Principal Adverse Impacts Statement

Statement on principal adverse impacts of investment decisions on sustainability factors

Publication date: 28 June 2024

Reference period: 1 January 2023 to 31 December 2023

ARTEMIS
The Profit Hunter

Contents

Summary

Financial market participant: Artemis Investment Management LLP
(Legal Entity Identifier: 549300O5ON1W961H4K22)

Artemis Investment Management LLP ("Artemis") considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Artemis, in connection with investment management services provided to Artemis Funds (Lux) (the "Company"). The Company is an open-ended investment company organised as a société anonyme under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable ("SICAV"). The Company operates separate funds which are distinguished by their specific investment objectives and policies. The Management Company is FundRock Management Company S.A., authorised in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). The Management Company has appointed Artemis as the Investment Manager to manage the funds' investments in accordance with their investment objectives and policies. This statement is not a regulatory requirement for Artemis and it has been adopted on a voluntary basis.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2023 to 31 December 2023.

The information below applies at Company level and may not be relevant to specific funds. At fund level, Artemis only commits to considering principal adverse impacts of investment decisions on sustainability factors for certain funds which promote environmental or social characteristics or have a sustainable investment objective for the purposes of the EU Sustainable Finance Disclosures Regulation ("SFDR"). Further details can be found in the prospectus for the Company. For funds that do not promote environmental or social characteristics and do not have a sustainable investment objective under SFDR, Artemis does not commit to considering principal adverse impacts (as defined in SFDR) in the investment process, although ESG analysis and integration is part of the broader investment process for all funds.

The summary table below sets out the mandatory and selected optional principal adverse impacts, as set out in Annex 1 of the Regulatory Technical Standards ("RTS"), which are considered by Artemis, subject to data availability.

Indicators applicable to investments in investee companies

	Adverse sustainability indicator	Mandatory/Optional	Impact (2023)
Greenhouse gas emissions	Scope 1 GHG emissions	Mandatory	44,037
	Scope 2 GHG emissions	Mandatory	8,067
	Scope 3 GHG emissions	Mandatory	286,945
	Total GHG emissions	Mandatory	339,108
	Carbon footprint	Mandatory	358.3
	GHG intensity of investee companies	Mandatory	769.5
	Exposure to companies active in the fossil fuel sector	Mandatory	6.8%
	Share of non-renewable energy consumption and production	Mandatory	66.8%
	Energy consumption intensity per high impact climate sector	Mandatory	NACE Code A: 0.3 NACE Code B: 0.6 NACE Code C: 0.6 NACE Code D: 2.1 NACE Code E: 0.2 NACE Code F: 0.1 NACE Code G: 0.1 NACE Code H: 1.9 NACE Code L: 0.2

	Adverse sustainability indicator	Mandatory/Optional	Impact (2023)
Biodiversity	Activities negatively affecting biodiversity-sensitive areas	Mandatory	12.5%
Water	Emissions to water	Mandatory	0.6
Waste	Hazardous waste and radioactive waste ratio	Mandatory	3.3
Social and employee matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Mandatory	0.0%
	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Mandatory	0.2%
	Unadjusted gender pay gap	Mandatory	6.6%
	Board gender diversity	Mandatory	33.3%
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Mandatory	0.0%
Indicators applicable to investments in sovereigns and supranationals			
Environmental	GHG intensity	Mandatory	223.2
Social	Investee countries subject to social violations	Mandatory	0.0
Indicators applicable to investments in real estate assets			
Fossil fuels	Exposure to fossil fuels through real estate assets	Mandatory	N/A
Energy efficiency	Exposure to energy-inefficient real estate assets	Mandatory	N/A
Additional environmental indicator(s)			
Emissions	Investments in companies without carbon emission reduction initiatives	Optional	50.2%
Additional social indicator(s)			
Human Rights	Lack of a human rights policy	Optional	5.7%

Description of the principal adverse impacts on sustainability factors

SFDR defines sustainability factors as *environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters*. It further describes principal adverse impacts as *those impacts of investment decisions that result in negative effects on sustainability factors*. The RTS to SFDR provides a list of specific mandatory and optional metrics (the "**principal adverse impact**" or "**PAI**" metrics) that can be used to measure the potential negative impact of investment decisions on sustainability factors.

The consolidated principal adverse impact metrics for the Company are set out in the table below, in accordance with the template set out in Annex 1 of the RTS.

Principal adverse impacts are considered by Artemis, subject to data availability, in connection with investment management services provided to the Company for all funds which fall within the scope of Article 8 or Article 9 of SFDR, i.e. funds that either promote environmental or social characteristics or have a sustainable investment objective. For funds that do not promote environmental or social characteristics and do not have a sustainable investment objective under SFDR, Artemis does not commit to considering principal adverse impacts (as defined in SFDR) in the investment process, although ESG analysis and integration is part of the broader investment process for all our funds.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact (2023)**	**Impact (2022)**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Climate and other environment-related indicators						
Greenhouse gas emissions	**1. GHG emissions**	Scope 1 GHG emissions	44,037	75,986	Sum of portfolio companies' Carbon Emissions - Scope 1 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	Monitoring of greenhouse gas emissions and related metrics is a core part of our sustainability analysis and integration in our investment processes. Specific example of actions taken in 2023 are set out below. **Net Zero Asset Managers initiative (NZAMi)** The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas (GHG) emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. Artemis became a signatory to NZAMi in 2021. The NZAMi commitment sets out a range of actions for asset managers such as corporate engagement, stewardship, policy advocacy and engaging with clients in addition to setting targets. During 2023, we analysed our assets which are in-scope for our NZAMi commitment to assess them for alignment to net zero using the Paris Aligned Investment Initiative Net Zero Investment Framework (NZIF). This helped us to identify which of our in-scope holdings contributed the most to our firm-wide carbon footprint for our investment portfolios. Our analysis has also provided additional insights into the ambition, target setting, emissions performance, disclosure and decarbonisation strategy of our investee companies. We have used this analysis to develop a focused engagement plan for those companies who are not yet aligned with the goals of the Paris Agreement[1] and where we believe we can have the most impact through direct engagement. We will continue to further develop our climate engagement plan in 2024. Our emphasis is on supporting the companies in which we invest to transition through firm-wide engagement, which we believe will ultimately deliver better risk-adjusted long term returns for our clients.
		Scope 2 GHG emissions	8,067	16,505	Sum of portfolio companies' Carbon Emissions - Scope 2 (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
		Scope 3 GHG emissions	286,945	659,089	Sum of portfolio companies' Scope 3 - Total Emission Estimated (tCO2e) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash.	
		Total GHG emissions	339,108	751,506	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions (tCO2e) associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	

[1] The Paris Agreement is an international treaty adopted in 2015 with the goal of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

<table>
<tr><th colspan="2">Adverse sustainability indicator</th><th>Metric</th><th>Impact (2023)</th><th>Impact (2022)</th><th>Explanation</th><th>Actions taken, and actions planned and targets set for the next reference period</th></tr>
<tr><td rowspan="7"></td><td>2. Carbon footprint</td><td>Carbon footprint</td><td>358.3</td><td>434.7</td><td>The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).</td><td rowspan="7">Engagement and voting
As long term, active investors, engaging with companies is an integral part of how we manage our clients' assets. As part of our NZAMi commitment, our active equity investment teams (excluding SmartGARP) have been developing their engagement strategies to take account of their assessment of companies' climate risk, transition plans and progress on alignment.

Some examples of our voting and engagement activities during 2023 relating to greenhouse gas emissions include:
• Engaging with Eagle Materials Inc about their net zero commitment, emissions targets, emissions disclosure, and decarbonisation strategy. We discussed their work on shifting production from Portland cement to Portland Limestone cement (which has a lower carbon footprint), exploring the use of other low carbon supplementary cementitious material, increased use of alternative fuel and participating in carbon capture innovation. We were encouraged by the company's response and welcomed the publication of its 2024 Environmental and Social Disclosure Report which incorporated several of the areas we had discussed including GHG emissions reporting for the first time and enhanced disclosures using SASB and TCFD, alongside the establishment of a Sustainability Steering Committee.
• Engaging with Ryanair Holdings Plc on actions being taken to meet targets regarding their short- and long-term transition plans. Areas of focus were on aircraft fleet renewal, operational efficiencies, sustainable aviation fuel capacity and the role of new technology. We will continue to engage with Ryanair on their transition strategy.
• Engaging with Inchcape Plc to discuss their sustainability strategy. We discussed the company's role in the electric vehicle transition.
• We continued to support shareholder resolutions relating to climate disclosure at ExxonMobil Corp. We voted for greater and more accurate methane emission disclosure given the company's aspiration to achieve zero routine methane flaring no later than 2030. The vote gained significant support (36.4%) but not sufficient for the resolution to be approved. Nevertheless, we welcomed the company's 2024 Advancing Climate Solutions GHG Data Supplement report.</td></tr>
<tr><td>3. GHG intensity of investee companies</td><td>GHG intensity of investee companies</td><td>769.5</td><td>783.2</td><td>The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).</td></tr>
<tr><td>4. Exposure to companies active in the fossil fuel sector</td><td>Share of investments in companies active in the fossil fuel sector</td><td>6.8%</td><td>10.8%</td><td>The percentage of the portfolio's market value exposed to issuers with fossil fuels related activities, including extraction, processing, storage and transportation of petroleum products, natural gas, and thermal and metallurgical coal.</td></tr>
<tr><td>5. Share of non-renewable energy consumption and production</td><td>Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources</td><td>66.8%</td><td>72.1%</td><td>The portfolio's weighted average of issuers' energy consumption and/or production from non-renewable sources as a percentage of total energy used and/or generated.</td></tr>
<tr><td rowspan="3">6. Energy consumption intensity per high impact climate sector</td><td rowspan="3">Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</td><td>0.3</td><td>0.5</td><td>The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code A (Agriculture, Forestry and Fishing).</td></tr>
<tr><td>0.6</td><td>1.6</td><td>The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code B (Mining and Quarrying).</td></tr>
<tr><td>0.6</td><td>0.6</td><td>The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code C (Manufacturing).</td></tr>
</table>

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
			2.1	5.2	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply).	• Engaging with Seaspan Corp to understand its intentions to set emissions targets given that it has limited emissions disclosure to date. **Collaboration** Given Artemis' relative size, we can improve our ability to make a material impact by joining industry initiatives and collaborative engagements. In addition to being a signatory to NZAMi, we are a member of: • the Institutional Investors Group on Climate Change (IIGCC), which works with business, policy makers and fellow investors to help define investment practices, policies and corporate behaviours required to address climate change; and • Climate Action 100+ (CA100+), which is an international coalition of investors working to ensure the world's largest corporate greenhouse gas emitters take necessary action to halt climate change. Through CA100+, we have identified two companies in the energy and power generation sectors where there is potential to collaborate with other institutional investors where we plan to contribute in 2024. Through IIGCC and the work of the Proxy Advisor Working Group, we have worked with ISS to review additional options for custom voting policies based on fund manager feedback and developments in best practice. In 2023, we included additional criteria on climate change. This includes: • Keeping a focus on those companies where we believe climate change is a material risk and there is insufficient evidence that this is being addressed. This year we extended this to also include companies for which there is insufficient progress following engagement. • When voting on *Say on Climate* Management Proposals, we will also consider the transition plan's feasibility within the context of current government policies and the economic environment. • In the context of shareholder proposals, climate change proposals will be assessed from the perspective of whether they fulfil our expectations of the company on the transition to net zero with appropriate disclosure. • In 2023 we joined the Net Zero Engagement Initiative (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.
			0.2	0.7	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities).	
			0.1	0.2	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code F (Construction).	
			0.1	0.1	The fund's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles).	
			1.9	1.5	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code H (Transportation and Storage).	
			0.2	0.2	The portfolio's weighted average of Energy Consumption Intensity (GwH/million EUR revenue) for issuers classified within NACE Code L (Real Estate Activities).	

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Biodiversity	**7. Activities negatively affecting biodiversity-sensitive areas**	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	12.5%[2]	0.0%	The percentage of the portfolio's market value exposed to issuers' that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment.	We monitor controversies which may have a significant impact on the environment as part of our broader investment analysis, such controversies would include those relating to negative biodiversity impacts. Given the persistent nature of plastic and its toxicity, plastic pollution is a significant threat to biodiversity. During 2023, we supported a shareholder resolution at ExxonMobil Corp to commission an audited report on reduced plastics demand. We believe this would provide further insight into the company's plan to shift its business model to recycled plastics such as through recycling technologies which 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. Although the vote was rejected, it gained significant support (25.3%). We hope this sends a message to management that they should do more to address the issue of plastic pollution We also supported a shareholder resolution at Coty Inc requesting the company to report on efforts to reduce plastic use. The company has previously made commitments to increase the proportion of reusable packaging, prioritising the development of refillable options and improving the recyclability of packaging. Although the vote was rejected, we are engaging with the company for a quantifiable goal specific to plastic packaging to assess how the company is reducing overall use of plastic packaging.

[2] Please see page 17 'Historical Comparison' for an explanation of the changes in methodology for this metric in 2023.

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Water	**8. Emissions to water**	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.6[3]	0.0	The total annual wastewater discharged (metric tons reported) into surface waters as a result of industrial or manufacturing activities associated with 1 million EUR invested in the portfolio. Companies' water emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	Current data availability relating to emissions to water from investee companies is very low due to a variety of reasons, including companies not subject to disclosure requirements and lack of relevance to some sectors. Our average coverage for this metric is 0.05%, which we believe is too low for this datapoint to be reliable. For all our funds, we monitor controversies which may have a severe impact on the environment as part of our broader investment analysis, and such controversies would include those relating to negative water emissions impacts.
Waste	**9. Hazardous waste and radioactive waste ratio**	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	3.3[4]	3.9	The total annual hazardous waste (metric tons reported) associated with 1 million EUR invested in the portfolio. Companies' hazardous waste is apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	Current data availability relating to hazardous waste and radioactive waste from investee companies is low due to a variety of reasons, including companies not subject to disclosure requirements and lack of relevance to some sectors. For all of our funds, we monitor controversies which may have a severe impact on the environment as part of our broader investment analysis, and such controversies would include those relating to negative hazardous waste impacts. During 2023, Artemis funds held positions in AZEK Co Inc which manufactures environmentally sustainable outdoor living products. The company uses predominantly recycled products to provide long lasting and eco-friendly solutions to consumers which it claims keeps hundreds of millions of pounds of waste and scrap materials out of landfill every year. Azek is also the largest vertically integrated recycler of PVC plastic in the US. It collects scraps from job sites, brings these to the recycling plants, sorts and processes the PVC and then supplies recycled material back to AZEK's manufacturing plants for reuse across multiple product lines. During 2023, Artemis funds also held positions in Clean Harbors, a leading provider of high-tech incinerators that destroy hazardous and industrial waste using world-class air emissions control technology. Clean Harbors provides industries with a mechanism to minimise their environmental impact and is the largest hazardous waste disposal company in North America.

[3] The data coverage for this metric was less than 1% of the portfolio, as few companies report this data in the format set out in this PAI metric. The aggregation methodology used for this metric is a normalised investor allocation, meaning that companies for which there is no data available have been excluded and the remaining portfolio (ie less than 1%) has been rebased to 100%. The disclosed metric therefore represents data for less than 1% of the portfolio and should be considered in the context of this limited data coverage.

[4] The data coverage for this metric was only 22% of the portfolio, as few companies report this data in the format set out in this PAI metric. The aggregation methodology used for this metric is a normalised investor allocation, meaning that companies for which there is no data available have been excluded and the remaining portfolio has been rebased to 100%. The disclosed metric therefore represents data for only 22% of the portfolio and should be considered in the context of this limited data coverage.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Adverse sustainability indicator		**Metric**	**Impact (2023)**	**Impact (2022)**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Social and employee matters	**10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises**	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.0%	0.1%	The percentage of the portfolio's market value exposed to issuers with very severe controversies related to the company's operations and/or products.	We monitor exposure to investee companies with severe controversies related to the company's operations and/or products for all our funds. This includes violations of the UN Global Compact principles and OECD Guidelines for Multinational Enterprises. Some of our funds implement permanent exclusions which prevent them from investing in companies which we deem to be in breach of the UN Global Compact principles. Further details of the specific exclusions for each fund can be found in the relevant prospectus and the annual reports for these funds.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.2%[5]	72.8%	The percentage of the portfolio's market value exposed to issuers that are not signatories in the UN Global Compact.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	6.6%[6]	7.9%	The portfolio holdings' weighted average of the difference between the average gross hourly earnings of male and female employees, as a percentage of male gross earnings. *(A positive % figure for unadjusted gender pay gap indicates that female employees have lower pay than male employees and a negative % figure indicates that male employees have lower pay than female employees.)*	Some examples of our engagement and voting on gender pay gap and diversity matters in 2023 include: • We supported a shareholder resolution to report on gender and race median pay gaps at Dexcom Inc, enabling a better assessment of the company's risks and opportunities to gender and racial pay equity. The resolution received significant support (35.9%). We are happy to see that Dexcom's 2024 ESG report incorporated the resolution and included an adjusted pay gap disclosure. • We supported a shareholder resolution requesting that Nike Inc produce a report on its median gender and racial pay gap. The vote was rejected but received significant support (29.6%) so we remain hopeful that Nike will incorporate our request. • Engaging with Uber Technologies Inc on diversity developments. Uber has been responsive to our requests. They are working to improve disclosure on data accuracy and deliver on key elements of its mission. Engagement is ongoing.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.3%	32.4%	The portfolio holdings' weighted average of the percentage of board members who are female.	

[5] Please see page 17 'Historical Comparison' for an explanation of the changes in methodology for this metric in 2023.
[6] The data coverage for this metric was only 8.25% of the portfolio, as few companies report this data in the format set out in this PAI metric. The aggregation methodology used for this metric is a normalised weighted average, meaning that companies for which there is no data available have been excluded and the remaining portfolio has been rebased to 100%. The disclosed metric therefore represents data for only 8.25% of the portfolio and should be considered in the context of this limited data coverage.

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	0.0%	The percentage of the portfolio's market value exposed to issuers with an industry tie to landmines, cluster munitions, chemical weapons or biological weapons. Note: Industry ties includes ownership, manufacturing and investments. Ties to landmines do not include related safety products.	Artemis supports the aims of the international conventions on cluster munitions and anti-personnel mines and will not knowingly invest in companies which produce these weapons. In 2023, we reviewed our policy on firmwide weapons exclusions and agreed extensions to its scope which we expect to implement in 2024.
Indicators applicable to investments in sovereigns and supranationals						
Environmental	**15. GHG intensity**	GHG intensity of investee countries	223.2	273.6	The portfolio's weighted average of sovereign issuers' GHG Emissions Intensity (Scope 1, 2 and 3 emissions/EUR M GDP).	The funds covered by the scope of this PAI statement primarily invest in corporate equities or bonds and do not generally invest in sovereigns or supranationals. The impact shown relates to holdings of US Treasuries and UK Gilts representing 0.15% of the consolidated portfolio.
Social	**16. Investee countries subject to social violations**	Number of investee countries subject to social violations (absolute number), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	0.0%	0.0%	The portfolio's number of unique sovereign issuers with European External Action Service (EEAS) restrictive measures (sanctions) on imports and exports.	
Indicators applicable to investments in real estate assets						
Fossil fuels	**17. Exposure to fossil fuels through real estate assets**	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	N/A
Energy efficiency	**18. Exposure to energy-inefficient real estate assets**	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	N/A
Additional climate and other environmental-related Indicators						
Emissions	**2.4. Investments in companies without carbon emission reduction initiatives**	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	50.2%[7]	31.0%	The percentage of the portfolio's market value exposed to issuers without a carbon emissions reduction target aligned with the Paris Agreement.	Please see responses above to PAIs 1-6 relating to our actions with regard to greenhouse gas emissions.

[7] Please note that due to changes in methodology by MSCI in 2023, the year-on-year metrics are not comparable for this PAI.

Adverse sustainability indicator		Metric	Impact (2023)	Impact (2022)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters						
Human Rights	**3.9. Lack of a human rights policy**	Share of investments in entities without a human rights policy	5.7%	17.9%	The percentage of the portfolio's market value exposed to issuers without a formal human rights policy.	Analysis of human rights related issues forms an integral part of our ESG analysis in our investment process. For all our funds, we monitor whether a company has a notable controversy related to its business and the severity of any environmental or social impact of such controversy, including those relating to human rights. **Collaboration** In January 2023, The Investor Forum published its 'Modern Slavery: Toolkit for Investor Due Diligence'. Artemis was 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 actively contributing to this project. In December 2023, Artemis became a supporting investor of the Find it, Fix it, Prevent it (FIFIPI) initiative. This 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 the initiative is on the construction sector. **Engagement and Voting** • During 2023, we supported a shareholder resolution at Microsoft Corporation, 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 that it 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 risks. The vote was rejected but gained significant support (33.6%) which we hope sends a message to management of shareholder expectations on this issue. • We supported several shareholder resolutions to improve human rights standards or policies including at Amazon and Alphabet where we supported the resolution on conducting a human rights risk assessment. We believe shareholders would benefit from increased transparency and disclosure on how these companies manage human rights-related risks.

Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

Governance structure

The Management Company is FundRock Management Company S.A., authorised in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). The Board of Directors of the Company and the Management Company have appointed Artemis as the Investment Manager to manage the funds' investments in accordance with their investment objectives and policies. The Artemis Management Committee has ultimate responsibility for establishing Artemis' strategy, culture, values and standards and ensuring that risk is managed effectively. The Artemis Executive Committee has been established by the Management Committee to implement Artemis' strategy and governance structure and to manage the day-to-day operations of the firm. The members of the Executive Committee are the senior management team of Artemis. The Executive Committee generally meets on a monthly basis. The Executive Committee has delegated responsibility for certain matters to various functional committees with a more focused mandate. Of these delegated committees, the ones which consider sustainability-related matters within their terms of reference are summarised below.

The Investment Committee is responsible for oversight of those sustainability matters which relate to our investment activities and our funds, such as monitoring investment risks (including sustainability-related risks) in our portfolios and to review and approve sustainability policies which have a direct impact at fund level. The Investment Committee generally meets every month and includes senior representatives from multiple functions. It is chaired by our Chief Investment Officer.

The Risk and Compliance Committee is responsible for the oversight of the risk management policies and practices, including sustainability-related risks, and the oversight of the operation of our risk management framework. The Risk and Compliance Committee generally meets every month and includes senior representatives from multiple functions. It is chaired by our Chief Risk Officer.

The Sustainability Committee has been constituted to oversee the establishment and embedding of the firmwide sustainability operating model and relevant frameworks. This includes ensuring that the firm's sustainability operating model aligns to the firm wide strategy and plans agreed by the Executive Committee. The Sustainability Committee generally meets six times per year, with additional meetings held as necessary to deal with business demands.

The annual Principal Adverse Impact Statement for 2023 was approved by Executive Committee on the 26th of June 2024.

Integration of sustainability risks

SFDR defines sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment. Sustainability risk is a different concept to that of principal adverse impacts under SFDR, which is described further below.

As an investment manager, Artemis is a steward of clients' capital and acts in their interests to invest in companies which can create, preserve and enhance value. This involves the assessment of a broad range of factors which do, or could, have an impact on value, including those related to environmental, social and governance ("ESG") drivers.

At an entity-level, Artemis has adopted certain firm-wide policies relating to sustainability issues, including our Stewardship Policy, Engagement Policy and Voting Policy. These are available on our website and are reviewed and updated on an annual basis. We also publish a Stewardship Report in accordance with the UK Stewardship Code which is submitted to the Financial Reporting Council (FRC) on an annual basis and is available on our website.

At the investment fund level, it is the responsibility of each investment team to effectively manage the sustainability risks that could impact the value of the portfolios that they manage. To achieve this, Artemis' investment teams are supported by the Stewardship team who work with our investment teams to help integrate sustainability considerations into the investment processes and further those goals through stewardship activities, including engagement. Their role is to provide insight, discuss and challenge the individual sustainability approaches of each investment team.

Each of our investment teams integrate material sustainability risks into their investment decision-making process, although individual funds may have different approaches to how, and to what extent, sustainability risks are considered depending on relevance to their investment strategy and any particular sustainability-related characteristics of the fund. We seek to assess sustainability risks alongside other types of investment risks which may be financially material, such as credit or market risks. The factors which are relevant to this assessment will vary depending on the investment strategy, asset class, geographic focus, investment holding period, portfolio positioning and construction and risk tolerance of individual funds and strategies, as well as company-specific factors. The presence of actual or potential sustainability risks does not in itself necessarily preclude investment in a company, but rather helps investment teams to assess the overall risk profile of a company as part of their investment analysis.

Principal adverse impacts are considered by Artemis for all funds which fall within the scope of Article 8 or Article 9 of SFDR, i.e. funds that either promote environmental or social characteristics or have a sustainable investment objective under SFDR.

Methodology to identify and prioritise principal adverse impacts

SFDR defines sustainability factors as *environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters*. It further describes principal adverse impacts as *those impacts of investment decisions that result in negative effects on sustainability factors*. The RTS provides a list of specific mandatory and optional metrics (the "principal adverse impact" or "PAI" metrics) that can be used to measure the potential negative impact of investment decisions on sustainability factors.

Principal adverse impact metrics are considered by Artemis for all funds which fall within the scope of Article 8 or Article 9 of SFDR, i.e. funds that either promote environmental or social characteristics or have a sustainable investment objective. For funds that do not promote environmental or social characteristics and do not have a sustainable investment objective under SFDR, Artemis does not commit to considering principal adverse impact metrics in the investment process, although ESG analysis and integration is part of the broader investment process for all our funds.

The 18 mandatory principal adverse impacts listed in Table 1 of Annex 1 of the RTS are considered by all Article 8 and Article 9 funds, as applicable and subject to data availability. In addition, Artemis has selected the following optional principal adverse impacts from Table 2 and Table 3 of Annex 1 of the RTS:

- *Additional environment-related indicator: Investments in companies without carbon emission reduction initiatives.*
- *Additional social indicator: lack of a human rights policy.*

These optional principal adverse impact metrics have been selected based on the consideration of a variety of factors, including data availability, relevance and materiality to our investment strategies, and alignment with Artemis' ESG priorities as a firm. All of our current funds which are within the scope of Article 8 of SFDR consider carbon transition related factors for their investee companies. We have therefore selected the optional indicator relating to whether companies have a carbon emission reduction initiative aimed at aligning with the Paris Agreement due to its direct relevance to carbon transition characteristics of investee companies. For our optional social indicator, we have elected to look at whether our investee companies have a human rights policy as we believe that this is a factor which has universal relevance across our investment strategies, including across different geographies and asset classes. In both cases, the choice of optional PAIs has to a large extent been influenced by the availability of underlying disclosures by companies and the data which is available through our third-party data vendors. We will continue to monitor the availability of PAI data for other optional indicators and may decide to add further optional indicators in the future.

The firm-wide governance of sustainability at Artemis has been outlined above. However, it is the responsibility of the investment teams to effectively integrate sustainability factors, including principal adverse impact assessments, into their investment processes in accordance with their investment strategies given that our investment managers have ultimate discretion on individual investment decisions. Depending on the specific fund strategy, a range of actions may be taken in order to manage and mitigate principal adverse impacts, including permanent exclusions which prevent investment in certain activities deemed to be environmentally or socially harmful, monitoring of controversies related to environmental or social issues, and stewardship activities such as voting and engagement. As an active manager, Artemis has a strong platform for engagement with our investee companies, which is an important tool for us to try to exert positive influence on key sustainability issues and encourage investee companies to improve performance on their principal adverse impact metrics.

Consideration of principal adverse impact metrics is prioritised on a case-by-case basis and can vary across funds depending on the investment strategy, asset class and geographic focus of individual funds and strategies. Investment teams will prioritise principal adverse impact metrics in accordance with the particular sustainable characteristics or objectives of the fund and taking into account the size and time horizon of the investment. Company specific sustainability analysis will also vary depending on what is considered material to the investment case for an individual investment, as well as the availability of data for that company.

It is worth noting that there are significantly lower levels of PAI data coverage for certain asset classes (such as fixed income), and for some geographies (such as emerging markets), which impacts the extent to which fund managers can incorporate PAI analysis into their overall investment process for these strategies. As the reporting of ESG data by companies improves, we expect that data quality and coverage will improve over time.

At fund level, our Article 8 and Article 9 funds also implement fund-level exclusions which prevent investment in activities which the investment manager deems to be environmentally or socially harmful, such as thermal coal, tobacco or companies deemed to be in breach of the United Nations Global Compact. These fund-level exclusions are different for each fund and further details of the specific exclusions for each fund can be found in the Prospectus and the annual reports for these funds. In addition, Artemis implements a firm-wide exclusion for all funds which prevents investments in certain controversial weapons.

When evaluating principal adverse impact metrics, investment teams will consider these factors as part of their broader investment analysis, alongside financial and other factors relevant to the investment. The presence of an actual or potential principal adverse impact does not in itself necessarily preclude investment in a company but rather helps investment teams to assess the overall risk profile of a company as part of their investment analysis. It may also help investment teams and our Stewardship team to identify areas for ongoing monitoring and engagement with the companies in which they are invested.

Data sources

The consideration of principal adverse impacts in our investment analysis is subject to data availability and quality.

In light of Artemis' relative size and relatively limited in-house resources, we rely primarily on ESG data from third-party providers. We may rely on our third-party data providers to collect and aggregate company-reported data and also use proxy data or estimations provided by third-party data providers.

We currently source data which may be relevant to principal adverse impact metrics from MSCI, Truvalue Labs, Bloomberg, ISS, as well as publicly available research and data from other organisations such as NGOs, research institutes and industry-wide initiatives. We may use additional specialist data providers from time to time, as well as sell-side research and data gathered from our own investment research and engagement. ESG data is a fast-evolving area and we will continue to undertake periodic reviews of our third-party data providers and keep abreast of new data-sets, tools and services which may become available in the market.

Although we use a range of data providers for our broader assessment of sustainability and principal adverse impacts of our investments in our investment processes, for the purposes of regulatory reporting of the quantitative principal adverse impacts under SFDR as set out in this report, Artemis has decided to use a single third-party data provider (MSCI) to source the underlying data to ensure that there is consistency and transparency around the methodologies and data-points which are being used for the PAI calculations. The methodologies, estimations and proxies used by different data providers can differ significantly, and we believe that there is an increased risk of confusion if we use different data sources from different data providers for the reported principal adverse impact metrics, as this could make it more difficult for our clients to understand, compare and benchmark our disclosures. Given that one of the underlying regulatory objectives of SFDR is to facilitate transparency and comparability of ESG disclosures, we believe this to be the right approach to further this aim. We will monitor industry developments in this regard and ensure that we continue to evolve our approach to meet emerging best practice.

Our primary third-party data vendor, MSCI, conducts automated and manual quality checks to address key aspects of data consistency and data accuracy and data that does not meet the quality standards is subject to further review and correction. MSCI uses the following sources to collect company-reported data:

- Company direct disclosure: sustainability reports, annual reports, regulatory filings, and company websites.
- Company indirect disclosure: government agency published data, industry and trade associations data and third-party financial data providers.
- Direct communication with companies.

Despite continuing improvements in ESG data availability in the market, the quality and availability of data for many of the mandatory and optional principal adverse impacts remains limited and may constrain our ability to incorporate these metrics into our investment analysis. This data availability and quality issue is especially acute for fixed income issuers, for smaller companies and for companies in emerging markets. We expect data coverage levels to improve as more companies start to disclose their ESG metrics over time, which we hope will in turn improve the quality of our firm-level disclosures on these metrics in future years. We also recognise that there may remain potential sources of error in our assessment and reporting of principal adverse impacts, for example due to poor quality or inconsistent data, errors in aggregation methodologies or IT system errors. In particular, as described above, we rely primarily on MSCI as a third-party data provider for our reported principal adverse impact metrics, including for company-reported metrics.

Third parties, including MSCI, whose data may be included in this document do not accept any liability for errors or omissions. For further information, please visit www.artemisfunds.com/third-party-data.

Any research and analysis in this communication has been obtained by Artemis for its own use. Although this communication is based on sources of information that Artemis believes to be reliable, no guarantee is given as to its accuracy or completeness.

Engagement policies

As long term, active investors, engaging with companies is an integral part of how Artemis manages our clients' assets. It is one of the principal means by which we develop our understanding of companies, raise issues with management and monitor subsequent developments. Because of the way we invest, much of our engagement is based on developing long-term relationships with the companies we hold in order to build a detailed picture of management, risks, opportunities and strategy.

Engagement with investee companies helps us to both identify potential principal adverse impacts of our investments in the first instance, and to monitor and mitigate any potential or actual principal adverse impacts on an ongoing basis. As an active manager, Artemis has a strong platform for engagement with our investee companies which is an important tool for us to try to exert positive influence on key sustainability issues and encourage investee companies to improve performance on their principal adverse impact metrics.

Artemis has adopted an engagement policy which is reviewed and approved every year by the Investment Committee. The engagement policy sets out our approach to engagement with investee companies and associated record-keeping, including our approach to escalating our activities, collaborative engagement and evaluating our engagement.

The engagement policy applies to all our investment strategies where engagement with companies forms a key part of the investment process. The exception is our quantitative-based investment strategies which use SmartGARP®, Artemis' in-house proprietary, quantitative model. Meeting management does not form part of these investment strategies, although these strategies do vote.

As part of our NZAMi commitment, our active equity investment teams (excluding SmartGARP) will be developing their engagement strategies to take account of their assessment of companies' climate risk, transition plans and progress on alignment. During 2023, we analysed our in-scope assets for alignment to net zero using the Paris Aligned Investment Initiative Net Zero Investment Framework (NZIF). This analysis provided input into our engagement plan for direct and collaborative engagement concentrating on the highest contributors to firm-wide financed emissions and where disclosure, targets, and decarbonisation strategy are not yet aligned with the Paris Agreement climate goals. We continue to work on evolving our NZAMi approach.

The table in the section above titled Description of the principal adverse impacts on sustainability factors includes details of specific engagement activities undertaken during the reference period.

References to international standards

Artemis adheres to various responsible business conduct codes, governance principles and best practices and internationally recognised standards which are summarised below. Our assessment of principal adverse impacts of investee companies incorporates consideration of these and other international standards and conventions. The data used to measure the adherence of our investee companies with these standards is sourced from third party data providers and integrated into our overall sustainability assessment for each investment strategy as appropriate.

Net Zero Asset Managers initiative (NZAMi)

The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. Artemis became a signatory to NZAMi in 2021. The NZAMi commitment sets out a range of actions for asset managers such as corporate engagement, stewardship, policy advocacy and engaging with clients in addition to setting targets.

UN Principles for Responsible Investment

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.

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.

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. 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.

Taskforce on Climate-Related Financial Disclosures (TCFD)

TCFD sets out a global framework designed to provide consistent and transparent climate-related reporting for companies, investors and global markets generally. Artemis has published annual Entity-Level and Product-Level TCFD reports which aim to provide clients with transparency on climate-related information for our business operations and for the investments we manage.

Institutional Investors Group on Climate Change (IIGCC)

In 2021, Artemis became a member 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 Net Zero Engagement Initiative 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.

UK Stewardship Code

Artemis is a signatory to the UK Stewardship Code and we publish an annual report on how we implement the Code's twelve principles. We are awaiting the outcome of our 2023 submission but Artemis has achieved UK Stewardship Code signatory status for 2022, 2021, and 2020.

Historical comparison

This is our second year of reporting on entity-level PAI metrics. The PAI metrics for both 2023 and 2022 are provided in the table above and a historical comparison of PAI metrics is set out below, along with any relevant changes in calculation methodologies.

PAI 1 to 6 and 15: Greenhouse gas emissions
The GHG emissions-related PAI metrics have all improved year-on-year. For example, the carbon footprint has reduced by 18% and our overall exposure to the fossil fuel sector has also reduced from 11% in 2022 to 7% in 2023. Similarly, the share of non-renewable energy consumption and production has lowered by 7%.

It should be noted that there are various external factors which may impact the comparability of PAI metrics. As these metrics represent an aggregate of multiple portfolios, they are affected by factors which may not be directly related to underlying investee company-level progress on PAI metrics. These factors must be considered when analysing individual metrics and can mean that the annual metrics may not be directly comparable on a like-for-like basis. For example, the total AuM of the Company reduced by 39% between 31 December 2022 and 31 December 2023. This will have an impact on our financed GHG emissions metric (PAI 1) which is an absolute measure of emissions. Factors such as market valuation and inflation will also impact our carbon footprint metric (PAI 2). We have also seen changes in the overall mix of assets in our AuM. There is a diverse range of funds included in these entity-level PAI metrics which include funds categorised under Article 6, Article 8 and Article 9 of SFDR. Each of these funds have different sustainability profiles. Our funds also cover a range of different asset classes and geographies. Changes in AuM of the underlying funds will impact the overall mix of assets on an aggregated basis for our entity-level PAI reporting. As the proportion of assets in different strategies (and therefore different geographies and asset classes) fluctuates from year to year, the entity-level PAI metrics will be impacted by these fluctuations. For fund-level PAI metrics for our Article 8 and Article 9 funds, please see the latest periodic reporting under SFDR for the relevant funds.

PAI 7: Biodiversity
The metric for 'activities negatively affecting biodiversity-sensitive areas' (PAI 7) has increased from 0% in 2022 to 12.5% in 2023. This is as a result of a significant change in calculation methodology used by our ESG data provider (MSCI) for this metric which now includes companies with activities in or near biodiversity sensitive areas which also operate in sectors with likely negative impact and which have no impact assessment. This is a significantly broader scope for the methodology compared to 2022 and captures a wider group of companies than the calculation methodology for last year which measured actual (rather than potential) biodiversity impacts.

PAI 8: Water
The metric for 'emissions to water' (PAI 8) has increased from 0.0 tonnes/mEUR in 2022 to 0.6 tonnes/mEUR in 2023. Although the entity-level impact for this PAI metric has deteriorated since 2022, an already small data coverage for 2022 (0.7%) has reduced further for 2023 (0.05%). This is clearly an insufficient level of data coverage for this metric to be reliable. We are unlikely to have reliable or comparable metrics for this PAI until data coverage and company reporting for this PAI metric improves.

PAI 9: Waste
The metric for 'hazardous waste ratio' (PAI 9) has improved from 3.9 tonnes/mEUR in 2022 to 3.3 tonnes/mEUR in 2023. However the coverage for this metric has remained reasonably low at 22% in 2023 and should therefore be treated with caution.

PAI 10 to 14: Social and employee matters
The PAI metrics relating to social and employee matters (PAIs 10 to 14) have generally improved since 2022. Exposure to controversial weapons and violations of UNGC and OECD have both remained at 0%, due mostly to certain firm-level and fund-level exclusion policies. Unadjusted gender pay gap has improved by 17%, although the coverage for this metric remains very low at 8%. Board gender diversity has improved. Although PAI 11 (lack of processes to monitor compliance with UNGC and OECD) has improved significantly from 73% in 2022 to 0.2% in 2023, this is driven primarily by an updated methodology by MSCI for calculating this metric. Therefore, the year-on-year metrics for this PAI are not comparable.

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