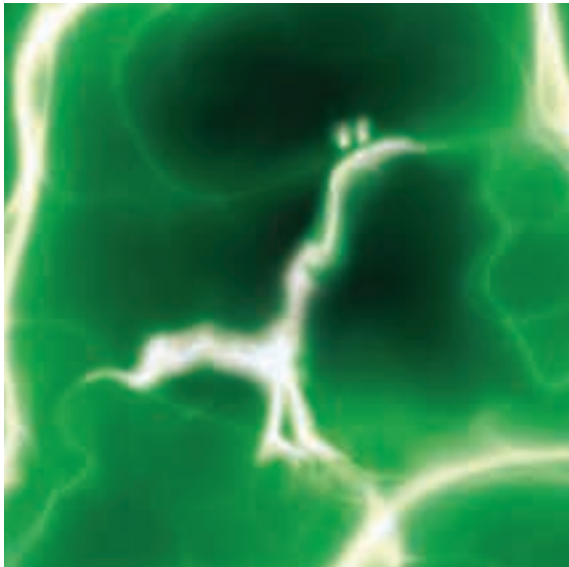




# Impact Report 2023

*Artemis Positive Future Fund*



## **This is a marketing communication.**

Before making any final investment decisions, and to understand the investment risks involved, refer to the fund prospectus, available in English, and KIID/KID, available in English and in your local language depending on local country registration, from [www.artemisfunds.com](http://www.artemisfunds.com) or [www.fundinfo.com](http://www.fundinfo.com). CAPITAL AT RISK. All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.

**All financial investments involve taking risk and the value of your investment may go down as well as up. This means your investment is not guaranteed and you may not get back as much as you put in. Any income from the investment is also likely to vary and cannot be guaranteed.**

Artemis does not provide investment advice on the advantages or suitability of its products and no information provided should be viewed in this way. Artemis only provides information about its own products and services and does not advise investors. Should you be unsure about the suitability of an investment, you should consult a suitably qualified professional adviser.

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## OBJECTIVE

The objective of the Artemis Positive Future Fund is to grow capital over a five-year period by investing in companies which meet the managers' criteria for positive environmental and/or social impact.

### Performance

Category	2023	2022	2021	2020	2019
Artemis Positive Future Fund	-3.0%	-32.0%	n/a	n/a	n/a
MSCI AC World NR Index (GBP)	15.3%	-8.1%	n/a	n/a	n/a
IA Global	12.5%	-11.1%	n/a	n/a	n/a

Past performance is not a guide to the future.

Source: Lipper Limited. All figures show total returns with dividends and/or income reinvested, net of all charges. Performance does not take account of any costs incurred when investors buy or sell the fund. Returns may vary as a result of currency fluctuations if the investor's currency is different to that of the class. This class may have charges or a hedging approach different from those in the IA sector benchmark. Sector is IA Global. Benchmark disclaimer: A widely used indicator of the performance of the UK stock market, in which the fund invests. It acts as a 'comparator benchmark' against which the fund's performance can be compared. Management of the fund is not restricted by this benchmark.

## RISKS

### Market volatility risk

The value of the fund and any income from it can fall or rise because of movements in stock markets, currencies and interest rates, each of which can move irrationally and be affected unpredictably by diverse factors, including political and economic events.

### Currency risk

The fund's assets may be priced in currencies other than the fund's base currency. Changes in currency exchange rates can therefore affect the fund's value.

### Concentration risk

The fund may have investments concentrated in a limited number of holdings. This can be riskier than holding a wider range of investments.

### Charges from capital risk

Where charges are taken wholly or partly out of a fund's capital, distributable income may be increased at the expense of capital, which may constrain or erode capital growth.

### Emerging markets risk

Compared to more established economies, investments in emerging markets may be subject to greater volatility due to differences in generally accepted accounting principles, less governed standards or from economic or political instability. Under certain market conditions assets may be difficult to sell.

### Smaller companies risk

Investing in small and medium-sized companies can involve more risk than investing in larger, more established companies. Shares in smaller companies may not be as easy to sell, which can cause difficulty in valuing those shares.

### Specialist investment objective risk

The fund will only invest in companies which have a positive environmental and/or social impact. It is also prevented from investing in companies which conduct certain types of activities. The universe of potential investments available to the fund will therefore be smaller than if no such restrictions were applied. If a company in which the fund invests no longer meets the criteria for investment and/or is not making sufficient progress on improving its operational performance, the manager will seek to sell the investment. The price which may be obtained for selling an investment in these circumstances might be lower than that which could have been obtained had the sale not been required.

The views expressed in this report should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect the opinion of the Artemis impact equities team as at 30 September 2024 and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

## DEFINING AND EXPLAINING SOME TERMS

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### CO<sub>2</sub>e emissions

Measuring CO<sub>2</sub> equivalent ('CO<sub>2</sub>e') emissions provides a standardised way of measuring a range of greenhouse gas (GHG) emissions through reference to their effect on the climate. The Intergovernmental Panel on Climate Change (IPCC) has defined the 'Global Warming Potential' of a range of greenhouse gases such as methane or nitrous oxide in comparison to carbon dioxide.

### ESG

Consideration of environmental, social and governance (ESG) factors can be used to evaluate a company's sustainability. Environmental factors look at a company's impact on the natural world, social factors examine how a company treats people (inside and outside the company) and governance analysis considers how a company is run.

### Growth stocks

Growth stocks are companies whose sales or earnings are projected to grow more rapidly than those of the average company.

### Initial public offering (IPO)

An initial public offering (IPO) describes the process whereby shares in a company are sold to the public for the first time. Its shares can then be traded on a stock exchange.

### Long duration stocks

Duration is a measure of how sensitive the price of an investment is to changes in interest rates. 'Long-duration stocks' are companies that are expected to generate the bulk of their profits in the distant future, rather than today. Mathematically, higher interest rates diminish the attractions of profits made in the future and vice versa. So the share prices of long duration stocks are helped by low or falling interest rates but are hurt by higher interest rates.

### SDGs

The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals (underpinned by 169 detailed underlying 'targets') created by the United Nations (UN) and designed as a "blueprint to achieve a better and more sustainable future for all". (See [How we use the Sustainable Development Goals](#)).

### Science Based Targets initiative (SBTi)

The Science Based Targets initiative was established in 2015 to help companies to set targets for reducing their emissions. Science-based targets show companies and financial institutions how much and how quickly they need to reduce their GHG emissions to prevent the worst effects of climate change.

### Scope 1, 2 and 3 emissions

The Greenhouse Gas Protocol categorises GHG emissions as follows.

**Scope 1 emissions** – These are the direct GHG emissions that are generated from sources that are directly owned or controlled by a company. For example, a parcel delivery company would report its emissions from its delivery vehicles, depots and offices.

**Scope 2 emissions** – These are a company's indirect GHG emissions from the generation of purchased energy. For example, a law firm would report the emissions associated with the electricity purchased by the business across all of their locations.

**Scope 3 emissions** – Scope 3 emissions are all indirect GHG emissions (not included in Scope 2) that occur in a company's value chain, including both upstream and downstream emissions. There are 15 subcategories of Scope 3 emissions. Emissions along the value chain often represent a company's largest GHG emissions. For example, a car manufacturer would report the carbon emissions associated with the raw materials which it has purchased to produce its cars (such as steel) as well as the emissions associated with the use of those cars by customers over the product's lifecycle.

### Small cap, Mid cap

Listed companies can be grouped by their market capitalisation ('market cap') which is the total number of shares they have in issue multiplied by their share price. Companies are referred to as being 'mega-cap', 'large-cap', 'mid-cap' or 'small-cap' depending on their relative market cap.

### Valuation multiples

A valuation multiple indicates how much investors are willing to pay in exchange for a claim on a company's future earnings. The most common valuation multiple is the price-to-earnings (p/e) ratio. It is calculated by dividing a company's share price by its earnings per share. For example, if a company is trading on a p/e multiple of 18x, investors are willing to pay £18 in exchange for £1 of earnings. In general, when a company's valuation multiple rises, it suggests investors are becoming more optimistic about its future earnings potential.

### Value stocks

Value stocks are companies whose share prices are below average when expressed as a multiple of their earnings or dividends.

## INTRODUCTION

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The primary purpose of this report is to illustrate the positive impact made by the companies in which the Artemis Positive Future fund invested during 2023. But it would be remiss if we did not also address the important changes we have recently made to the strategy.

Coming into 2024, the fund had endured two consecutive years of underperformance relative to its benchmark index. In part, this was attributable to underwhelming returns produced by small and mid-cap companies relative to their larger peers and, within that, the underperformance of growth stocks relative to their value counterparts.

This was also part of a broader pattern, one that had seen leadership within the market changing significantly since the fund's launch. The exogenous shock that resulted from the war in Ukraine saw investors looking again at the oil majors and at defence companies. The aftermath of the global pandemic, meanwhile, saw inflation shifting higher and a significant change in the interest rate regime. The result is that we are no longer in the era of 'free money' and that smaller companies whose business models are still in their earlier stages – areas on which the strategy has previously focussed – are now confronted with a significantly higher cost of capital. Longer duration assets saw their valuation multiples compress from a high base.

The fund's historic focus on disruptive impact at the companies' product-level left the portfolio particularly exposed to those parts of the market that were delivering sub-optimal investment returns. One consequence is that the fund was not able to deliver on a key part of its mandate: generating attractive financial returns and growing capital.

### A new investment team

To address these issues and to bring new focus to delivering returns alongside positive impact, we have made significant changes to the investment team and process. The four managers who launched the Positive Future strategy in 2021 left Artemis in March 2024. At that point, I became lead portfolio manager. I have since been joined in running the strategy by a member of Artemis' global equities team, May Laghzaoui, an investment analyst with a passion for sustainability. We have since been joined by Lorraine Hau, who is taking on the role of impact specialist and brings years of experience in engaging with companies to drive real-world change. Together, we will be leveraging the investment excellence that Artemis is renowned for and working in close collaboration with 39 investment professionals across Artemis' Investment team.

As we redefine our approach to impact investing, we are acutely aware of the dislocation in the market. We are in agreement with the fundamental premise of the Artemis Positive Future Fund: that the need to address the sustainability issues the world faces will create

tailwinds for those companies that help society to solve those problems. Equally, we believe the strategy can benefit from an increased emphasis on active ownership and on considering the wider impact that companies deliver through their conduct and footprint.

### The power of impact capital and active ownership

While we recognise the collective power of impact investors to drive down the cost of capital for impactful companies, it is our core belief that delivering impact in listed equities is primarily driven by investor contribution – by what we can do as investors to accelerate and precipitate real-world change. We believe we can achieve this through active ownership and effective stewardship, and we are more likely to succeed when the issues we target are materially and financially relevant to the companies we engage with. This means taking a focused, outcomes-oriented approach to engagement that prioritises the most pressing issues. In short, we engage when it matters most.

Ensuring that we meet the Fund's financial objective while also delivering positive non-financial outcomes means that impact must not come at any price. We believe that combining assessments of impact with an investment approach that looks at investee companies through the lenses of quality and valuation should lead to superior risk-adjusted performance. This means you should expect a Fund whose exposures are less biased towards earlier-stage companies and, in next year's impact report, more detail describing our investor contribution and engagement activities.

We believe that listed equities are virtually the only asset class with the reach and scope to make a genuine difference. These are exciting times for impact investors. Clearly, there is a huge amount to do if the world wants to progress towards the UN Sustainable Development Goals. So, we are rolling up our sleeves and getting down to work. I look forward to reporting on our progress in next year's report.

### Sacha El Khoury

Head of Impact Equities

## INVESTMENT PHILOSOPHY

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The aim of the Artemis Positive Future fund is to grow capital over a five-year period by investing in companies which meet the managers' criteria for a positive environmental and/or social impact.

- **Focus on disruption:** The managers sought companies that made a positive impact on the environment and/or society.
- **Focus on small and mid caps:** The fund primarily invested in the shares of small and medium-sized listed companies.
- **Focus on positive impact:** The managers' assessment of positive impact included:
  - *Intentionality* is about purpose. This means identifying companies that align their mission or objectives directly to a positive environmental and/or social impact.
  - *Materiality* is about significance. This measure indicates the positive impact a particular company can have.
  - *Additionality* is about transformation. The positive environmental and/or social impact a company contributes is beyond what would otherwise have occurred.



## EXCLUSIONS & ESG

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Our investment process has a number of quantitative and qualitative steps.

Our first step is to exclude companies whose products and services are widely regarded as being detrimental to the environment or to society at large. The exclusions we apply are:

- **Alcohol:** companies that derive more than 5% of their revenue from alcohol;
- **Tobacco:** companies that derive more than 5% of their revenue from tobacco;
- **Weapons:** companies that produce or sell civilian firearms and/or manufacture or sell armaments, nuclear weapons or associated strategic products;
- **Nuclear power:** companies that mine uranium, own or operate nuclear power stations, generate nuclear power or supply key nuclear-specific products and services;
- **Gambling:** companies that derive more than 5% of their revenue from gambling;
- **Animal testing:** companies that produce or sell cosmetics tested on animals;
- **Adult entertainment:** companies that own an adult entertainment company or produce adult entertainment;
- **Genetic modification:** companies involved in the uncontrolled release of genetically engineered organisms into the environment;
- **Fossil fuels:** companies that: own oil & gas reserves; or engage in conventional or unconventional oil and gas production and processing; or own thermal coal reserves, mine thermal coal or derive more than 10% revenue from thermal coal-based electricity generation;
- **Biodiversity and land use:** Companies that we determine are implicated in severe controversies related to their use or management of natural resources; and
- **Companies that we determine to be in breach of the UN Global Compact** on human rights, labour rights, the environment and corruption.

## ESG

We look for evidence of sound management of ESG risks and effective implementation and governance.

We consider the sustainability of a company's products, alongside its practices and aspects of its corporate social responsibility (such as its culture). Often these aspects are less easily measured and can't be captured in simple exclusions or ESG scores that are based on relative assessments versus industry peer groups.



# Impact highlights 2023

Total impact associated with companies which the fund has invested in\*



## Health

604m patients  
treated



## Education

162k students  
graduating



## Water

745million m3  
of water  
treated/saved/re-used



## Inclusion

38m customers  
that were previously  
excluded



## Carbon

26.8m metric tonnes  
CO<sub>2</sub>e avoided



## Industry & innovation

\$US 15.4 billion  
increase in US  
economic output



## Renewable energy

40,965,538 MWh  
of electricity  
production enabled




Source: \*Artemis, Positive Future Fund holdings as at 31 December 2023,  
Impact data from Net Purpose as at 25 September 2024.

These positive impacts have been generated by the "products and services" from companies in the Positive Future Fund as per their company reporting or as estimated from our data provider, Net Purpose. Our provision of capital for the long-term aims to support and maximise portfolio companies' positive impact. We have consolidated company impact outcomes where possible, but not all companies report impact data that can be consolidated. For illustrative purposes only. The impact outcomes provided here is from data for which the latest year is available, typically 2023. Where data is not yet available, Net Purpose calculates an estimated figure based on assumptions. Impact outcomes can be susceptible to potential inconsistencies as companies do not measure and report impact in a consistent or uniform way.

Headline impact statistics whilst useful may hide the nuance of an individual portfolio company's activities e.g. in healthcare some companies may treat hundreds of thousands, whilst another may only treat a relatively small number of very sick.

# HOW WE MEASURE IMPACT

During 2023, our analysis of product impact was both qualitative and quantitative; and resulted in scores for 'intentionality', 'additionality' and 'materiality'. The sum of these scores was the 'product impact' score which ranged from -9 to +9. To be included in the portfolio, companies had to achieve a minimum score of +3.

Product impact framework	Concept	In-depth analysis
Intentionality 	Are the company's vision and mission consciously aligned with a positive impact?	<ul style="list-style-type: none"> <li>• Mission</li> <li>• Focus</li> <li>• Authenticity</li> <li>• Transparency</li> </ul>
Additionality 	Does the company make a positive environmental and/or social impact beyond what would otherwise have occurred?	<ul style="list-style-type: none"> <li>• Counter-positioning</li> <li>• Shift in basis of competition</li> <li>• Innovation</li> <li>• Industry incumbency</li> </ul>
Materiality 	Will the company have a significant positive impact on the world if it executes its strategy successfully?	<ul style="list-style-type: none"> <li>• SDG alignment</li> <li>• Ability to scale</li> <li>• Market size</li> <li>• Geographic focus</li> </ul>

## How we use the Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals (underpinned by 169 detailed underlying 'targets') created by the UN and designed as a "blueprint to achieve a better and more sustainable future for all". They are the big sustainability challenges the world faces. And although the goals were designed to be adopted by governments, they have also been widely accepted by the investment community.



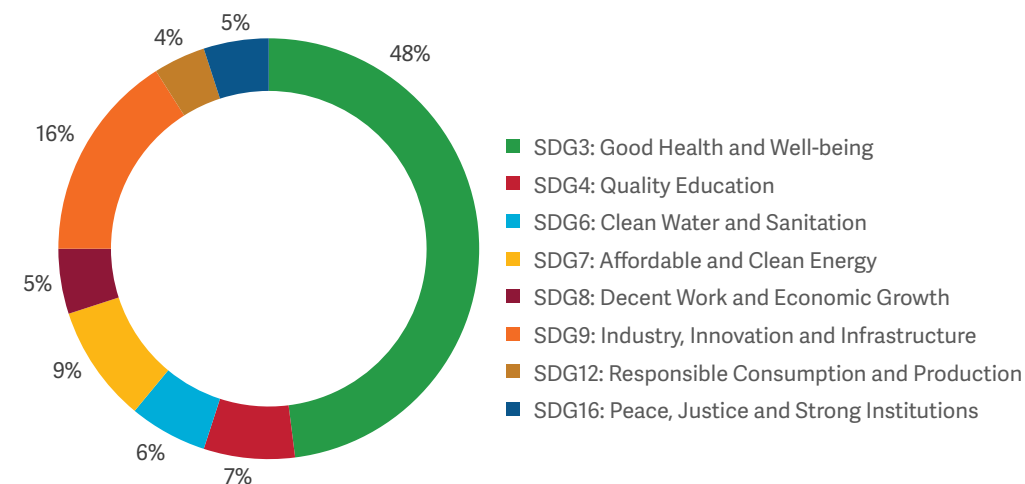
Since the SDGs were designed for governments, not all of them are directly 'investable'. For example, some focus on activities that companies have little influence over, e.g. SDG 17 (Partnerships for the goals). Therefore, while the SDGs provide a reasonable route map towards a positive future, prudence is required.

### We don't rely on a company's self-reported alignment with an SDG

We take a rigorous approach to SDG mapping. Each company we invest in is mapped to a primary SDG at the underlying target level. We consider how a company's products and services align to the SDGs and map its revenues to the underlying Sustainable Development Goals.









SDG alignment contributes to the score we assign for 'materiality' which itself is a component of the overall score we assign for a company's product impact (see [How we measure impact](#)).

### Portfolio weight by SDG as at 31 December 2023



Source: Artemis as at 31 December 2023.

## OUR PORTFOLIO BY THEME

Theme		The problem	The solution	Portfolio holdings by theme		UN SDGs
Circular economies		Since the industrial revolution, the linear economy model has been dominant: goods are manufactured, used and then discarded. That wasteful model is responsible for many of the environmental externalities that we all experience.	Increasing circularity in material use.	Avery Dennison		12
Efficiency kings		Unsustainable consumption and production are closely linked to climate change, pollution and biodiversity loss. We need to decouple economic growth from environmental degradation.	Efficient manufacturing, energy-efficient products, process efficiency enhancements and increased product safety.	Disco Energy Recovery Halma IDEX Corp Monolithic Power Systems	MSA Safety Teradyne Universal Display Roper Technologies	3, 6, 7, 8, 9
Electric shock		The climate crisis is the biggest environmental problem facing humanity. Keeping global warming below 1.5°C requires huge investment in the decarbonisation of our energy, industrial and transportation systems.	Reducing emissions through using renewables and low-carbon power, electric transport and electrified heating sources.	Aehr Test Systems Carrier Global Chroma Ate First Solar Shoals Technologies Valmont Industries		7 & 9
Healthy healthcare		As the global population ages, healthcare systems face rising demand and increasing costs. The pandemic has only exacerbated those stresses.	Healthcare products that can simultaneously improve patient outcomes and reduce healthcare system costs.	Amplifon SpA Cochlear DexCom Doximity Hologic ICON	Insulet Penumbra Terumo Veeva Systems Veracyte Wolters Kluwer	3
Impact communicators		Mobile access has revolutionised commerce in Africa – but levels of digital inclusion, educational access and financial inclusion significantly lag those in the West. Meanwhile, extreme weather events, cybercrime and terrorist events pose an increasing threat to people and property.	Low-cost mobile telecommunication in developing countries.	Airtel Africa Motorola Solutions		3, 9, 16
Mission inclusion		Higher education is a cornerstone of sustainable development. But today's educational systems exhibit a large disparity in access to education – and completion of qualifications – based on wealth.	Online university courses, student support services, English language testing and student placement, education support software.	Coursera IDP Education PowerSchool		4
Unsung eco warriors		The climate crisis may be the biggest environmental problem that humanity faces – but it isn't the only one. We also face biodiversity loss, air pollution and water contamination.	Scientific research, environmental consulting and monitoring, infrastructure services.	Montrose Environmental Oxford Instruments Tetra Tech Verisk Analytics		6, 8, 9
Witness the fitness		39% of adults worldwide are overweight. There is strong scientific evidence that people who exercise regularly have a lower risk of developing many long-term (chronic) health conditions.	Fitness equipment and low-cost gyms.	Basic-Fit Shimano		3



## COMPANY REPORTS

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The following pages provide examples of some of our investments in 2023 to demonstrate the positive impact that the companies we invest in are making. Data in the following company reports is as of 31 December 2023 unless stated otherwise.

# AVERY DENNISON

## Positive impact thesis

All too often, the ‘answer’ to volatility in supply chains – and unpredictability in consumer demand – is over-supply. Rather than risking leaving consumers empty-handed and frustrated, companies play it safe by holding additional inventory. This inevitably creates waste. There is plenty of evidence of egregious supply-chain excess in many sectors – but particularly in food and clothing. Avery Dennison estimates that \$163 billion of inventory is discarded every year due to expiry or overproduction<sup>3</sup>.

- The UN estimates that 17% of global food production may be wasted and is responsible for 8-10% of global greenhouse gas emissions<sup>1</sup>.
- While the environmental impact of the fashion industry (particularly ‘fast’ fashion) has been well documented, it retains the capacity to surprise. Did you know, for example, that there is a vast mountain of discarded clothing in the Atacama desert? In 2022, some 44 million tonnes of unwanted clothing arrived in Chile by boat from Europe, Asia and America<sup>2</sup>.

Avery Dennison’s ‘intelligent labels’ have the potential to provide at least part of the answer to the waste problem. These assign a unique digital ID to each individual product. That digital ID can then be embedded in a QR code – or in radio frequency identification (RFID) or near-field communication (NFC) tags. Each individual product can then be identified and tracked using one or more of these technologies. It may seem mundane but more intelligent product labelling can result in vast improvements in inventory management and ‘cradle-to-grave’ oversight of products.

Intelligent labels aren’t particularly new, but their adoption is being accelerated by legislation designed to extend the responsibility of producers for the goods they sell. Restrictions on destroying unsold items have already been applied in France and are now being considered across the wider EU. The EU is also finalising details of the Corporate Sustainability Due Diligence Directive (CSDDD), which would significantly extend producers’ responsibility for their human-rights and environmental impacts throughout their supply chains.

<sup>1</sup> UNEP Food Waste Index Report 2021 | UNEP - UN Environment Programme

<sup>2</sup> Fast fashion goes to die in the world’s largest fog desert - National Geographic, <https://www.nationalgeographic.com/environment/article/chile-fashion-pollution>

<sup>3</sup> Avery Dennison press release - <https://rfid.averydennison.com/en/home/news-insights/press-releases/supply-chain-crisis-made-worse-as-8-percent-of-stock-ends-up-as-waste.html#:~:text=This%20loss%20amounts%20to%20%24163.1,and%20digital%20identification%20solutions%20company.>

<sup>4</sup> Avery Dennison ESG Download - [https://www.averydennison.com/content/dam/avery\\_dennison/corporate-new/global/english/documents/esg/2022-ESG-Download-July-2023.pdf](https://www.averydennison.com/content/dam/avery_dennison/corporate-new/global/english/documents/esg/2022-ESG-Download-July-2023.pdf)

## ESG performance

There is a strong sustainability narrative running through Avery Dennison as a business. This isn’t a recent invention. It has been setting sustainability goals since 2015 and publishing sustainability reports since 2008. More recently, ESG reporting has been integrated into its report and accounts and provides detailed data disclosures. The company sets a comprehensive range of targets for itself relating to:

- Greenhouse gas emissions
- Waste
- Using deforestation-free sources of paper
- Sourcing chemicals that allow its products to conform to its environmental and social guiding principles
- Promoting diversity

Avery is aiming to reduce its Scope 1 & Scope 2 emissions by 70% from their 2015 baseline (it had already succeeded in reducing them by 54% by 2022). It is also seeking to reduce its Scope 3 emissions by 30% relative to their 2018 baseline (although Scope 3 emissions aren’t yet disclosed). Its 2030 targets are SBTi-aligned and it has a stated ambition to reach net zero by 2050<sup>4</sup>.

Country	US
SDG alignment	12
Product impact score	4
Portfolio weight	3.7%



**Theme:** Circular economies



Source: Avery Dennison Digital Identification Solutions.

Reference to specific stocks or companies should not be taken as advice or a recommendation to invest in them.

# Hologic

## Positive impact thesis

A variety of studies have shown that women continue to experience inferior outcomes in many areas of healthcare<sup>1</sup>. This applies both to female-specific conditions but also to a number of general health conditions that either affect women differently (such as cardiovascular disease) or disproportionately (such as autoimmune disease, migraines and osteoporosis). Unfortunately, there is also evidence of gender-based discrepancies in care, notably in pain management and mental healthcare<sup>1</sup>. Meanwhile, certain areas of women's health - including Alzheimer's disease - remain insufficiently studied.

Hologic is a specialist provider and strong advocate for women's healthcare solutions, having built market-leading positions in mammography and gynaecology. More recently its Panther machines have been used by laboratories and in hospitals to test for respiratory diseases resulting from Covid-19 infections. This complements Hologic's traditional strengths in testing for sexually transmitted diseases. The benefits of improving women's healthcare are significant. Because women often function as (unpaid) caregivers, improving their health also has a positive cascade effect, improving the lives of children and the elderly.

<sup>1</sup>Better For Women - Royal College of Obstetricians & Gynaecologists, <https://www.rcog.org.uk/media/h3smwohw/better-for-women-full-report.pdf>, Women with dementia receive less medical attention - UCL, <https://www.ucl.ac.uk/news/2016/dec/women-dementia-receive-less-medical-attention>, Chen EH, Shofer I, Dean AJ, Hollander JE, Baxt WG, Robey JL, Sease KL, Mills AM. Gender disparity in analgesic treatment of emergency department patients with acute abdominal pain, Gender data gap: Caroline Criado Perez on how healthcare is "systematically discriminating against women" - The Standard, <https://www.standard.co.uk/futurelondon/health/gender-data-gap-caroline-criado-perez-on-how-healthcare-is-systematically-discriminating-against-women-a4246221.html>

## ESG performance

Hologic's sustainability reporting is relatively well-established. It makes climate disclosures and sets targets for its Scope 1 and 2 emissions (although not for its Scope 3 emissions).

It directly operates a number of manufacturing sites, mainly in the US, but also in the UK, Europe and Belgium. Where manufacturing is outsourced to third parties, they are established names. Its operations are managed to international quality standards and instances of Food and Drug Administration (FDA) regulatory warnings are minimal as are product recalls and patient litigation. Health and safety regulatory compliance is good.

Corporate governance is fairly typical for a large US company. Its board is experienced, and recent appointments have been consistent with its focus on improving women's healthcare. Set against that, however, executive compensation has been consistently very generous and has been a source of friction with shareholders. And while there has been some improvement here, aggregate compensation is still ahead of peers. In particular, that the CEO's compensation is a large multiple of the company-wide average remains a cause for concern.

Country	US
SDG alignment	3
Product impact score	7
Portfolio weight	3.0%



Theme: Healthy healthcare



Reference to specific stocks or companies should not be taken as advice or a recommendation to invest in them.



# IDEX

## Positive impact thesis

Operational excellence and environmental sustainability are closely aligned. The most efficient companies are those that generate the most value from the fewest resources, whether those resources are labour and capital or energy, carbon emissions, scarce materials or clean water. Improving manufacturing quality is inherently bound up in more sustainable outcomes; opportunities abound across all industries.

Ilex has a diversified portfolio of mission-critical products servicing a wide variety of end customers. But the broad themes that connect many of its businesses are (1) promoting resource efficiency and (2) improving safety. Although hard to quantify due to the diverse nature of their businesses, Ilex products enable incremental improvements and their application across numerous industries means the impact is material.

## ESG performance

Ilex's financial reports are detailed and to a relatively high standard, providing useful insight into this diversified and complicated business. Its sustainability reporting, however, is less advanced. Its report on this topic, 'Innovative Technologies for a Better World', suggests that it is still in the early stages of its sustainability journey

As a manufacturing business, Ilex reports on its climate emissions, water usage and waste. Like many businesses, it needs to work on improving the accuracy and efficiency of its environmental impact data. Ilex has a target to reduce its emissions intensity (Scope 1 & 2) by 30% by 2035<sup>1</sup>, but it doesn't disclose its Scope 3 emissions and nor does it have science-based targets.

Ilex appears to have a strong corporate culture which is impressive given the diversity and size of the underlying business. Corporate governance is to a fairly high standard although it does have a classified board. Despite this, the company has historically received high levels of support from its shareholders.

Country	US
SDG alignment	3
Product impact score	3
Portfolio weight	3.9%



**Theme:** Unsung eco warriors



<sup>1</sup> IDEX 2022 Sustainability Report - [https://www.idexcorp.com/wp-content/uploads/2023/05/IDEX\\_SustainabilityReport2022\\_accessible\\_version.pdf](https://www.idexcorp.com/wp-content/uploads/2023/05/IDEX_SustainabilityReport2022_accessible_version.pdf)

Reference to specific stocks or companies should not be taken as advice or a recommendation to invest in them.



# MOTOROLA SOLUTIONS

## Positive impact thesis

US-listed Motorola has led telecommunication innovation for nearly 100 years. Neil Armstrong's famous statement, "one small step for a man, one giant leap for mankind" was spoken on a Motorola<sup>1</sup> transceiver. In a public safety context, the company has been selling radio receivers to police departments since 1930 and developed the first hand-held walkie-talkies in the 1970s (although the mobile business was split off in the mid-2000s).

Today, the company provides a variety of public safety and enterprise security solutions, principally radios (two-way and broadband) on which a software business is being built, all of which help first responders operate more efficiently. Some 75% of its revenues are generated by sales to public-safety bodies (police, fire and medical) and its software can be found in more than half of 911 command centres in the United States<sup>2</sup>.

Their technologies can directly support first responders in extreme life-threatening events such as natural disasters, when reliable communication is critical to coordinate emergency response. Land mobile (two-way) radio networks build in a high degree of redundancy and so provide secure and reliable communications, helping first responders to save lives.

## ESG performance

With a c.100-year history, Motorola is well-established, operates to high international standards and makes comprehensive ESG disclosures. The company is therefore an admired employer and is well-regarded by third-party ESG rating agencies. Senior management have been with the business for decades and are well regarded while corporate governance is to a high standard.

With regards to its operational greenhouse-gas emissions, the company has set aggressive (albeit not science-based) decarbonisation targets. We believe that supply-chain oversight and advocacy seems to be thorough, which in part is driven by doing business with the US government, which demands high standards in these areas.

Country	US
SDG alignment	16
Product impact score	6
Portfolio weight	4.6%



**Theme:** Impact communicators



<sup>1</sup>Motorola Solutions webpage, [https://www.motorolasolutions.com/en\\_us/about/history/explore-motorolaheritage/first\\_words\\_from\\_the\\_moon.html](https://www.motorolasolutions.com/en_us/about/history/explore-motorolaheritage/first_words_from_the_moon.html).

<sup>2</sup> Motorola Solutions Investor Presentation - [https://www.motorolasolutions.com/content/dam/msi/investors/doc\\_presentations/2024/investor\\_overview\\_oct\\_24\\_final.pdf](https://www.motorolasolutions.com/content/dam/msi/investors/doc_presentations/2024/investor_overview_oct_24_final.pdf)

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# ROPER TECHNOLOGIES

## Positive impact thesis

Roper Technologies contains a number of software businesses, the majority of which serve industrial markets. From an impact perspective, the relevant drivers for Roper’s businesses are an ageing population and increased efforts to conserve resources (mostly water) and, to a lesser extent, the digital transformation and logistics management. In healthcare, Roper’s services relate to various forms of clinical efficiency (hospitals, laboratories, pharmacies, senior living facilities) with additional technology-enabled products businesses in surgical navigation, bladder volume, airway management and automated scrub and linen management. In water, most noteworthy is Roper’s ‘Neptune’ business, a leading provider of data collection systems used by over 4,000 water utility companies.<sup>1</sup>

<sup>1</sup> Neptune webpage, <https://www.neptunetg.com/about-us/>

<sup>2</sup> The Equal Employment Opportunity Commission (EEOC) collects workforce data from employers with more than 100 employees, employers have a legal obligation to provide the data, however, public disclosure is voluntary - <https://www.eeoc.gov/data/eeo-data-collections>

## ESG performance

“We are still in the early stages of our ESG efforts” (Source - 2022 ESG report). Roper is a well-managed business which is executing on climate and employee-engagement objectives and is also improving its ESG disclosures including diversity as demonstrated by the publication of its voluntary EEO-1 report<sup>2</sup>.

Roper has begun to make Scope 1 and 2 emission disclosures (although not Scope 3). It is working on understanding emission-reduction opportunities in its underlying businesses in order to establish bottom-up targets, which are due for publication in 2024. The transition of many of Roper’s operational businesses to the cloud should help to reduce its operational carbon footprint. Corporate governance is to a high standard and the company is responsive to shareholder feedback.

Country	US
SDG alignment	7
Product impact score	3
Portfolio weight	3.7%



Theme: Efficiency kings



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# WOLTERS KLUWER

## Positive impact thesis

Wolters Kluwer provides a range of products (most of them digital) to the healthcare, finance and legal sectors, industries whose information needs are complex and dynamic. Its expert solutions are designed to increase efficiency, improve safety, educate users and improve resilience.

In many instances, its products are mission-critical (and sometimes life-saving). In the healthcare setting, they include: patient engagement and monitoring software and tools designed to improve clinical surveillance, medication management and infection management. Wolters Kluwer leverages its high-quality clinical data to create solutions that support decision-making by medical professionals at critical junctures to help improve outcomes for patients.

It is also seeing growing demand for its ESG data-reporting software in response to various regulatory drivers.

## ESG performance

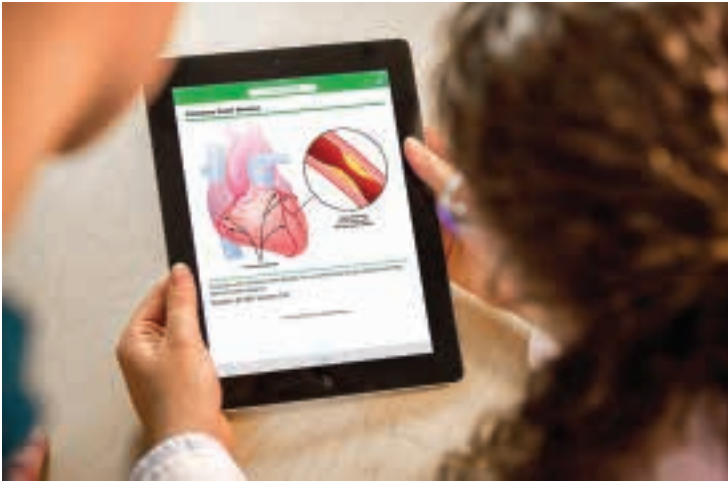
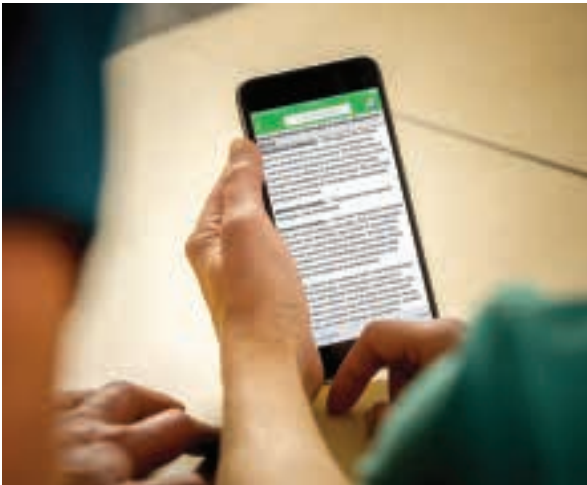
We believe that Wolters Kluwer has strong ESG performance. It provides high-quality (consolidated) ESG and financial reporting - this is perhaps to be expected given many of its products enable corporate financial and ESG reporting. It operates three-year 'ENGAGE' sustainability strategic cycles. In 2021-23, this focused on employee engagement, diversity, product innovation, cybersecurity/data privacy, smaller environmental footprint and 'enriching communities'.

Its improved environmental performance has been enabled by its transition from print to digital and, more recently, to the cloud. Corporate governance is fair-to-good, with standard shareholder rights albeit with some typically Dutch nuances (such as a foundation that could potentially block any takeover bid). The company generally receives high levels of shareholder support at its annual general meetings (AGMs) and we hold the chief executive in high regard after having invested aggressively and successfully to reposition the business with a company-wide digital vision.

Country	Netherlands
SDG alignment	3
Product impact score	6
Portfolio weight	4.0%



Theme: Healthy healthcare



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## ENGAGEMENT AND VOTING

Engagement with the companies in which we invest forms an increasingly important part of our investment process as active impact investors. We expect investee companies to set ambitious goals and seek to continuously improve. Engagement allows us to identify and monitor strategic and operational change and ensures the progressive management philosophy we seek at the companies we invest in.

The Investor Forum, an independent organisation whose aim is to position stewardship at the heart of investment decision-making, proposes the following definition for engagement:

“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<sup>1</sup>.”

### Engagement: A case study

**Valmont Industries** is a manufacturer of products and services for the infrastructure and agricultural markets. These include transmission poles, distribution lines, solar tracking systems and agricultural irrigation systems. Its products contribute positively by driving the adoption of renewable energy, ensuring sustainable infrastructure, reducing water usage and increasing access to agricultural technology.

We identified occupational health and safety as a material issue for Valmont. It operates 80 manufacturing plants across six continents<sup>3</sup>. Some of its processes expose workers to safety risks that could result in regulatory or financial risk and impact its ability to attract and retain employees. In October 2021, its subsidiary, Valmont Coatings, faced an allegation that lapses in crane maintenance had resulted in an employee's death. The result was the US Department of Labor proposed a \$202,000 penalty<sup>2</sup>. Following this incident, we found no reference of the fatality in Valmont's 2022 sustainability report.

As a result, we held a meeting with the company in November 2023, urging it to improve its disclosures related to injury and fatality rates. We emphasised the importance of transparency in reporting on safety metrics. Following our discussion, we were pleased the company implemented our recommendations: in its 2023 sustainability report it explicitly stated there were no fatalities during the reporting year. We consider this a milestone or an instance of positive change.

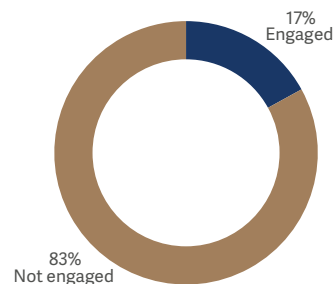
<sup>1</sup> Defining Stewardship and Engagement - The Investor Forum, <https://www.investorforum.org.uk/wp-content/uploads/securepdfs/2019/04/Defining-Stewardship-Engagement-April-2019.pdf>

<sup>2</sup> US Department of Labor cites Valmont Coatings for exposing workers to crushing, other safety hazards after investigation into employee's death - <https://www.dol.gov/newsroom/releases/osha/osha20211005-0>

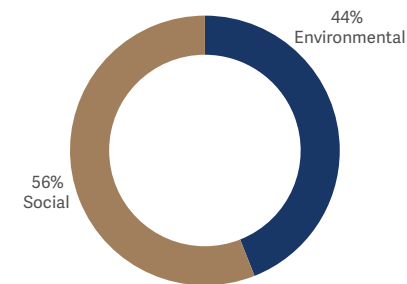
<sup>3</sup> Valmont Industries Webpage - <https://www.valmont-france.com/en/valmont-world/>

### Engagement statistics for 2023\*

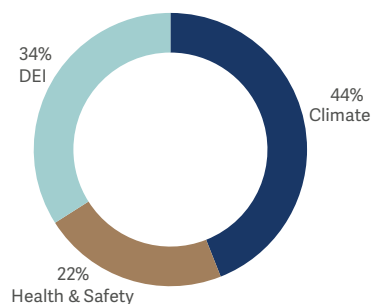
Percentage of portfolio  
(by weight) engaged:



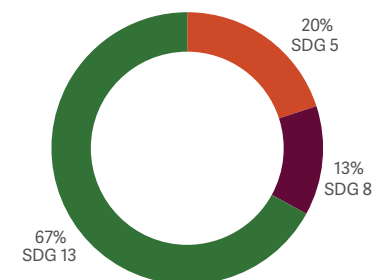
Percentage of engaged portfolio  
(by weight) by theme:



Percentage of engaged portfolio  
(by weight) by topic:



Percentage of engaged portfolio  
(by weight) by primary SDG:



\*Source: Artemis as at 31 December 2023.

As we evolve our approach to investor contribution, our focus on constructive, two-way engagement with our investee companies will increase and focus on material environmental and social issues.

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# VOTING

Voting is one mechanism through which we can seek to effect positive change.

## Meeting Overview

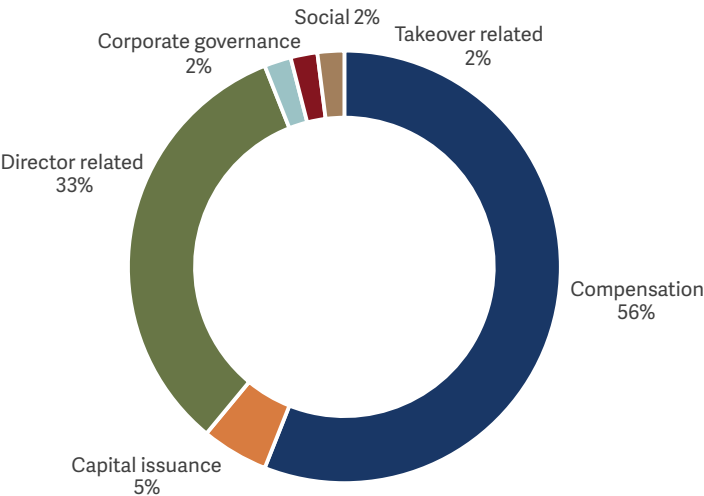
Category		Percentage of total votable meetings	
Number of votable meetings	39		
Number of meetings we voted at	38	97.4%	
Number of meetings where we placed at least one vote against management	22	57.9%	

## Proposal Overview

Category		Percentage of total votable items	
Number of votable items	378		
Number of items which we voted on	362	95.8%	
Number of items which we voted against management	43	11.9%	

Where we have not voted primarily this was due to local market or regulatory related reason. Source: ISS, Artemis for the year to 31 December 2023. Artemis Positive Future Fund.

## Breakdown of votes against management



Source: ISS, Artemis for the year to 31 December 2023.

## Example votes:

**Social:** We supported a shareholder resolution encouraging healthcare equipment company **DexCom** to report on gender and race pay gaps in its workforce.

**Director related:** We voted against the re-appointment of a non-executive director at **Tesla** who sits on the company’s remuneration committee. We had concerns regarding stock pledging by certain Tesla directors and executives.

**Compensation:** **Airtel Africa** tabled a proposal to increase the maximum size of its long-term incentive plan (LTIP) and allow the granting of ‘one-off’ exceptional awards to support its strategic goals over the next three years, such as an initial public offering of its Airtel Money business. While we would have been willing to support an increase to the maximum LTIP grant, we were unwilling to support discretionary one-off awards and believed that supporting the proposal and the remuneration policy would have set a dangerous precedent.

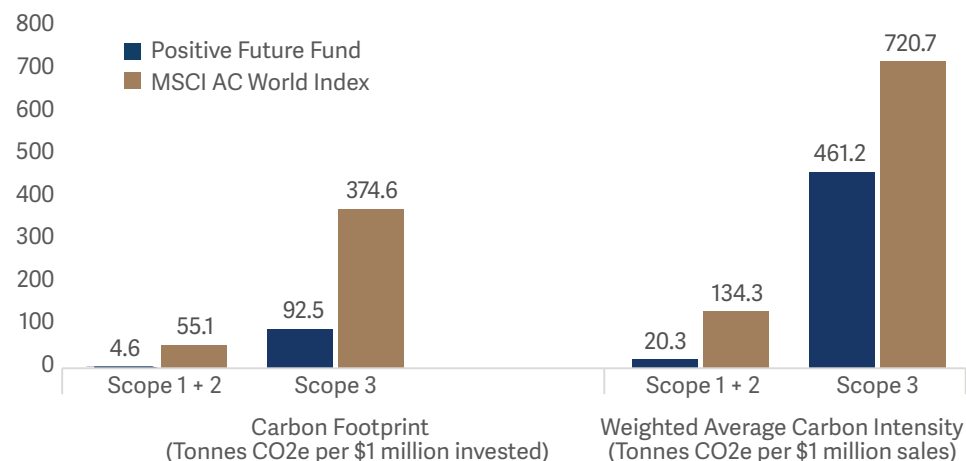
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## MEASURING THE PORTFOLIO'S CARBON FOOTPRINT

The climate crisis impacts everyone and is a key focus for both our sustainability analysis and the UN SDG's (SDG 7 and SDG 13). Measuring and reducing emissions is essential to limit global warming and is therefore relevant to every company that we invest in, regardless of sector. It helps companies to future-proof their operations and provides investors with evidence that they are operationally efficient. Disclosure also provides us, as potential shareholders, with an indication of the sort of progressive management philosophy that we seek to invest in.

A lower carbon footprint for a fund signals a lower volume of emissions, normalised for size, to enable comparison against bigger or smaller funds. A lower carbon intensity means fewer emissions per unit of revenue, which signals a lesser reliance on emissions to make profit. Both are demonstrators of environmental efficiency.

The portfolio's carbon footprint and intensity are significantly smaller than that of its benchmark, the MSCI AC World Index, for Scope 1, 2 and 3.



Source: Artemis, as at December 2023.

## PORTFOLIO COMPANIES' ALIGNMENT WITH NET ZERO

	Percentage of portfolio by weight
Not aligned	83%
Committed to aligning	13%
Aligning to a net zero pathway	4%
Aligned	0%
Net-zero	0%

For Artemis Positive Future Fund portfolio holdings as at 31 December 2023 and MSCI data as at 2 July 2024.

## A new methodology for assessing the portfolio's net zero alignment

The methodology we use to calculate the alignment of the Artemis Positive Future Fund with a net zero pathway has changed since the publication of last year's Impact Report. This year, we are using the industry-wide recognised Net Zero Investment Framework (NZIF) developed by the Paris Aligned Investing Initiative (PAII) and using data provided by MSCI.

### Six Criteria for Assessing Companies' Net-Zero Alignment

<b>1. Ambition</b>	A long-term goal consistent with achieving global net zero by 2050.
<b>2. Targets</b>	Short- and medium-term targets for reducing emissions (Scope 1, 2 and material Scope 3).
<b>3. Emissions performance</b>	Current emissions intensity performance (Scope 1, 2 and material Scope 3) relative to targets.
<b>4. Disclosure</b>	Disclosure of Scope 1, 2 and material Scope 3 emissions.
<b>5. Decarbonisation strategy</b>	A plan setting out the measures that will be deployed to reduce greenhouse-gas emissions, proportions of revenues that are green and, where relevant, increases in green revenues.
<b>6. Capital allocation alignment</b> Not yet assessed by MSCI	A clear demonstration that the capital expenditures of the company are consistent with achieving net zero emissions by 2050.

The NZIF defines 'high impact' as companies on the Climate Action 100+ focus list and companies in high impact sectors consistent with the Transition Pathway Initiative sectors, banks, and real estate. Five of the companies in the Artemis Positive Future Fund fall under the 'high impact' sector. To be categorised as 'Aligned' they must meet all five currently assessed criteria. They are Oxford Instruments, Halma, Avery Dennison, Chroma ATE and Shoals Technologies. (Note that Avery Dennison, Chroma ATE and Shoals Technologies are new additions to portfolio.)

The remaining companies are categorised under the 'lower impact' sector and must therefore only meet criteria 2, 3 and 4 to be categorised as 'Aligned'. Please note that criteria 6 is not yet assessed by MSCI due to lack of disclosure by companies and, following the release of NZIF 2.0 in June 2024, further updates to the methodology are expected.

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**Aligning companies: Avery Dennison.**

**Committed companies: Cochlear, First Solar, Disco, Airtel Africa, Carrier Global.**

### **Example engagement on net zero: Insulet**

In 2023, we engaged with a number of companies regarding their net zero approach. One of these was Insulet, which makes insulin-delivery devices for diabetics.

Having held Insulet for some time, we have been encouraged by the company's increasingly mature approach to ESG disclosure and by its management of ESG risks and opportunities. In its most recent sustainability report, it made reference to "powering our path to net zero". But it did not provide any real detail on what its strategy for getting to net zero would be<sup>1</sup>.

As a result, we had a follow-up meeting with Insulet in October 2023 to emphasise our expectation that it should align with the Net Zero Investment Framework and set science-based targets for reducing emissions. We also made it clear that we would welcome further detail on its decarbonisation strategy.

Although the company has not yet decided whether to join the Science-Based Targets initiative, it indicated its awareness of the forthcoming climate disclosure requirements from bodies such as the SEC, the State of California and the Corporate Sustainability Reporting Directive (CSRD). It is confident it can meet those requirements.

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<sup>1</sup> Insulet 2022 Sustainability Report, p.21, <https://www.insulet.com/sites/insulet/files/2023-05/Insulet-2022-Sustainability-Report.pdf>

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