can lead to financial loss or affect overall performance of the entire market. At a fund level, it is the primary responsibility of Artemis' investment teams to identify and manage the market-wide risks that have a bearing on each underlying investment strategy. However, in 2023 the firm identified a number of market-wide risk themes which required particular attention and action.

These included the continuing rise in interest rates, inflationary pressure and a slowdown in pay increases, which led to fears of recession. We monitored the level of defaults and refinancing needs of corporations in the market and in our portfolios throughout 2023 to ensure our exposure to this was well understood by our managers and clients.

Towards the end of 2023 and into 2024, the perceived investment opportunities relating to artificial intelligence led to an increased concentration in certain stocks notably in the US market. We continue to monitor the evolution of this theme and in some cases, the high valuation of a number of specific stocks. The area of focus is very concentrated at this stage and, to date, is backed by rapidly increasing earnings. As such, in our view, it does not yet have the systematic risk characteristics the 'dot com bubble' had in the early 2000s.

### Systemic risks

Systemic risks are those which may lead to the collapse of an industry, financial market or economy. The current economic and political backdrop challenges the skills and experience of asset managers. In this context it is even more clear that well-functioning markets are critical for the long-term performance of our investments, and for a more sustainable future.

We are bound by our duties as stewards of our clients' assets, to play our part in addressing systemic risks. We do this at an industry, firm and investment strategy level according to our investment processes and client mandates.

*Example:*

*Early in 2023, technology-related banks (notably Silicon Valley Bank) collapsed and there were fears this could lead to a broader banking crisis. We monitored the banking sector's loan book and share price performance. It quickly became evident that the problems were very concentrated in the technology and startup funding sector, whose business models came under strain with the increased cost of capital. No spillover to the broader financial sector took place and the market recovered quickly in Q2 2023.*

We believe we have taken a targeted approach to ESG and stewardship related systemic risks. For us, given our size and purpose, we believe one of the best ways for us to drive meaningful systemic change on some of the most critical and emerging sustainability issues is to focus on doing a few things well rather than attempting to cover the spectrum of issues.

PRINCIPLE 4

## Promoting well-functioning markets

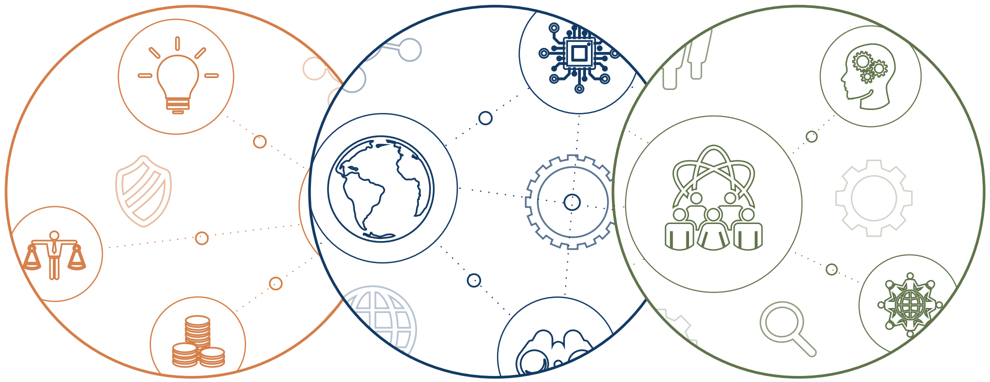
### Our response to regulatory developments

Regulatory developments continued at pace, bringing further emphasis on the importance of investment firms' stewardship approach and activities. The regulatory developments have taken place at international and individual country level, bringing forward new disclosure rules and standards for securities issuers, asset owners and asset managers. The main sustainability disclosure rules directly impacting Artemis as an asset manager are the EU's Sustainable Finance Disclosures Regulation (SFDR), and the FCA's Sustainability Disclosure Requirements (SDR), investment labels and anti-greenwashing rules.

In 2023 we met our regulatory commitments under SFDR, including publishing the periodic disclosures required under the regulation and our entity-level SFDR Principal Adverse Impact (PAI) report. These are available on the SFDR: Sustainability-related disclosures page of our website.

We are also reviewing requirements for the new UK SDR regulations coming into effect in 2024 and how this regime will impact sustainability labelling, marketing materials, and distribution to clients among other factors.

In line with the Taskforce for Climate-Related Financial Disclosures (TCFD) obligations in the UK, in 2024 we will publish product reports for our authorised fund products, and an entity level report, as per the FCA rules by 30 June 2024.



### Working with other stakeholders to improve the functioning of financial markets

We acknowledge the responsibility we have to promote well-functioning financial markets. Examples of working with other stakeholders to improve the functioning of financial markets include:

**Investment Association (IA)**

The IA is the trade body and industry voice for UK investment managers. In 2023, we were represented in various IA committees and working groups, including the:

- Strategic Business & Risk Committee
- Investment Committee
- Next Generation Investment Committee
- Business & Enterprise Risk Committee
- Product Development and Regulation Committee
- Fixed Income Committee
- Trade & Transaction Reporting Committee
- Fund Liquidity Management Working Group and
- Consumer Duty Member Forum
- Climate Change Working Group

Whilst each of these committees and working groups has defined terms of reference with specific objectives, each aims to contribute to the success of the asset management industry, including the functioning of financial markets.

The Operational & Enterprise Risk Principles for Asset Managers is an IA member good practice guide. The guide assists IA member firms when implementing and reviewing their Enterprise Risk Management programmes.

*Example:*

*Key deliverables of the Business & Enterprise Risk Committee, which Artemis has contributed to, include the IA Risk Radar and the Operational & Enterprise Risk Principles for Asset Managers.*

*The IA Risk Radar highlights and summarises current and emerging risks which present themselves in the Investment Management industry. It is made available to IA member firms to share experience and assist firms in the identification and management of industry-relevant risks, including market-wide and systemic risks, in an effective manner.*

## PRINCIPLE 4

### Promoting well-functioning markets

**Economic Secretary to the Treasury's Asset Management Taskforce**

In April, our Senior Partner joined the Economic Secretary to the Treasury's Asset Management Taskforce convening senior leadership from industry and the FCA to help improve the competitiveness of the UK asset management industry.

### Involvement in industry initiatives

Artemis actively participates in industry-wide initiatives and collaborative engagement, recognising that to instigate change a collective approach can often make success more likely.

On stewardship, our involvement in industry initiatives is outlined in Principle 10, with detail on how we have aligned our investments accordingly.

### Assessment of effectiveness

Artemis is committed to identifying and responding to market-wide and systemic risks and promoting well-functioning markets for the benefit of investors and other stakeholders. We focus on identifying and addressing such risks and strive to continue to improve our approach, recognising there is always more work to do, particularly due to the growing systemic and market-wide risk global environment in which we operate.

# PRINCIPLE 5

# Review and assurance

## Internal and external assurance in relation to stewardship

As stewards of our clients' capital, we endeavour to ensure that the investments we make on behalf of our clients have long-term benefits. To support our efforts, we regularly assess our policies and processes to make sure they remain relevant and fit for purpose.

We have a range of internal and external review and assurance processes in place that cover all aspects of our investment activities, including our investment policies, risk management models, and reporting commitments.

A number of our committees have responsibilities which encompass stewardship and sustainability, as outlined in the table and in Principle 2. Our Stewardship team reports to the Investment Committee and Sustainability Committee at each meeting, on activities, focus areas and matters for approval, including our stewardship report, and voting and engagement policies.

In addition, our Internal Audit function and Risk & Compliance Monitoring team undertake a range of risk-based reviews across the business, including within the investment team.

**Committees at Artemis with stewardship-related responsibilities**

You can find further detail about these and other internal governance mechanisms in Principle 2.

| Mechanism | Responsibility |
|---|---|
| Compliance, Risk & Internal Audit Committee | Monitors and oversees the effectiveness of the firm's systems of risk management and internal control, the firm's internal audit process and processes for compliance with applicable and incoming law and regulation. |
| Investment Committee | Oversees the firm's investment activities and stewardship role as a fund manager, including addressing corporate governance and stewardship issues related to managed investments that may pose reputational risk to the firm. |
| Risk & Compliance Committee | Provides ongoing management oversight and independent assurance of the design, implementation, provision and appropriateness of the firm's systems of risk management and internal control including:<br>• establishing, maintaining and reviewing the ongoing adequacy of the Risk Management Framework<br>• overseeing the development and implementation of appropriate risk policies and procedures<br>• and establishing monitoring mechanisms to provide oversight of the key risks identified, ensuring they are managed or mitigated within the firm's tolerances<br>Matters of risk management and internal control are reviewed and discussed by this committee before escalation to the Compliance, Risk & Internal Audit Committee, as necessary. |
| Sustainability Committee | Provides oversight of the firm's sustainability approach and activity |

## How we assess our committee effectiveness

All committees carry out an annual effectiveness review, aided by a confidential survey of committee members' views. This process helps us to understand what is working well, and where improvements could be made.

A key component of committee effectiveness is ensuring that each committee has a clearly defined and understood terms of reference. In addition to driving governance effectiveness this also reduces duplication which is especially relevant for sustainability and stewardship matters which impact a wide range of activities and areas across the business.

Feedback received on both the Investment Committee and Sustainability Committee requested greater clarity on the role of each with regards to stewardship and sustainability matters. As a result, the terms of reference for the Sustainability Committee will be updated in 2024.

## How we report on our stewardship activities

Reporting on our stewardship activities and outcomes gives us the opportunity to assess, reflect and improve, and to keep pace with industry developments. However, the rising demand for stewardship reporting, coupled with increasing regulatory scrutiny, means that fair, balanced and understandable reporting has never been more important.

Many teams across the business including Risk & Compliance, Investment Management, HR, Marketing and Client Services have provided significant contribution to this report, with the overall report production being the responsibility of the Stewardship team. The Investment Committee has approved this report alongside our Chief Risk Officer who has ultimate sign off responsibility as Chair of the Sustainability Committee.

## Continuing our commitment to the UK Stewardship Code

This report is the fourth annual account of our activity, progress and areas for development in relation to the Code's twelve principles.

## Acting on feedback

On an annual basis we review the content of our Stewardship report based on specific feedback received from the FRC and the industry guidance provided.

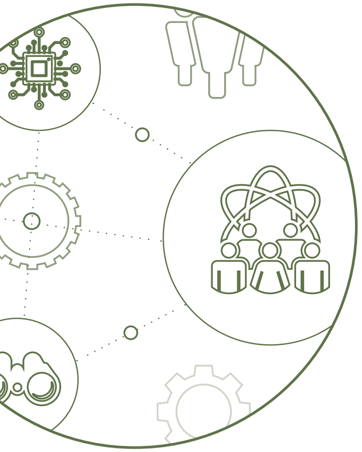
We are keen to play a role in the review of the UK Stewardship Code, starting April 2024 with a meeting convened by The Investor Forum and the FRC to discuss the principles and application of the Code.

# Our Investment Approach

| | |
|---|---|
| 6 | Client and beneficiary needs |
| 7 | Stewardship, investment and ESG integration |
| 8 | Monitoring managers and service providers |

PRINCIPLE 6

# Client and beneficiary needs



## Our clients

The clients who entrust us with their assets typically do so with a long-term investment horizon which is aligned with our investment philosophy and the type of investments we manage. We are explicit about our investment timeframes in our marketing and client materials.

Our client breakdown at the end of 2023 was as follows:

**Total assets under management**

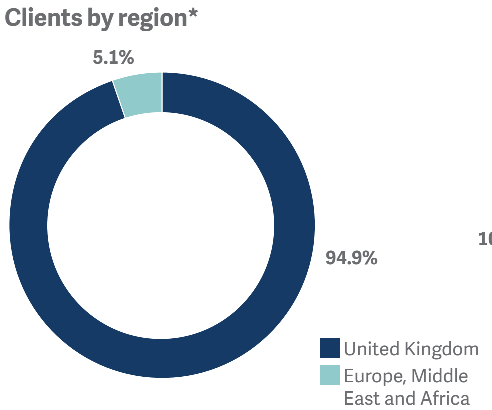
£23.3bn

**Retail**

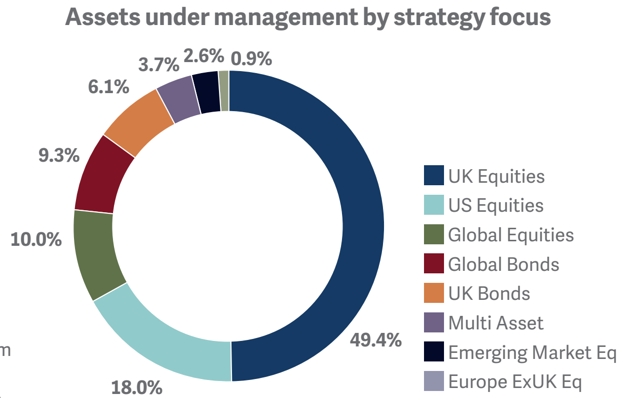
£17.9bn

**Institutional**

£5.4bn




*<0.1% in other regions.




## How we have listened and engaged

Assessing how effective we are through our clients' eyes is an essential part of our role as asset stewards. We make information readily available and ensure feedback channels are open.

Tools to gather clients' views include our annual investor survey for private investors and in-person and virtual meetings, events and presentations for our intermediated and institutional clients. Clients can sign up for emailed articles on specific topics from our website and provide feedback.

We participate in research studies with clients and their advisers each year to gain direct feedback on a variety of aspects of our activities.

Our proactive external communications with clients and their professional advisers range from formal reports, such as quarterly fund manager reports to blogs on our website, short videos and social media. We publish monthly voting reports on our website.

As part of our commitment to the FCA's Consumer Duty requirements, over the last year we have been creating more regular bespoke consumer friendly commentary to help end investors. We have taken advice from the Wisdom Council, on language and issues that are important to consumers.

We were pleased to have our efforts recognised in the annual Readability Report, a survey of investment content carried out by marketing consultancy Communications and Content. Artemis was scored second out of 22 firms in terms of the readability of its content.



Artemis as at 31 December 2023. Please note figures may not add up to 100% due to rounding.

PRINCIPLE 6

## Client and beneficiary needs

# Our investor survey

We invite clients with direct holdings in our strategies to participate in our annual investor survey. It asks questions related to matters such as: understanding risks, investment processes, fees and charges, performance, value for money, and client service experience based on factors such as our ability to resolve queries efficiently, speed of response, and website usability.

We have found that engaging this group of investors provides a useful barometer of sentiment and a focused account of where we are meeting their needs, and where there is room for improvement.

Our eighth investor survey was released in late 2023. 84% of the 526 respondents said they have been investing with Artemis for at least 10 years, with the proportion of investments with us remaining relatively unchanged over time with 48% having over a tenth of their investments under our stewardship.

*Participants told us the most important factors when considering Artemis as a business are the interaction between fund managers and the management of the companies they invest in and the longevity of fund managers. This was unchanged on the previous year.*

Of those who would make a recommendation on fund providers, 63% of the survey participants would recommend Artemis, while 34% would not offer a recommendation as a matter of principle. Where investors would recommend Artemis, comments referenced good performance, trust in the business and Artemis providing a good service. This aligns with results from the 2022 survey.

As a result of feedback from the survey on investors' level of understanding of investment, we are developing a series of 'help and support' information guides on our website. This also links into our work on Consumer Duty.

# How we assess value

The FCA has asked all managers of UK-domiciled funds to carry out an annual review of the funds they manage to assess the overall value delivered to clients.

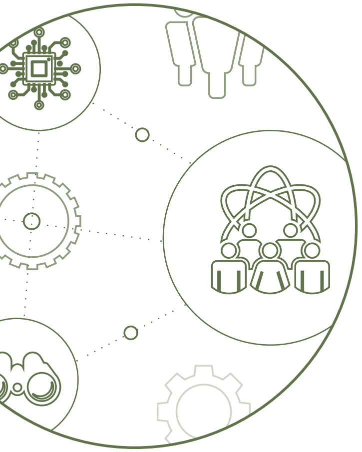
Our Assessment of Value (AoV) Report considers performance, costs and charges, and services when determining whether value has been delivered.

You can find our latest AoV Report on our website.

We include some questions based on AoV in our investor survey. In response to feedback received from clients we have been working on making our 2023 AoV report more easily accessible and readable

PRINCIPLE 7

# Stewardship, investment and ESG integration



At Artemis, ESG analysis and integration is the responsibility of each individual fund management team. This means that their assessment of financial materiality – including the financial materiality of ESG issues – may differ due to factors including investment approach, geographical focus, holding period, portfolio positioning and construction, and risk tolerance. While this independence of thought is the basis of our approach, there are some overarching views on how ESG issues are integrated where this forms part of the investment process:

- We believe that the integration of material ESG factors into our investment process will enhance returns for clients over the long term.
- We assess material risks from both a sector and company-specific perspective. We use this risk assessment to inform investment decision making and prioritise engagement with our investee companies.
- We use company meetings as an opportunity to discuss the most material risks with companies executive board members as well as periodic stand-alone meetings with dedicated sustainability managers and Non-Executive Directors when appropriate.
- We document investment analysis and company engagement and share these with the wider Artemis investment teams.
- We can explain how factors which can be material such as companies' environmental performance and governance processes are integrated into our investment decisions.

While our analyses and conclusions are led by the individual investment teams, we use a variety of inputs to help us, including:

- Our in-house Stewardship team are dedicated to providing insight, discussion and challenge on ESG and stewardship matters.
- We use a number of external frameworks such as the Sustainability Accounting Standards Board (SASB) framework and the Net Zero Investment Framework to help identify relevant ESG-related risks and opportunities.
- External research – including ESG data from MSCI, Truvalue Labs and Bloomberg, as well as sell-side research, publicly available research and data from other organisations such as NGOs, research institutes and industry-wide initiatives such as the Transition Pathway Initiative (TPI).

## Our approach to screening

We support the aims of the international conventions on cluster munitions and anti-personnel mines and thus will not knowingly invest in companies which produce these weapons. We do not invest in companies that grow cannabis, manufacture or retail cannabis products (excluding for research and testing) or companies that are 50% or more owned by a company with cannabis involvement.

We conducted a review of our firm-wide exclusions in 2023, and plan to further develop our approach to controversial weapons in 2024, subject to relevant approvals. We also offer portfolios where exclusions can be tailored to clients' specific mandate requirements.

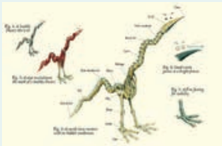
# How we integrate ESG into our individual investment portfolios

The following table provides an overview of our strategies, their approach to investment and a brief overview of how each investment team integrates ESG factors into their process.

Further information is available on the stewardship page of our website.

Case studies for individual strategies on engagement and voting can be found under Principles 9, 10, 11 and 12.

| Strategy name | Overall investment approach | How we integrate ESG |
|---|---|---|
| **EQUITIES** | | |
| **Artemis Income; Income (Exclusions)**  | We look for companies that can sustain and grow attractive cashflows, constructing a portfolio of diversified cash flows, not overly exposed to any one industry. Whilst the dividends are an important component of return, we seek total return. We run a concentrated portfolio and capital is allocated according to risk/reward and conviction. Income (Exclusions) follows the same strategy but there are a number of exclusions on the fund relating to tobacco, gambling, weapons and fossil fuels. | ESG considerations are increasingly important in sustaining long-term cash flows, and our approach is founded on the belief that good or improving ESG characteristics can lead to a better financial outcome, a lower cost of capital and long-term value creation. Companies that are aware of their wider stakeholder responsibilities – to their employees, the environment and society as a whole – are more likely to be able to generate attractive cash flows over the longer term. We are long term stewards of client capital with a current average holding period of over six years. Regular meetings with companies are an important part of our investment process. We engage with companies when there are material issues to discuss. |
| **Artemis UK Select**  | A 'best ideas' strategy, we target long-term capital growth by investing in a focused portfolio of 40 to 60 stocks, without regard for benchmark composition. Our largest holdings are those in which managers have the highest levels of belief and where there is a strong positive alignment between the stock-specific investment thesis and the manager's macroeconomic views. | We believe the benefit of ESG integration is to provide additional insight into the balance of risk/reward and hence impact on the share price. We use external data to inform our analysis and external analysis to challenge our thinking. Not every stock will be ideal from an ESG perspective at purchase, but then should have scope for meaningful improvement. This leads to stable or improving cash flows and sentiment (multiple expansion). We do engage where needed as this is a key component for improving company performance. |
| **Artemis UK Special Situations**  | This strategy aims to achieve superior long-term growth by looking for unrecognised opportunities. 'Special situations' are companies that are in recovery, need re-financing or have been overlooked. They often have the potential to deliver significant capital growth. | We subscribe to several specialist external research and data providers to help inform and highlight risks. We consider responsible stewardship a key investment consideration with improvement in governance, environmental and social factors often being integral to the financial rehabilitation of companies we invest in and expect to see a roadmap for overall improvement where material. |

| Strategy name | Overall investment approach | How we integrate ESG |
|---|---|---|
| **EQUITIES** | | |
| **Artemis UK Smaller Companies**<br> | This strategy aims to harness the superior growth potential of smaller companies. A disciplined bottom-up investment process focused on enduring, undervalued free cash flow. Detailed financial research and company meetings identify between 60 and 90 growing businesses that the managers believe will produce excellent risk-adjusted returns over the longer term. | An assessment of the materiality of ESG factors on investment performance is our first step in our ESG integration process. Guided by the SASB framework, we then identify key ESG metrics for companies in the portfolio and track disclosure and the trend of these over time. Disclosures by companies in the investment universe can often be poor, so this is an area we often engage on, and monitor through our internal ESG monitoring list for all stocks in the portfolio. Companies are rated on a traffic light scale (Red/Amber/Green) for ESG risks and opportunities, as well as receiving a summary rating. This process has highlighted opportunities for engagement. |
| **Artemis European Select**<br> | This is a fundamental European equity strategy primarily focusing on businesses with competitive advantages, with opportunistic investments in turnaround, capital-cycle and macro-led situations. The portfolio is concentrated with an investment philosophy which is long-term and returns focused. | The fund integrates ESG factors alongside analysis of other factors such as change, structural obsolescence, cyclicality, excessive leverage, poor capital allocation and mis-estimation of value.<br>We aim to assess the positive or negative impact of ESG factors on a stock's prospective risk-adjusted returns, but, importantly, we evaluate risk on a spectrum and not in binary terms. In cases where negative externalities are identified, this will, all else being equal, require a higher rate of return to justify investment. In many cases, because of the difficulty in prospectively assessing risk, sectors and companies may be avoided altogether.<br>We regularly engage with the directors of a company, when possible, to aid our assessment of return and risk factors. This helps build the investment case and challenge areas where we need more clarity. |
| **Artemis US Select, US Smaller Companies**<br> | US Select is a 'best ideas' US equity strategy investing in a relatively concentrated high conviction portfolio.<br>US Smaller Companies is a similar strategy, focusing on stocks with a market cap of under $10 billion.<br>SFDR Article 8: We also have a number of exclusions for the Luxembourg SICAV funds managed by this strategy relating to factors including tobacco, weapons and thermal coal. Please see our website for more information. | ESG factors are considered as part of our 'Up/Down' investment process. Key to stock selection is that a risk is only worth taking if the potential reward from owning a stock significantly exceeds the potential loss. The team structure and specialism means that ESG factors are analysed on an industry and company specific basis. Inputs include a range of ESG metrics, analysis and assessments from external research providers. |

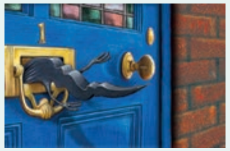
| Strategy name | Overall investment approach | How we integrate ESG |
|---|---|---|
| **EQUITIES** | | |
| **Artemis US Extended Alpha**  | The US Extended Alpha Fund is an equity 'long/short' fund. SFDR Article 8: We also have a number of exclusions for the Luxembourg SICAV fund managed by this strategy relating to factors including tobacco, weapons and thermal coal. Please see our website for more information. | ESG factors are considered as part of our 'Up/Down' investment process. Key to stock selection is that a risk is only worth taking if the potential reward from owning a stock significantly exceeds the potential loss. The team structure and specialism means that ESG factors are analysed on an industry and company specific basis. Inputs include a range of ESG metrics, analysis and assessments from external research providers. |
| **Artemis Global Select**  | This strategy pursues long-term capital growth through investing in high-quality stocks. Companies are selected using an investment process aligned to long-term, secular global growth trends. The managers favour companies with strong market positions, excellent finances and the ability to maintain pricing power over time. Rather than short-term trading, the managers invest for the long run. SFDR Article 8: We also have a number of exclusions for the Luxembourg SICAV fund managed by this strategy relating to factors including tobacco, gambling, weapons and coal. Please see our website for more information. | ESG factors are viewed as both a potential investment opportunity and risk. Factors are assessed for every stock – both pre investment and on an ongoing basis. This process involves a range of inputs including ESG metrics, analysis and assessments from external research providers, and our own due diligence, experience and company knowledge. |
| **Artemis Leading Consumer Brands**  | Leading Consumer Brands was launched on 1 December 2023. This strategy looks for underlying brand strength not only creating strong barriers to entry but also giving the companies that own them pricing power. This results in high profit margins, which should allow investors to benefit from the effect of compound earnings growth over the long term. SFDR Article 8: We also have a number of exclusions for the Luxembourg SICAV fund managed by this strategy relating to factors including tobacco, gambling, weapons and coal. Please see our website for more information. | Leading consumer brands are often seeking to create leading sustainability practices – be it through the adoption of innovative materials, engaging in regenerative sourcing and above all, responding to a growing consumer mindset of 'buy less, buy better'. The team looks for brands increasingly prioritising value over volume, whose consumption is considered, rather than casual. Brands which prioritise craftsmanship and supply chain transparency typically also have above-normal pricing power – their attention to sustainability being rewarded through margins, and in turn share price performance, that exceeds those of their peers. ESG metrics and analysis which input into the process therefore include considerations such as supply chain management, employment practices, carbon intensity, carbon transition plans, culture, leadership, remuneration and shareholder rights. As the strategy launched on 1 December 2023, examples of engagement and voting activity will be provided for the year ending 31 December 2024. |

| Strategy name | Overall investment approach | How we integrate ESG |
|---|---|---|
| **EQUITIES** | | |
| **Artemis Global Income**  | We invest in companies worldwide that we believe can generate a high level of free cash flow and cash returns. We combine bottom-up stock analysis with strong macroeconomic and style views, to better understand potential risks and rewards. We aim to build a differentiated, contrarian portfolio using a multi-cap approach which is diversified across core income, dividend growth and higher risk special situation investments. | Income investing is inherently biased to mature, profitable companies. We therefore consider ESG to be a factor that determines a company's ability to support its free cash flow and dividends over the medium term. ESG risks and opportunities that we believe to be over- or under-estimated by the market are another source of mispricing that we can exploit. Our investment approach tends to be contrarian in nature and valuation sensitive. This often precludes us from investing in ESG leaders, but we try to avoid companies with poor ESG credentials as these companies can often be value traps. We have, however, found that ESG improvement can be a powerful driver of re-rating. |
| **Artemis Positive Future**  | We seek leading global equity performance by investing in innovative companies which create positive change. We also have a number of exclusions for the funds managed by this strategy, relating to factors including alcohol, tobacco, weapons, nuclear power, gambling, animal testing, adult entertainment, genetic modification and fossil fuels.<br>The Luxembourg SICAV fund is designated SFDR Article 9. Please see our website for more information. | We believe that ESG is more than simply a risk to be managed; we seek to invest in companies whose products and services make a positive impact and provide them with a sustainable competitive advantage. To do this, we consider the sustainability of a company's products (the 'what') and its practices (the 'how').<br>In Q1 2024, the investment team who had managed the portfolios and funds in this strategy since launch left the firm, and the Head of Impact Equities has since assumed lead management responsibility. As a result, a review of the existing investment process is underway.<br>For up-to-date information, please see our website. |
| **Artemis SmartGARP® Global Equity, Global Emerging Markets Equity, European Equity, UK Equity and Paris-Aligned Global Equity**  | A proprietary systematic, quantitative framework across a specific range of equity funds that aggregates a range of bottom-up and top-down inputs using growth at the right price (GARP), behavioural insights and market signals.<br>SFDR Article 8: We also have a number of exclusions for the Luxembourg SICAV fund managed by this strategy relating to factors including tobacco, weapons and coal. Please see our website for more information. | ESG is one of eight factors considered by the SmartGARP® framework alongside other bottom-up and top-down inputs such as macroeconomic and investor positioning information. SmartGARP®'s ESG factor has two subcomponents, one capturing companies' carbon footprint and the other focusing more generally on the strength of their ESG newsflow. For the Paris-Aligned strategy, we use an enhanced ESG factor by integrating an implied temperature score in degrees Celsius into the SmartGARP® quantitative process to provide an indication of how closely greenhouse gas (GHG) emissions pathways are aligned with keeping global warming to well below 2°C above the pre-industrial average by 2100. Meeting company management does not form part of the SmartGARP® process although the strategy does aim to vote all its stock. |

| Strategy name | Overall investment approach | How we integrate ESG |
|---|---|---|
| **FIXED INCOME** | | |
| **Artemis Corporate Bond**  | We invest predominantly in sterling investment-grade bonds, with scope for other currencies.<br>We focus on where the corporate bond market may be mispriced, seeking value across the market. | When considering individual issuers, the consideration of materiality and trajectory of ESG risks/opportunities is undertaken with the ultimate aim of positively contributing to portfolio performance.<br>We utilise the expertise of Artemis' wider fixed income and equity teams. |
| **Artemis Global High Yield Bond and Short-Dated Global High Yield Bond**  | We select high-yield bonds, those with greater yields than government or investment grade corporate bonds. No one region or currency predominates – we adopt a global approach. The short-dated strategy restricts itself to bonds that are close to maturity. The fund's target duration (exposure to interest rate risk) is 0-2 years.<br>SFDR Article 8: We have a number of exclusions for the Luxembourg SICAV funds managed by this strategy relating to factors including tobacco, nuclear power, weapons, thermal coal and unconventional oil and gas. Please see our website for more information. | We consider ESG risks alongside our analysis of other relevant investment factors – financials, covenants, and the pricing of risks. We do not believe a standardised or fully automated approach to ESG analysis results in effective management of ESG risks within a high-yield portfolio. This is due to the often superficial nature of external research itself, as well as incomplete coverage of the high-yield market by external ESG ratings services. We utilise the expertise of Artemis' wider fixed income and equity teams. |
| **Artemis High Income**  | We select a number of bonds, predominantly high-yield rated, alongside equities. Our criteria is for high income and capital growth, before fees, that is, equal or above average yield of the Investment Association's Strategic Bond sector. In seeking higher yields, we look for bonds with a lower credit rating and through analysis finding the right balance between risk and reward. | This strategy is managed jointly by our UK Select and High Yield investment teams and therefore draws on the ESG integration processes outlined on pages 33 and 37, respectively. |

## PRINCIPLE 7

### Stewardship, investment and ESG integration

| Strategy name | Overall investment approach | How we integrate ESG |
| --- | --- | --- |
| **FIXED INCOME** | | |
| **Artemis Strategic Bond**  | An unconstrained approach. This strategy aims to hold the right bonds for each stage of the economic cycle and selects from investment-grade credit, high yield credit and government bonds. We choose resilient business models which support sustainable free cash flow generation to meet debt service obligations over the long term. | When considering individual issuers, the consideration of materiality and trajectory of ESG risks/opportunities is undertaken with the ultimate aim of positively contributing to portfolio performance.<br>We utilise the expertise of Artemis' wider fixed income and equity teams. |
| **Artemis Short-Duration Strategic Bond**  | We aim to generate capital gains from long and short allocations across fixed income using physical bonds and derivatives.<br>Our portfolio selects mainly developed-market government and investment-grade bonds.<br>We may also invest up to 40% in a combination of high-yield and emerging market bonds.<br>Please note the name of this strategy changed from Target Return Bond in March 2024. | The consideration of materiality and trajectory of ESG risks/opportunities is undertaken with the ultimate aim to positively contribute to portfolio performance.<br>We utilise the expertise of Artemis' wider fixed income and equity teams. |
| **MULTI-ASSET** | | |
| **Artemis Monthly Distribution**  | Our goal is to generate monthly income, combined with capital growth over a five-year period and typically holds 50% bonds and 50% equities. Blending offers some of the capital and income growth potential of equities, along with the greater predictability of bonds. | This strategy is managed jointly by our Global Income and High Yield investment teams and therefore draws on the ESG integration processes outlined on pages 36 and 37 respectively. |
| **Artemis Strategic Assets**  | The investment approach changed in June 2023, although the objective and overall strategy has stayed the same which is to grow capital by more than 3% above the Consumer Price Index (CPI) per year (after fees) over a five-year period.<br>The strategy looks to gain exposure to a broad number of asset classes via indices across equities, bonds, commodities, and currencies where suitable via ETFs or futures and options. The focus is less on individual securities or stocks/shares and more on index driven exposure. | This strategy does not integrate ESG into its investment process. |

## Thematic and sector ESG integration with engagement across investment teams

Below are specific examples where ESG consideration was an important part of the investment thesis. Whilst many of our funds integrate ESG considerations, it is just one element of the stock selection process amongst a list of factors.

### UK banks & climate change

Increasingly we are identifying themes or sectors where we can combine the different areas of expertise within our investment and stewardship teams to analyse and then engage on specific material ESG issues.

At the end of 2023, we conducted a thematic review of the largest UK listed banks[1] which included analysis of disclosure, and then direct engagement on their approaches to sustainability but with a specific focus on climate change risks and opportunities and how this could impact the investment case. Some of these banks are widely held across our UK equity strategies.

The underlying investment thesis in this context is that financing the transition to a low-carbon economy will require large amounts of capital. Those banks that are well positioned with expertise i.e., ahead of the curve in terms of the opportunity set while also managing the risks that the transition will bring will be the beneficiaries versus the banks that are not. However, the timeframe over which this plays out is likely to be decades and the financing has to be commercially viable.

- Geographic policy divergence is a risk particularly as some of the banks are operating globally but could present opportunities where capacity and capability are being built. The response by the various banks to these risks and opportunities has largely been driven by type and geographic mix of clients.
- The retail banks have larger exposure in residential mortgages and agriculture, but there is a sense that incentives do not go far enough to drive behavioural change at customer level in either of these sectors even when customers are keen. Old housing stock requires updating and the database of energy performance certificates (EPC) is out of date. Green mortgages could potentially drive better asset values and reduced risk, and urban regeneration could offer significant potential for loan growth but advocacy with government (as in many areas) would seem to offer a key approach to kickstart the opportunity in this sector given costs of the transition.
- A sector or industry-based approach to assessing climate-change related risk is used by all the banks reviewed to set decarbonisation targets and in some cases an exit plan e.g., coal.
- International banks have initially focused their attention on clients in sectors such as energy, transport, and industrials, with some residential and commercial real estate. Even in hard to decarbonise sectors such as steel and cement, emissions reductions are evident where some clients are becoming more ambitious.
- All banks reviewed highlight the importance of working with clients, considering local context, and particularly the policy environment. Regarding the just transition, in challenging geographies where there are dependencies on fossil fuels such as significant employment or energy security it is important that a nuanced, local approach is deployed to encourage a successful transition in these areas. This may involve enhanced due diligence before continuing or proceeding with financing and may come with additional plans, targets and/or reporting requirements.
- Reporting on exposure to non-balance sheet facilitated emissions from capital raising/origination in equity and debt capital markets is at an early stage. The Partnership for Carbon Accounting Financials (PCAF) Capital Markets working group published a standard to account for facilitated emissions associated with capital markets transactions in December 2023. However, to date disclosure has primarily focused on sustainable/green financing rather than for the high emitting sectors. The Net Zero Banking Alliance issued updated guidelines in March 2024 to include emissions attributable to capital markets services.
- Our analysis and engagement provided further insight on some of the detailed work banks are doing on climate related risks and opportunities, areas for further development and the challenges to delivering on their plans. We will continue to monitor overall disclosure on target setting, transition plans, and progress on those plans.

[1] Barclays, HSBC Holdings, Lloyds Banking Group, NatWest Group, Standard Chartered. Please note not all of these companies were held by all strategies investing in the UK.

# Company-specific case studies

## US Smaller Companies, US Extended Alpha

**AZEK Co Inc** manufactures environmentally sustainable outdoor living products. The company uses predominantly recycled products for purposes including replacing wood on the outside of homes, providing a long-lasting and eco-friendly solution to consumers while keeping hundreds of millions of pounds (lb) of waste and scrap materials out of landfill, each year.

AZEK has committed to set emissions reduction targets in line with the recommendations of the Science-Based Targets Initiative. It achieved a 29% reduction in carbon intensity from 2019 to 2022 (tCO2e/$1mn net sales), due to actions including significantly increasing the use of recycled materials and transitioning to emissions-free energy for the majority of operations*.

AZEK is also the largest vertically integrated recycler of PVC plastic in the US, through its Full-Circle Recycling programme. The programme collects scraps from job sites, brings these to the recycling plants, sorts and processes the PVC and then supplies clean recycled material back to AZEK's manufacturing plants for reuse across multiple product lines.

AZEK has a goal of using one billion pounds of recycled material annually by the end of 2026. A component of the company's directors' annual bonus is measured against this target, a practice that we support, incentivising directors to deliver on the company's sustainability ambitions.

## Global Income, US Select, US Smaller Companies and US Extended Alpha

A decarbonised power system is a central requirement for achieving net zero. Access to reliable, resilient and plentiful decarbonised electricity at an affordable price to customers is key to a thriving modern economy. A number of our investment strategies believe nuclear power has a crucial role to play given its unmatched ability to generate carbon-free electrons 24 hours a day, has the lowest life cycle greenhouse gas emissions of all power generation and a longer life cycle than wind and solar installations.

The US Inflation Reduction Act includes investment and tax incentives for existing nuclear energy production, advanced nuclear power deployment and development of domestic uranium enrichment as part of the US's journey to net zero. As a result of these incentives – and continued concerns around energy security – we expect the interest in nuclear power to continue.

*Global Income* has invested in **Fluor Corporation** which provides design, engineering and construction services to nuclear power plants and **Cameco Corporation** – one of the largest global providers of uranium fuel.

*US Select, US Smaller Companies and US Extended Alpha* have a holding in **Constellation Energy** – based in the US generating power mainly from nuclear energy, but also some renewable energy (hydro, wind and solar) while transitioning away from using fossil fuels.

* https://investors.azekco.com/environmental-social-and-governance/environmental-social-and-governance/default.aspx

## Income, UK Special Situations

**Smiths Group** via its John Crane business is a world leader in seal technologies and therefore is well placed to increase the efficiency of current energy infrastructure, in particular reducing methane emissions, a much more potent greenhouse gas than carbon dioxide. The energy sector is a major source of methane emissions from human activity, second only to agriculture. Emissions from leaks or defective seals account for as much as 5% of global GHG emissions and also 3% to 4% of total gas production and therefore not only contribute to GHG emissions but also negatively impact revenues. Seal gas recovery systems can recover valuable process gas helping to achieve compliance with government and corporate policies on emissions reduction. Technologies which help to reduce emissions are becoming increasingly cost effective with time. The company is also investing in leak detection and repair technologies to offer a broader range of solutions to its customers. Flextek another Smiths Group business is supplying the critical heating element that allows hydrogen to be safely pre-heated in the green steel making process and similarly electrical heat kits that supplement heat pump performance in colder temperatures. It is the largest supplier of these kits in North America.

## UK Select, UK Smaller Companies

**Morgan Sindall** is a construction company and its office fit-out division – the market leader in London – has benefitted from increasing regulation around office carbon emissions and energy usage. The minimum EPC requirement for commercial property in the UK is increasing from band 'E' to band 'C' by April 2027 and band 'B' by April 2030. Under these changes, 70% of London offices will require a major fit out before 2030 (or when their lease expires). With fit out accounting for close to 50% of Morgan Sindall's profit in 2023, this presents a significant opportunity.

The construction division is also set to benefit from the reinforced autoclaved aerated concrete (RAAC) crisis in schools. The division, which specialises in public sector building work, accounts for approximately 20% of group profits. We therefore see government commitment to address these safety concerns as an opportunity for Morgan Sindall.

In summary, the company is in a good position to continue performing well in the face of ESG themes such as environmental and safety standards of buildings, and hence is a good example of how ESG is integrated into investment decisions.

## European Select

**Vinci** is a French business with a global portfolio of toll road, energy generation, and airport concessions, as well as an extensive construction and contracting businesses. It has an extremely strong record of profitably delivering large projects for its own portfolio and for third parties.

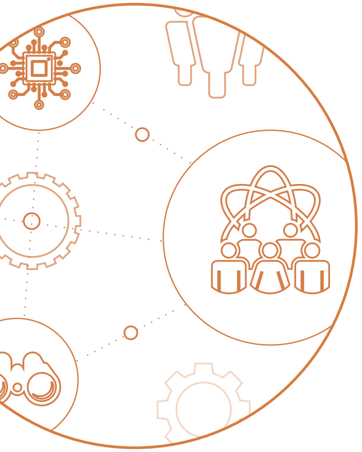
The world requires significant investment in infrastructure globally to transition from fossil fuels to renewable energy sources and Vinci's expertise is crucial in enabling this to happen. It is one of very few companies worldwide that is able to build electrical converters for offshore wind farms, and while this is already a meaningful contributor of revenues for them we expect it to become larger with time. In addition Vinci's 'Energies' business builds solar farms and electrical distribution and transmission assets at scale, an activity which is crucial in driving electrification worldwide.

The company's strategy is to continue to grow this element of the business, and management see the energy transition as one of their most powerful tailwinds over the next couple of decades. We believe that Vinci's unique experience and expertise in delivering projects required for the world to decarbonise leaves them well placed to profitably grow its business for many years to come.

We have met management many times and are confident in their ESG credentials. They have significant employee ownership of their shares, strong corporate governance, and a significant opportunity to support efforts to protect the environment through their project management and construction expertise.

PRINCIPLE 8

# Monitoring managers and service providers

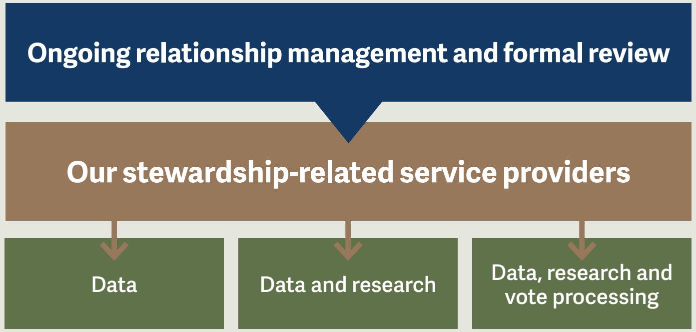


We use a number of data service providers to support our stewardship activities. They provide a mix of data, research and other services which we monitor through ongoing relationship management and formal review.

A list of our main service providers is shown in the table, below.

## Service providers directly linked to our stewardship activities at Artemis

| Service | Provider |
|---|---|
| Proxy voting research & vote processing | ISS |
| ESG scores, research & data | MSCI, Truvalue Labs |
| ESG risk ratings | Sustainalytics[1] |
| Business involvement screening | MSCI |
| Climate & carbon analytics | MSCI |




## How we evaluate effectiveness

For most of our providers, our review involves a qualitative assessment of whether the data and research enhances our investment decision-making and whether they offer regular improvements in the quality of the information, as well as its access and use.

All our providers send regular newsletters and updates, as well as organising webinars and interactive sessions on services and planned improvements. We have a dedicated account management team at each provider who can answer questions and with whom we can raise issues if necessary.

### Institutional Shareholder Services (ISS)

ISS is our sole provider of proxy voting services including research, information on voteable resolutions at upcoming company meetings, interpretation of how companies meet our custom vote policy, data on meeting results and reporting services, as well as transmitting our voting instructions for company meetings.

As previously reported, in 2021 we improved the workflow between ISS, our internal vote processing function and the fund managers and analysts. In 2022 we added additional alerts for fund managers on a trial basis and in 2023 these were rolled out across the investment teams. We also made better use of tools in the ISS platform which allowed us to keep track of specific AGM meetings, and research changes.

In 2023, more specific proposal categorisation became available in ISS reporting templates which allowed us to enhance the information we provide to our clients on ESG related proposals.

We review our voting policy with the ISS research team annually, based on fund manager feedback and developments in best practice. In 2023, we included additional criteria on diversity and climate change factors which are areas of focus.  ISS provided practical input on how we could implement these changes into our voting policy for 2023. As part of our annual review, we continue to explore ways in which ISS can help us manage our commitments under the Net Zero Asset Managers initiative with reference to voting decisions.

[1] We will be consolidating our ESG ratings services which means we will no longer subscribe to Sustainalytics ESG Risk Ratings from April 2024.

## PRINCIPLE 8

### Monitoring managers and service providers

### MSCI

Our work with MSCI continues to focus on ESG metrics (rather than ESG scores), which we find more informative for our analysis. For example, climate data, such as corporate GHG emissions, decarbonisation targets and alignment with the Paris climate goals are some of the metrics we have used for our analysis of ESG risk and help with identifying engagement targets. During the year, MSCI presented to our fund managers on their Implied Temperature Rise metric and its potential use cases, provided enhanced data visualisation tools and further developed methodologies for assessing companies' alignment with a 1.5 $^{0}$C pathway. Reporting tools and templates have also been updated and alongside support for regulatory reporting.

In our review meeting for the year 2023, we asked for clarification on some of the tools and functionality of the data platform, metrics and calculations used in generating reports and their plans for providing more data on board diversity. MSCI continues to develop data sets in new areas such as biodiversity and provide guidance on how metrics can be used to assess company performance against industry wide frameworks such as the Net Zero Investment Framework.

### Truvalue Labs

Truvalue Labs provides a measure of ESG newsflow, positive and negative which we can use to inform our ESG risk and opportunity assessment. Recent enhancements to the system have consolidated the data in one platform which has enabled us to interact with the data in new ways while maintaining the drill down capabilities to view individual news items. Further integration of the SASB standards and underlying metrics have been discussed as areas for future development.

Our initial review of investment banks'/sell-side ESG research has generated a list of for further investigation. This work will now be integrated into our ongoing general review of research and data providers.

## Firmwide third-party oversight and selection of business critical service providers

### Third-party Onboarding & Oversight Framework

As reported last year, we have established a Third-Party On-Boarding and Oversight Framework designed to govern the onboarding and on-going oversight of third-party service providers, safeguarding the firm and its customers in accordance with industry good practice and regulatory expectations. The focus of the framework is to ensure that all third-party providers deemed in-scope of the framework principles are categorised according to the risk they pose to the firm's operating model and to our clients. This drives a proportionate level of due diligence and on-going oversight to ensure key risk areas are identified, reviewed and service standards are maintained.

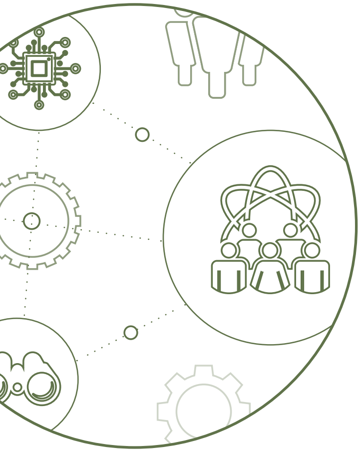
### Completing our outsourcing review

In 2022, we were completing our transition of outsourced middle office, fund administration and registration functions into 2023. The migration of these services was successfully completed in July 2023.

# Our Approach to Engagement

PRINCIPLE 9

# Engagement



## What is engagement?

The Investor Forum's definition of engagement is:

*"active dialogue with a specific and targeted objective. It is intended to put the stewardship role into effect. The underlying aim of the engagement dialogue should always be to preserve and enhance the value of assets on behalf of beneficiaries and clients."*[1]

In our view, as active investment managers it is helpful to distinguish between three types of engagement:[2]

- **Engagement with individual companies with the goal of encouraging change** that is specifically connected to an issue which directly impacts the investment case. In these circumstances it should be possible to set an action plan.
- **Engagement with individual companies which seeks to address thematic, market-wide or systemic risk** such as climate change, but may not directly impact the investment case within the usual time period for investments. For longer-term active investors with corresponding engagement timelines, it is more productive to set broader objectives, rather than fixed milestones. A more iterative approach can then be accommodated, particularly in circumstances where external forces and factors may have a significant impact on outcomes both positive and negative. In these cases, divestment is unlikely to be a helpful course of action as shareholder rights, influence and constructive dialogue can continue to be used while the investment case remains intact.
- **Engagement/participation in industry forums.** This can be either directly at the level of the investee company or more broadly at industry or system level.

Collaborative engagement involves investors working together to achieve a common engagement goal. Please see Principle 10 for further information on collaboration.

Where initial engagement is not successful it may be necessary to use an escalation approach. Please see Principle 11 for more details.

Regular communication to gain information as part of ongoing research is generally not counted as engagement, although we believe asking companies to provide more detail on strategy, plans or outcomes and how actions are expected to contribute to these is engagement.

General company meetings, which do not classify as engagement, are also an invaluable part of the investment process for many of our investment strategies. Developing a deeper understanding of the businesses in which we invest and building long-term relationships with companies, their management and boards helps to provide context and insight as well as supporting circumstances where we can productively challenge and discuss change (i.e., engage) when necessary.

## Why we engage

Engagement forms a part of our stewardship activities and how we manage our clients' assets, as active investors. Engaging with companies is the mechanism by which we raise issues with management and monitor subsequent developments. While we do make use of external research and data resources, it is the relationships we have built, and knowledge we have derived from meeting and engaging with companies that continue to inform our investment decisions.

[1] Defining-Stewardship-Engagement-April-2019 (investorforum.org.uk)
[2] Meeting companies does not apply to our systematic based strategies which use SmartGARP® or other data driven strategies such as Strategic Assets.

# PRINCIPLE 9

## Engagement

## How we engage

At an investment-strategy level, our targeted engagement reflects individual investment approaches and priorities identified by fund managers to address material issues in their portfolios.

For thematic engagement where material risks have been identified across investment strategies, such as climate change, engagement may also reflect firm-wide exposure. Other factors which can influence targeted engagement are:

- position in the portfolio and where we hold a significant proportion of the capital either at individual portfolio level or across the firm
- mitigation efforts by investee companies linked to improving or resolving the issue
- local or industry context which may impact a company's ability to deliver change
- likelihood of access to management or board and hence our ability to engage productively.

Engagement goals are set after discussion between portfolio managers and analysts, with the specialist support of our Stewardship team.

Engagement is often collaborative across internal investment teams where companies are widely held and/or where there is specific knowledge and expertise on the issue.

Engagement can include face-to-face meetings, calls, emails and letters on a wide range of topics including strategy, operational performance, ESG issues and industry-specific considerations.

Given our size, we believe we can more usefully contribute to engagement with policy makers via the industry bodies, forums and initiatives we are members of. More information on the initiatives and memberships can be found in Principle 10.

## Recent developments and plans

Information on company meetings and internal research is shared across Artemis' investment teams using a centralised database. Through 2023 we have been working to improve logging and tracking of our engagement activities which are distinct from company meetings. Dashboards which allow the visualisation of activity for use by investment and client teams is work in progress.

## Some examples and outcomes of our engagement

Please also see our engagement case studies as part of collaboration and escalation in Principles 10 and 11 and how engagement forms part of ESG integration in Principle 7.

### Thematic/sector-based engagement across multiple investment teams[1]

Companies with some of the highest financed GHG emissions across our firm's portfolios are targets for engagement. These include **Eagle Materials** (see **page 48**), **Constellation Energy** (see **page 40**) and companies in the oil and gas, and airline sectors.

In 2023 we engaged with both **BP** and **Shell** on target setting and commitments to net zero, particularly the short and medium-term strategy and the overall pace of the transition. We also discussed energy solutions and power assets, the role of lower carbon transition fuels and reductions in methane emissions. Both companies have adjusted expectations on the transition in the medium term while maintaining their net zero goals over the longer term. Pathways need to be both economically and environmentally sustainable, but we don't expect progress to be in a straight line. We received more clarity on areas of focus but will continue to engage on progress on transition plans.

In 2023 we engaged with **Ryanair**, **easyJet** and **International Airlines Group** (IAG) on actions being taken to meet targets i.e., progress on transition plans. Areas of focus are on aircraft fleet renewal and other operational efficiencies, sustainable aviation fuel (SAF) capacity in the short to medium term (next 10 years), and the role of new technology in the longer term. There are risks that SAF demand will not be met and we were interested in the role of the airline industry in helping to secure capacity and the role of mandates from governments on SAF content in aviation fuel. Further development of SAF such as the conversion of renewable electricity into liquid fuels (power to liquids) and the use of hydrogen as a fuel are potentially longer-term solutions. This is a challenging sector to decarbonise which is also reliant on behaviour change and government policy support to deliver the right incentives. We will continue to engage on both the short and longer-term transition strategies.

[1] Please note not all companies were held by all strategies which are permitted to invest in these areas.

# Company specific case studies

## Case study 1: Uber

**Global Select**

Due to the nature of **Uber's** operations and its evolution, there are a number of material ESG factors for consideration. These include labour management, emissions and governance.  Since Dara Khosrowshahi's appointment as CEO, the company has increased its focus on ESG matters, and Uber's 2023 ESG report released in May highlighted notable progress in a number of areas. These included improvements to safety measures as a result of app enhancements; increased disclosure on GHG emissions data; and the continued roll out of electric vehicles.

During the year we engaged with the company on topics including basic fare/living wage for drivers; app safety enhancements; the management of charging infrastructure for electric vehicles ("EV"); and diversity. Uber has been responsive to our requests – both by email and in conversations. We discussed the challenges of global operations on a number of these issues. The company is working to improve disclosure, on data accuracy and delivering on key elements of its mission. Engagement ongoing.

## Case study 2: Inchcape

**UK Special Situations**

We met the Head of Sustainability, and members of his team to discuss **Inchcape's** sustainability strategy. The focus of the meeting was on the company's role in the EV transition. While they act as an important partner for the auto manufacturers, Inchcape's role as distributor does mean it lacks direct control over these indirect emissions.

The company is looking to work alongside both traditional auto manufacturers and newer EV brands. The company has signed strategic partnerships with brands including BYD and Great Wall to ensure they are able to support consumers as they move towards EVs.

We also participated in a survey of stakeholders which was conducted after our meeting, and the results will form the basis of our ongoing engagement in 2024.

## Case study 3: Brooks Macdonald

**UK Smaller Companies**

We engaged with investment management company, **Brooks Macdonald**, to understand the risks posed by the FCA's Consumer Duty rules and guidance, due to come into force on a phased basis starting 31 July 2023. The rules set expectations to ensure firms provide customers with communications they can understand, products and services that meet their needs and offer fair value, and the customer support they need, when they need it. The rules require all firms, whether designing, selling or advising on products and services, to put their customers' needs first. In our meeting with the CEO, we sought to understand the level of potential risk, the measures the company was taking to manage these and how it was going to ensure compliance with the regulations.

Our strong relationship with the company enabled an open and transparent discussion on the potential impact of the requirements and led to us being comfortable that Brooks MacDonald is responding to, and managing the risks of Consumer Duty effectively.

## Case study 4: Oxford Instruments

**UK Select, UK Special Situations and Positive Future**

We have been long-term investors (for over five years) in **Oxford Instruments** which provides advanced technology products and services to industrial companies and research institutions globally. In our view the company has world class technology in areas of strong structural growth including in areas such as advanced materials, quantum computing semiconductors, energy & the environment, healthcare & life science. We engaged with the Chairman following the appointment of the new CEO on the nomination process and range of candidates and skill sets. The board believes there is a good opportunity to improve operational performance of the manufacturing business as well as scaling up and the CEO is well placed to deliver this given previous experience.

## Case study 5: Eagle Materials

**US Select, US Smaller Companies, US Extended Alpha, Global Select**

**Eagle Materials** is a leading US manufacturer of cement, wallboard, paperboard and concrete. As a sector, concrete and cement contributes 7-8% of total global $CO_2$ emissions and is one of the hardest to decarbonise. Key challenges include: the process emissions from clinker production; the high kiln temperatures required for mineralogical transformation; significant projected demand growth; and the localised market. Approximately 88% of emissions in the concrete production cycle come from clinker production. Eagle has been working to reduce these emissions through shifting production from Portland Cement to Portland Limestone Cement; exploring the use of other low carbon supplementary cementitious material, most recently through an agreement with Terra CO2; increasing alternative fuel use; and participating in carbon capture innovation at its Sugar Creek plant. While the company is focused on reducing carbon emissions per unit of cementitious product, we engaged with the company in 2023 regarding its plans and targets to transition to net zero and requested further disclosure on these areas.

We have been encouraged by the company's response and welcomed the publication of its 2024 Environmental and Social Disclosure Report which incorporated progress on several of the areas we had discussed. Engagement ongoing.

## Case study 6: Seaspan

**Global High Yield, Short-Dated Global High Yield and High Income**

**Seaspan** is an operator of container ships. The company is one of the biggest contributors to financed emissions in the Global High Yield portfolio, has limited emissions disclosure and has not set any emissions reduction targets. We contacted the company to understand its intentions to set emissions reduction targets.

In subsequent calls, the company explained that in leasing its vessels to customers, it faces various challenges around target setting, due to having limited control over how the ships are used and a lack of clear definitions of what constitutes its own, or customers' scope 1 and 3 emissions. Acknowledging the challenges, we reiterated our encouragement that Seaspan sets measurable targets to assess the efficacy of the efforts it is making, such as upgrades to ships to reduce drag, utilising more fuel-efficient engines, improving cargo-loadability, and introducing cleaner-burning fuels such as Liquefied Natural Gas (LNG). We will continue to engage with the company, targeted at improving emissions disclosure, setting emissions reduction targets and tracking progress.

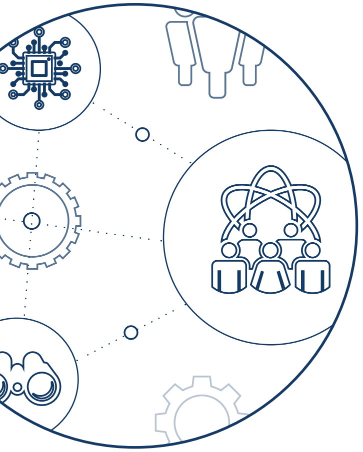
## Case study 7: Alliance Pharma

**UK Smaller Companies**

In 2021 we engaged with **Alliance Pharma** on board diversity. We subsequently abstained from the election of a director due to a lack of board diversity, in both 2022 and 2023. We continue to discuss this matter with the company as our preference is always to engage rather than simply vote against directors. The company has expressed its commitment to board diversity, and we will monitor resulting actions.

PRINCIPLE 10

# Collaboration



Given our size, we can improve our ability to encourage positive change by joining initiatives and partnering with others. This can be either directly at the level of the investee company or more broadly at industry or system level.

Collective action can be an effective lever in bringing about progress on overarching themes, such as climate and human rights. It is an efficient way for smaller asset managers like us to contribute and is our only practical route for policy advocacy. We believe collaborating with others not only increases our voice, but by sharing expertise and views we can improve the knowledge base from which we can all draw as part of our stewardship activities.

We consider a number of factors when looking to join or reviewing our participation in collaborative initiatives:

- significant and increasing interest from our stakeholders according to the feedback we gather in meetings, surveys and through our networks;
- the regulatory environment and pressure for change as set out in consultation and policy documents;
- improving best practice within the investment management industry and areas where we invest for example as set out by the Investment Association; and
- how well industry initiatives are established, supported and focused on the material, financial impact of the issue.

How we dedicate resource to collaborative initiatives is an important consideration, and we monitor how they are contributing to driving change more broadly and our work specifically.

The following case studies highlight collaborative activity in 2023. As in previous years we have continued to focus on climate and social issues.

## Modern Slavery Initiative: Find it, Fix it, Prevent it

In December Artemis became a supporting investor of the Find it, Fix it, Prevent it (FIFIPI) initiative, which launched in November 2019 and is an investor led, multi stakeholder project involving investors, academics and non-governmental organisations aimed at making the corporate response to modern slavery more effective.

The current focus of FIFIPI is construction businesses listed in the UK, and we are, through our UK Smaller Company strategy, the lead investor with **Keller Group,** the world's largest geotechnical specialist contractor. Given the nature of the business, and operations in more than 40 countries across five continents, we assessed modern slavery as a potential investment risk. We have started our engagement with the company to better understand its approach and have so far been pleased to see it takes the issues seriously and is looking to advance its policies and procedures.

# Climate focus

## Collaboration

### Case study: Net Zero Engagement Initiative (NZEI)

In 2021 we became members of the Institutional Investors Group on Climate Change (IIGCC), which works with business, policy makers and fellow investors to help define the investment practices, policies and corporate behaviours required to address climate change. In 2023 we joined the NZEI which is coordinated by IIGCC and aims to scale and accelerate climate-related corporate engagement by expanding the universe of companies beyond the Climate Action 100+ focus list. The central ask of companies is to develop a net zero transition plan which includes a comprehensive net zero commitment, aligned GHG targets, emissions performance tracked and a credible decarbonisation strategy.

We agreed to lead an engagement with **FirstGroup**, a bus and rail operator in the UK.

We met with the Group Head of Corporate Responsibility, and discussed the company's science-based approved targets and electrification plans for both the bus and rail divisions.

There is a high level of confidence with regards to its UK bus operations with more control over fleet investment and infrastructure. The company is making good progress in this area backed in the near term by government subsidies via the Zero Emissions Bus Regional Areas (ZEBRA) scheme. With depots generally vacant during the day the company is examining ways of sharing the charging capacity.

Rail is more challenging because of the critical dependency on Network Rail and the Department for Transport as the funding body. Tracks need to be electrified and rail rolling stock is owned by the Department for Transport and leasing companies. On the open access services where FirstGroup has greater control over operations, the Lumo service from Edinburgh to London is wholly electric and Hull Trains is mainly electric with bi-modal trains used for sections of the track that have not been electrified.

The company has committed to publishing more information on its performance against the decarbonisation targets as required by the Science-Based Targets initiative and this will form the basis of our ongoing engagement.

PRINCIPLE 10

Collaboration

## Case study: Proxy Advisor Working Group

In 2023 the work of the Proxy Advisor Working Group (PAWG) primarily focused on continuing the engagement with the larger proxy advisors on the incorporation of climate change into their benchmark voting policies. We were also interested in the level of additional support they could provide for institutional investors who wish to adapt custom voting policies or use specialised policies to accommodate voting on climate change. Some progress has been made with ISS on additional options for custom voting policies, but engagement will continue on the need for net zero voting policy options more generally.

The PAWG provided input into the Net Zero Voting Guidance published by IIGCC in January 2024.

In 2024 the working group will expand its work to support investors, climate-related voting activities and facilitate engagement with relevant stakeholders including proxy voting advisors. The working group will be renamed the Proxy Voting Working Group to reflect this broader remit more accurately.

## Case study: The Net Zero Asset Managers initiative (NZAMi)

NZAMi is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. We joined this initiative in 2021.

This initiative prioritises the achievement of real economy emissions reductions. We therefore believe our primary lever for meeting our commitments under NZAMi is engagement both direct and collaboratively (where appropriate) with investee companies and participating where practicable, in industry initiatives in order to help drive industry or policy change. We recognise there are a number of factors outside our control for example, government policy and economic backdrop, which will have a material influence on outcomes. We therefore focus on areas where we may be able to affect change.

During 2023, we analysed our in-scope assets for alignment to net zero using the Paris Aligned Investment Initiative Net Zero Investment Framework (PAII NZIF)[1]. This analysis provided input into our engagement plan for direct and collaborative engagement concentrating on the highest contributors to firm-wide financed emissions[2] and where disclosure, targets, and decarbonisation strategy are not yet aligned with Paris climate goals[3]. We continue to work on evolving our NZAMi approach. We have therefore not set alignment targets at this time. However, the analysis provided additional insight as to the ambition, target setting, emissions performance, disclosure and decarbonisation strategy of companies, enabling our engagement actions to be more focused. Further information on some of our engagement activity can be found in Principle 9 and our voting decisions in Principle 12.

In 2024 we will confirm our approach to coal investment. We have explored a number of options, but our current exposure to coal mining and coal power generation is very limited and where there is exposure some investee companies have made commitments to cease coal operations. We continue to monitor this exposure.

## Case study: Climate Action 100+

Using collaborative corporate engagement, Climate Action 100+ (CA100+) aims to ensure the world's largest corporate GHG emitters take the necessary action on climate change. Originally launched as a five-year initiative (2017-22), it has been extended to 2030 with phase two (2023-2030). The members of the initiative are asking companies to implement a strong governance framework, take action to reduce GHG emissions across the value chain consistent with the Paris Agreement's climate goals, and to provide information on transition plans. The work is co-ordinated by five investor networks.

We have identified two companies (energy and power generation) where there is potential to collaborate with other institutional investors via CA100+.

[1] Net Zero Investment Framework Implementation Guide (iigcc.org)
[2] Financed emissions are real world emissions financed by investment, lending or other financing activities. Carbon emissions by companies can therefore be allocated to investors and lenders based on their exposure to a company i.e. ownership. We have used financed emissions intensity for the basis of our calculations i.e. total emissions owned divided by $m invested.
[3] The Paris Agreement: https://unfccc.int/process-and-meetings/the-paris-agreement

## Other memberships

Signatory of:

**The Principles for Responsible Investment (PRI)** works to support the understanding of the investment implications of ESG factors and its members efforts to incorporate these factors into investment and ownership decision making. We became a signatory in 2015. A copy of our latest PRI report for the year 2022 is available from the Stewardship and ESG page on our website. We received four stars (from a total of five stars), for all the individual modules, an improvement on our previous assessment.

**The Investor Forum**

We are a founder member of The Investor Forum, a not-for-profit community interest company set up by institutional investors in UK equities. Its purpose is to provide a forum to foster dialogue between investors and companies to create good engagement outcomes which aim to deliver long-term value for all stakeholders.

We attended a number of group meetings with companies organised by The Investor Forum over the year where Chairs of Boards provided the opportunity for investors to discuss topics related to their AGMs. These discussions supplemented those we held directly with the companies during the year. We did not however participate in any formal corporate collective engagement via The Investor Forum during 2023.

In January 2023, The Investor Forum published its Modern Slavery: Toolkit for Investor Due Diligence. We were a member of the working group which provided input into this framework. As an extension to this work, The Investor Forum then launched a new project on gathering decision critical human rights data and metrics, with a specific focus on the Democratic Republic of Congo. We are contributing investors to this project, which also links to the FIFIPI initiative detailed on page 49.

In 2022, The Investor Forum formed a working group to reflect on the issues surrounding investing in the defence sector. We contributed our views and in December 2022 a S-360 Working Group Report was published: Investing in the Defence Industry. Following publication, two events were held in 2023 which we participated in.

In December, our CIO was appointed to The Investor Forum's Board, further enhancing our commitment to this organisation as it enters a new phase emphasising practical action over codification, encouraging the constructive element of engagement, and focusing on the need to put in place the conditions which can underpin a vibrant and valuable listed equity market in the UK.

**The IA**

The IA is the industry body for the investment management industry in the UK. We have several representatives on IA committees and working groups which target improving best practice and providing input into policymaking and regulation. These include areas such as investment, risk, corporate reporting, operations, cyber resilience, product development and regulation, as well as thematic areas such as net zero and climate change. For more information please see page 25.

**IFRS Sustainability Alliance**

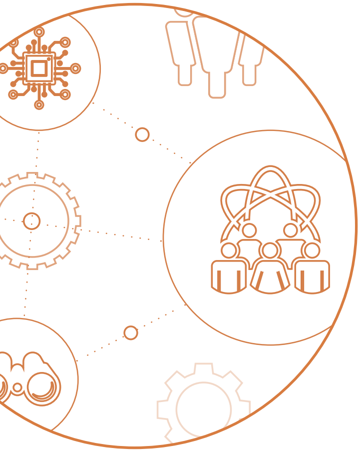
We became members of the SASB Alliance in 2019, to help businesses around the world identify, manage and report on the sustainability topics that matter most to investors. The SASB standards are now consolidated under the IFRS Foundation and incorporated into the new International Sustainability Standards Board (ISSB) standards.

**Transition Pathway Initiative**

The Transition Pathway Initiative (TPI) provides valuable data and analysis which we use as part of our assessment of investee companies' management of climate-related risks and opportunities, and transition pathway to net zero. The ongoing research into material sectors and the increase in company coverage continue to support our work in this area. We became an official supporter of the TPI in 2023.

PRINCIPLE 11

# Escalation



## Escalation in context

There are times when we need to escalate our engagement efforts to intensify our efforts, to reinforce our message when progress is not forthcoming, to take a position on situations we consider to be serious, or to accelerate action when time is critical.

**Potential activities include:**

- Talking or meeting with the board and company management
- Writing to the companies to explain our expectations as investors
- Voting against or abstaining from management's resolutions
- Supporting a shareholder resolution
- Collaborating with other shareholders to increase pressure for change

On rare occasions we submit resolutions at shareholder meetings as part of our stewardship activities.

As with other aspects of our stewardship and investment approach, the decisions on whether and how to escalate are driven by our fund managers, who are supported by our dedicated Stewardship team.

The specific escalation strategies used depend on a variety of factors, including, the scale and significance of the issue, the fund managers' views on what will be most effective in encouraging a particular company to change, the specific market, regulations and norms, the size of our holding and our relationship with management.

However, we do tend to favour certain escalation strategies in certain circumstances.

- When we want to discuss operational and financial matters and the details of strategy execution, we generally **contact the executive team**. When we have concerns about board oversight, governance and/or risk, we generally **discuss these with non-executives** although, in certain circumstances, we may speak with the chairman or senior independent director. To explain our expectations as investors, we may also put our request or concerns in writing in the form of a **letter to company management**.
- We recognise the importance of using our shareholdings to send formal signals to companies and we will **abstain or vote against management** if we feel that our concerns are not being recognised or if the actions being taken are insufficient (see Principle 12 in this report for examples of our voting activity). While voting is often seen as an escalation strategy, we recognise that it is also a de-escalation strategy as voting in favour of management demonstrates that we are satisfied with the actions being taken or planned to be taken by management.
- We will also **collaborate with other shareholders** or through **industry groups and initiatives** where there is likely to be a better chance of a successful outcome as resources are pooled in pursuit of broadly similar objectives. We will look to collaborate in situations where we have relatively small holdings in a company, in situations where we are struggling for access to senior management or the board, and in situations where we do not have significant resources to allocate to the issue but want to signal our support. More information on some of the initiatives we have been involved in can be found in Principle 10 of this report.
- We raise and escalate matters with companies when we see them as important to the short- and long-term success of the company. Our belief is that most issues can be addressed through **dialogue. Well-established relationships** with company management and a clear alignment of interest with companies mean that the majority of issues can be resolved this way. In particular, as an active manager, our decision to invest in a company is based on our trust in, and belief that, management will run the company in the best interest of shareholders. That being said **we are prepared to sell our holdings if we feel that the company is not responding appropriately to our concerns**.

## Examples of escalation

In 2023, we had a number of examples where we needed to escalate our engagement by raising matters with management and/or by voting against management (also see Principle 12). Over the following pages we share some case studies to illustrate escalation in action.

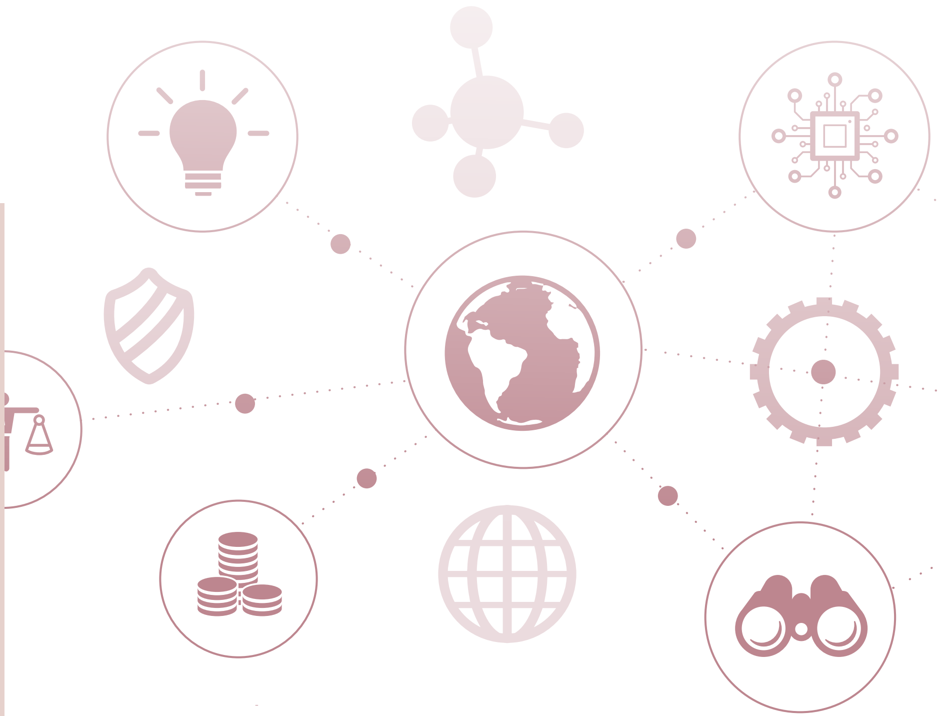
### Case study: targeting better diversity at smaller companies

Board diversity is an important topic for our UK Smaller Companies strategy, given our view that this is more likely to lead to better governance, strategy choices and enhanced performance. However, we accept that this can be challenging for smaller firms where it may take longer to implement. Nonetheless, we expect all of our UK companies to comply with the relevant regulation with regards to board diversity and strive for a board which is balanced, with representation from varied backgrounds and genders.

For FTSE 350 companies, our formal policy is that we will consider voting against the chairman of the nomination committee where board gender diversity is less than 33%. For FTSE Small Cap, Fledgling and AIM companies, we will consider voting against the chairman of the nomination committee where there is no gender diversity on the board. For these companies, we are likely to abstain where there is only one member of the board from the under-represented gender.

In 2021 we wrote to the chairs of nomination committees at small cap companies in the UK Smaller Companies portfolio, where board diversity did not meet our expectations and invited them to discuss their plans. We carried out the same exercise in 2022, as reported last year, which entailed writing to some companies for the second time. We have escalated where we have not felt that change has been forthcoming , including in 2023. An example of this is **Alliance Pharma** (please see page 48).

We note and welcome the update to the FCA Listing Rules with respect to board diversity which apply to accounting periods on or after 1 April 2022. These require companies to disclose annually whether they meet specific board diversity targets on a "comply or explain" basis. In 2023, reliable data on ethnicity was still not made readily available for UK companies and this continues to impact our ability to incorporate this information into our voting decisions. This is an area we continue to monitor.



### Poor governance at a property management company

As referenced in Principle 7, interaction with management and boards is fundamental to our investment process. We view a lack of engagement with shareholders negatively and experienced this with the Chair of a UK property management company, Mears Group. When we did meet with them, we were disappointed with their understanding of the business, the strategic direction and their lack of share ownership. We expressed our concern in multiple calls, including with the CEO, and provided feedback on what we would like to see from a Chair. Ultimately, we escalated the issue by voting against the Chair (as did many other shareholders) and they subsequently resigned.

## Seeking evidence that a company is responding to shareholder concerns.

**Wells Fargo** is held across some of our US and Global strategies. We were interested in the company's response to the shareholder proposals which Artemis supported, and the issues raised at the 2022 AGM. The company made further disclosures on incentive-based compensation in its 2023 proxy statement. This is part of ongoing remediation and programmes in response to controversial sales practices, overall governance and internal insight failings which led to the fines, regulatory consent orders and a Federal Reserve asset cap.

The measures taken seem comprehensive and there is an increased level of oversight of the risks associated with incentive-based compensation. Although the approach summarised in the proxy statement is an improvement, we asked for further insight into how it works in practice and for specific outcomes-focused metrics. The company cited confidentiality concerns around sharing such information. Although Artemis is sympathetic to such concerns, we believe that there are data points the company could share which do not breach restrictions, which would be valuable to shareholders. We acknowledge the improved transparency in recent years and will continue to encourage the company to make further disclosures on how it is managing governance risks.

We will also continue to monitor company responses and policies to shareholder proposals on diversity, equity and inclusion and indigenous communities.

## One-off incentive award which in our view was not warranted.

**Moonpig** sells greetings cards and gifts online in the UK and the Netherlands. The **Artemis UK Smaller Companies** and **UK Special Situations strategies** combined held in excess of 2.5% of votable shares at the AGM in September 2023.

Engagement was initiated by the company in May 2023 regarding proposed changes to the company's remuneration policy. One of the changes proposed was a one-off additional grant of shares to the executive directors under the long-term incentive scheme. The Company cites retention concerns as the primary driver for the one-off award. We met with the chair of the board and chair of the remuneration committee in June to discuss our concerns.

While we accept that the board is keen to retain key executives and would want to act pre-emptively, we were not convinced by the benchmarking of pay overall versus larger companies nor the targets used to assess the eventual payout. We believed the CEO was already well rewarded. We suggested an alternative proposal given company performance since the initial public offering (IPO). Although the company agreed to review its approach, the final proposal did not meet our expectations and therefore we voted against the remuneration policy at the AGM in September 2023.

We will continue to monitor the implementation of the remuneration policy in future years to ensure targets are stretching.

# Exercising Our Rights and Responsibilities as Active Investors

12 Exercising rights and responsibilities

PRINCIPLE 12

# Exercising rights and responsibilities

We exercise our voting rights and responsibilities as part of our stewardship duties. We aim to vote our shares for all stocks unless we are restricted from doing so by local market practice, laws or regulation. For example, where share-blocking is an issue (e.g. where voting would bar us from buying or selling a company's stock around the time of the AGM), we prefer to have the option to trade. In some markets and sectors we are prevented from using our voting rights as overseas investors.

We take seriously our duty to uphold and improve the corporate governance standards of the companies in which we invest, in the long-term interests of our clients'.

We develop relationships with the management, boards and representatives of investee companies, and generally, as an active manager, we invest in companies where we believe management will run the company in the best interest of shareholders. We are therefore more likely to support management but we are prepared to vote against, and especially support shareholder resolutions relating to increased transparency, when we believe this will be of benefit to us as shareholders. When we identity issues, we engage with the company ahead of a vote if there is an opportunity to do so.

## Our voting policy

Our formal voting policy sets out our general approach to voting and is available on our website. It sets out the principles which direct our votes and discusses the instances in which our clients' interests may override support for management's proposals. Please see our core voting principles and case studies in this section for further details.

Our voting policy is global in scope, and unless otherwise stated, the principles that direct our votes apply across all regions.

## How we exercise our rights in fixed income

The fixed income team votes on corporate actions in relation to their portfolio holdings, which may involve minor amendments to existing indentures or, on occasion, decisions on accepting terms for tender arrangements. Meaningful corporate strategy engagement is compromised by bond holders' lack of an AGM vote. Shareholders, as owners, can influence companies and therefore have the mandate to seek change.

As part of the Fixed Income team's process, it judges whether a company is an attractive long-term investment by assessing its fundamentals. The team seeks sustainable investments: investing in issuers that can service their debt beyond the maturity of any bonds purchased and not be subject to large contingent liabilities or technological disruption. Strong corporate governance has always been a part of assessing a company's worthiness. While we welcome alignment of interests of bond holders with the owners and management of our investments, we are mindful that the fiduciary duty for company directors is largely toward the shareholders, the owners. Investment grade issuers rarely default. To that end, assessment is mostly focused on the longer-term strategic plans for a company, from the shareholders perspective, and whether that aligns with our interests as bond holders.

PRINCIPLE 12

Exercising rights and responsibilities

## Our core voting principles

1. **Board of Directors – Independence:** Every company should be headed by an effective board of directors who take collective responsibility for the company's long-term success. For all companies quoted on main markets, our view is that at least half of the board should be independent. Where the independence of directors does not conform to best practice, we look carefully at the reasons why. Independence is often defined in terms of the length of time a director serves on a board (tenure), whether he or she holds share options in the company and the relationships which may influence decisions. In our view, a failure to meet some of these criteria does not necessarily stop non-executive directors discharging their duties and responsibilities effectively.

   We believe it is important to consider a director's contribution and, specifically, whether they behave in an independent manner, before deciding to vote against a director for not being independent.

2. **Board of Directors – Chairman:** Our preference is for the roles of CEO and chairman to be separate. Where the combined role is more common, good governance practices will be considered in order to support this arrangement.

3. **Board of Directors – Election of Directors:** We believe it is in shareholders' interests for directors to be submitted for regular re-election. Our preference is for annual election by a majority vote, and we believe that boards should not be classified (a structure under which directors serve terms of different length).

4. **Board of Directors – Committees:** All members of the audit committee should be independent and the majority independent for the nomination and remuneration committees.

5. **Board of Directors – Succession Planning and Diversity:** As part of a board's approach to succession planning, we expect the report & accounts to contain information on progress towards meeting best practice guidelines on diversity at board and senior management levels. For main markets we have set specific board diversity guidelines as set out in our policy.

6. **Board of Directors – Board Accountability on Climate Change:** For companies where we believe climate is a material investment risk we will consider voting against the responsible incumbent director or committee where the company is not taking steps to understand, assess and mitigate climate-related risks.

7. **Report & accounts and audit**: We are likely to vote against resolutions relating to the report & accounts where there are concerns about the presentation of accounts or audit procedures used.

8. **Remuneration**: We believe management should be appropriately rewarded for good long-term performance, however, levels and in particular increases in pay should be justified with a clear rationale.

9. **Governance arrangements and shareholders' rights:** We will vote against anti-takeover provisions and reductions to voting rights which we do not believe are in the interests of shareholders.

10. **Corporate actions and capitalisation**: We consider every corporate action on its own merits.

11. **ESG Resolutions – Disclosure:** Decisions on whether to support shareholder resolutions calling for more disclosure on ESG issues are based on whether additional disclosure is likely to enhance or protect shareholder value in both the short and long term.

12. **ESG Resolutions – Say on Climate:** We assess these resolutions on a case by-case basis taking into consideration the rigour and completeness of the company's transition plan.

PRINCIPLE 12

## Exercising rights and responsibilities

## How we implement our voting policy

Portfolio managers make the final decision on how to vote based on a range of inputs, including internal research, Stewardship team guidance, engagement with companies and other external research in addition to that provided by ISS, our proxy voting adviser. On a half-yearly basis, the Investment Committee sees a report on voting activity.

We are not able to offer investors in our funds the ability to direct voting at the present time. Institutional clients with their own segregated accounts can discuss voting requirements with their account director and of course may make their own arrangements to vote.

We do not lend stock for Artemis' funds. If a client's custodian does so, Artemis will not recall it for voting without prior arrangement.

We publish a summary of our votes and details of those instances in which we have voted against management in the standard quarterly investment reports we send to our institutional clients. On the Engagement and Voting page of our website, we provide:

- A full record of all of our votes.
- A summary of recent significant votes, highlighting votes where we did not follow management's recommendations and held more than 1% of the votable shares. In each case, we provide an explanation for the decision that we made.

## Our voting data

In the following pages, we present examples of our voting activity in 2023, together with the outcomes of those votes.

You can find further information on our escalation strategies, including additional voting case studies, in Principle 11.

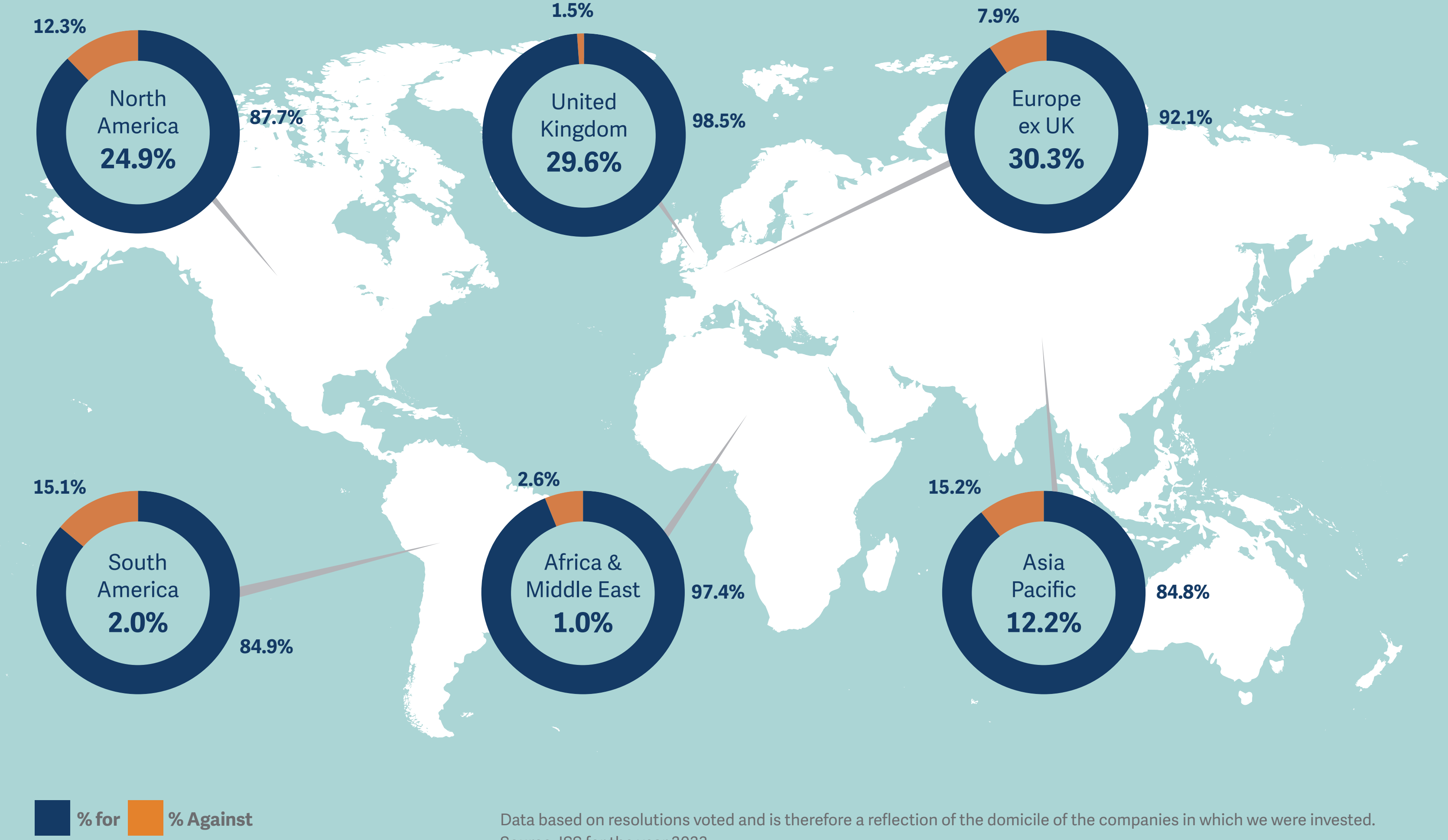
PRINCIPLE 12

Exercising rights and responsibilities

# Voting & engagement statistics – where we vote and engage

## Voting statistics

**Resolutions voted for and against management by region (% of total)**




Data based on resolutions voted and is therefore a reflection of the domicile of the companies in which we were invested.
Source: ISS for the year 2023

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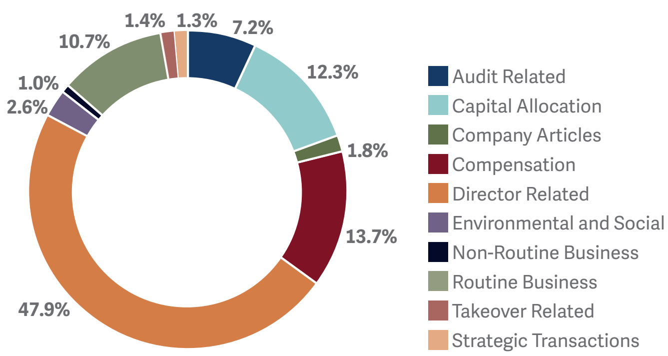
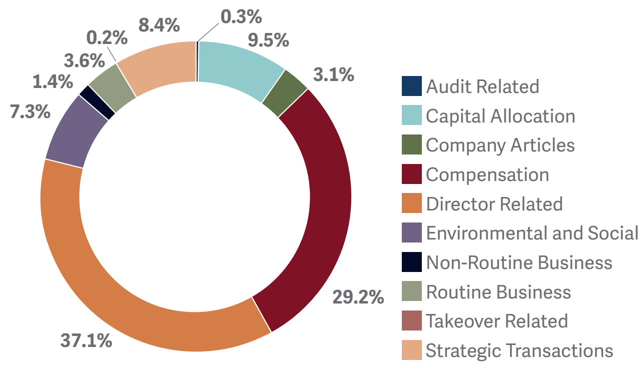
Exercising rights and responsibilities

# Voting statistics

### Resolutions voted by category




### Votes against management by category



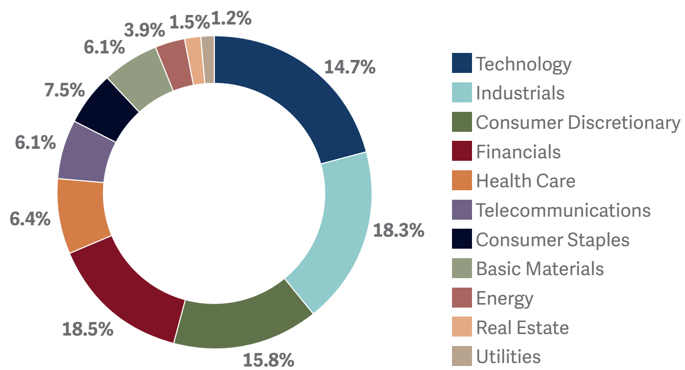

| | |
|---|---|
| Number of resolutions voted as percentage of total number of eligible resolutions | 97.7% |
| Number of meetings voted as a percentage of total number of eligible meetings | 99.1% |
| Percentage of votes against management | 8.1% |
| Percentage of votes against the Artemis voting policy | 1.0% |
| Percentage of meetings with at least one vote against management | 42.8% |

Source: Artemis, ISS. Routine business includes matters relating to financial statements, audit and auditors, articles of association, dividends. All data for the year ending 31 December 2023. Please note figures may not add up to 100% due to rounding.

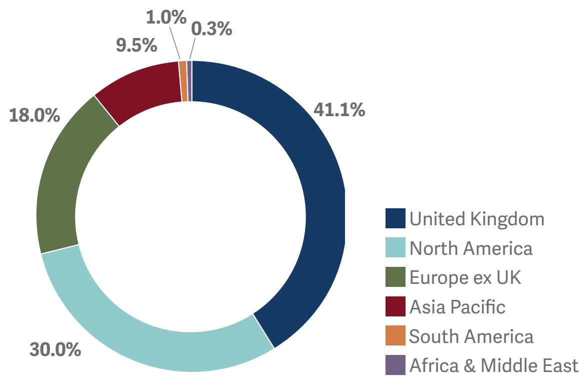
# Company meetings statistics

## Total number of meetings – 1,446

### Meetings by sector




### Meetings by region




Source: Artemis. All data for year ending 31 December 2023. Please note figures may not add up to 100% due to rounding.

PRINCIPLE 12

Exercising rights and responsibilities

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# Examples of our voting activity

## Global

Our **Global Select Fund** supported a shareholder resolution at technology company, **Microsoft Corporation**, asking the company to report on risks related to AI generated misinformation and disinformation. The proposal received considerable support and Microsoft has committed to producing a report to the US government about its AI governance practices, including its approach to mitigating AI misinformation and disinformation risk, due June 2024. We will review the report on release.

Also held by: **US Select Fund** and **US Extended Alpha**

**Vote result: For 21.2%, Against 78.8% - Rejected, but gained significant support**

We continued to support shareholder disclosure resolutions relating to climate at integrated oil and gas company, **Exxon Mobil**, in our **Global Income Fund**. We voted for greater and more accurate methane emission disclosure given the company's aspirations to achieve zero routine methane flaring no later than 2030; and to commission an audited report on reduced plastics demand. We welcomed the company's 2024 Advancing Climate Solutions GHG Data Supplement report and note that the company has since joined the UN Oil and Gas Methane Partnership (OGMP) but greater clarity on how the company is adopting the OGMP framework for measuring its methane emissions would be beneficial for us as shareholders. Additionally, further insight into the company's plans to shift its business model to recycled plastics such as through recycling technologies could help assess the company's strategy related to plastics production and how resilient the company's plans are to future regulations and changes in consumer preferences.

**Vote result: Report on Methane Emission Disclosure Reliability: For 36.4%, Against 63.6% - Rejected, but gained significant support**
**Commission Audited Report on Reduced Plastics Demand: For 25.3%, Against 74.7% - Rejected, but gained significant support**

In our **Global Income Fund**, we voted against the election of a director at telecommunications company, **Motorola Solutions**, due to concerns over the number of directorships held by the nominee across six publicly traded companies. The proposal passed but we note the high level of dissent.

**Vote result: For 61.6%, Against 38.4% - Accepted**

Our **Positive Future Fund** supported a shareholder resolution to report on gender and race median pay gap at healthcare equipment company, **DexCom Inc,** enabling a better assessment of the company's risks and opportunities pertaining to gender and racial pay equity. We await DexCom's 2024 Sustainability Report which the company has stated will contain an adjusted pay gap analysis of the company's workforce with respect to gender and ethnicity in 2023, a commitment they are working on with an external consultant.

**Vote result: For 35.9%, Against 64.1% - Rejected, but gained significant support**

Managers of our **Global Income Fund** supported shareholder resolutions at multinational conglomerate, **General Electric Company**, and **Archer-Daniels-Midland Company**, an agricultural products and services company, as the separation of Chairman and CEO roles was required. As set out in our voting policy, we will generally support shareholders' proposals to separate the two roles and appoint a lead independent director.

**General Electric Company vote result: For 31.8%, Against 68.2% - Rejected, but gained significant support**

**Archer-Daniels-Midland Company vote result: For 31.1%, Against 68.5%, Abstain 0.4% - Rejected, but gained significant support**

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# Examples of our voting activity

## UK

In both our **UK Income** and **UK Special Situations Funds**, we approved the remuneration policy and supported management at education services company, **Pearson**. In our opinion the increase in maximum bonus and long-term incentive plan (LTIP) was justified despite high level of dissent amongst shareholders. The Remuneration Committee had extensively engaged with us and other shareholders, and had set out the rationale for the changes proposed. We decided that the management's calibre warranted the remuneration rewards and we agreed to support.

**Vote result: For 53.6%, Against 46.4 % - Accepted**

Managers of our **UK Smaller Companies Fund** met the Remuneration Committee Chair of UK-based travel retailer, **On The Beach Group**, and requested the long-term incentive plan included some performance criteria. We made clear that we would not vote in favour unless at least two-thirds of the long-term incentive plan was performance related. As this was not done, we voted against the Remuneration Policy and the time-based incentive plan.

**Vote result: Approve Remuneration Policy: For 79.3%, Against 20.7% - Accepted**
**Approve Long Term Incentive Plan: For 86.9%, Against 13.1% - Accepted**

We supported a "Say on Climate" vote at energy giant, **Shell**, in our **UK Special Situations** and **UK Select Funds**. We approved Shell's Energy Transition progress because although Scope 3 emissions were not disclosed in their entirety and offsets formed a sizable part of the plan, we felt that support was warranted because the company had made progress on the reduction of Scopes 1 and 2; and acquisitions in the fields of renewable energy were noteworthy. We will engage with the company in regard to gaps in the reporting.

**Vote result: For 80.0%, Against 20.0% - Accepted**

In our **UK Income Fund**, we voted against the remuneration report of industrial and electrical products distributor, **RS Group**, due to concerns with the Remuneration Committee's use of discretion to allow the former CEO and Acting CFO to keep certain variable awards upon resignation. Given the company had not characterised the director as a 'good leaver', the use of discretion appeared to be controversial and there was also a lack of sufficiently compelling rationale to help explain how it had been applied. The proposal passed but we note the high level of dissent.

**Vote result: For 61.6%, Against 38.4% - Accepted**

Our **UK Select Fund** voted against the re-election of a director at restaurant company, **Mitchells & Butlers**, because of the lack of diversity on the board. The composition of the Board and Key Committees continues to fall short of the UK Corporate Governance Code recommendations. No firm commitment on board diversity has been communicated and no succession plans have been indicated by the company in the 10 years that the director has served on the board.

**Vote result: For 83.9%, Against 16.1% - Accepted**

Managers of our **UK Select Fund** voted For the remuneration report and supported management at British home-building company, **Vistry Group**. Although we are not supportive of retrospective changes to performance conditions, their previous annual report stated: 'In 2022 the Committee will actively consider whether the exercise of discretion in respect of the adjusted EPS measure of the 2020 LTIP award would better reflect both financial performance and stakeholder experience delivered over the performance period'. The EPS targets will therefore be set on a final year basis which the Committee believes better reflects the Company's focus on growth.

**Vote result: For 52.9%, Against 47.1% - Accepted**

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# Examples of our voting activity

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## US

Our **US Extended Alpha** and **US Select Funds** supported a shareholder resolution at global finance house, **Wells Fargo**, for transparency on aligning financial activities with its 2023 sectoral greenhouse gas emissions reduction targets. The company currently does not disclose transparent metrics and timelines around aspects of its decarbonisation strategy, such as its absolute financed emissions against its 2019 baseline, and processes to assess and ensure clients' strategies are in alignment with its targets. We believe additional disclosure on the company's climate transition plan would help shareholders better evaluate the company's strategy around the transition to a low-carbon economy and the company's management of related risks and opportunities.

Also held by: **Global Income Fund** and **Monthly Distribution Fund**

**Vote result: For 30.8%, Against 68.2%, Abstain 1.0% - Rejected, but gained significant support**

In our **US Select** and **US Extended Alpha Funds,** we supported a shareholder resolution at **Microsoft Corporation**, the American technology company requesting the company report on risks of doing business in countries with significant human rights concerns. The company discusses its approach to human rights in its statement on 'Operating datacentres in countries with human rights challenges' and provides some information on due diligence steps the company takes in certain regions. However, we believe additional disclosure on the company's human rights due diligence process would help shareholders better evaluate the company's management of related risks.

Also held by: **Global Select Fund**

**Vote result: For 33.6%, Against 66.4% - Rejected, but gained significant support**

Managers of our **US Extended Alpha Fund** supported shareholder resolutions for the election of independent board chairman at holdings including pharmaceutical company, **Bristol-Myers Squibb Company**, US home improvement firm, **Lowe's Companies**, and database management company, **Oracle Corporation**.

**Bristol-Myers Squibb Company** and **Oracle Corporation** also held by: **US Select Fund**

**Bristol-Myers Squibb Company vote result: For 31.7%, Against 67.9% , Abstain 0.4% - Rejected, but gained significant support**

**Lowe's Companies vote result: For 23.9%, Against 76.1% - Rejected, but gained significant support**

**Oracle Corporation vote result: For 22.7%, Against 77.1%, Abstain 0.2% - Rejected, but gained significant support**

E-commerce giant, **Amazon** faced 18 shareholder proposals at its annual meeting. As long-term investors, our **US Select Fund** supported a number of these proposals including requesting the board to commission an independent audit and report of the working conditions and treatment that Amazon warehouse workers face, as well as the impact of its policies, management, performance metrics and targets. The company has been charged with multiple workplace safety violations therefore, we felt shareholder support was warranted.

Also held by: **Global Select Fund**

**Vote result: For 35.1%, Against 64.1%, Abstain 0.8% - Rejected, but gained significant support**

# Examples of our voting activity

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In our **US Smaller Companies** and **US Select Funds**, we withdrew support for the re-election of a director at leisure facilities company, **Planet Fitness,** due to concerns of shareholder rights being adversely impacted because of the lack of sunset clauses on governing documents and classified boards. The proposal passed but we note the high level of dissent.

Also held by: **Positive Future Fund**

**Vote result: For 58.0%, Against 42.0% - Accepted**

At American beauty company **Coty**, the **US Smaller Companies Fund** supported a shareholder resolution for the company to report on efforts to reduce plastic use. In our view, analysis of how the company can reduce its plastics use by shifting away from single-use packaging would give shareholders a better understanding of Coty's risk management. The company makes commitments to increase the proportion of reusable packaging, prioritising the development of refillable options and improving the recyclability of packaging in its 2022 Sustainability Report. However, we await a quantifiable goal specific to plastic packaging to assess how the company is reducing overall use of plastic packaging and we will engage with the company on this matter.

**Vote result: For 12.5%, Against 87.5% - Rejected**

As investors, we supported a shareholder resolution to report on prevention of workplace harassment and discrimination at financial services firm, **Wells Fargo**, which is a holding in our **US Select** and **US Extended Alpha Funds** so that shareholders can assess whether the company is improving in its workforce management. Given that Wells Fargo has faced multiple allegations of discrimination in its hiring and human capital management practices, we felt that support was warranted. With significant shareholder backing, the proposal was successful and we look forward to welcoming greater transparency from the company.

Also held by: **Global Income Fund** and **Monthly Distribution Fund**

**Vote result: For 52.3%, Against 42.7%, Abstain 5.0% - Accepted**

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