

# Pre-contractual disclosure for financial products referred to in Article 8 of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

## Artemis Funds (Lux)



### Artemis Funds (Lux) - US Select

(Legal Entity Identifier: 549300P0XFGW2I5IDM61)

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

#### ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS

##### Does this financial product have a sustainable investment objective?

☐ Yes

☒ No

☐ It will make a minimum of sustainable investments with an environmental objective:

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of sustainable investments with a social objective:

☒ It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It promotes E/S characteristics, but will not make any sustainable investments



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

##### What environmental and/or social characteristics are promoted by this financial product?

The Investment Manager seeks to decrease the Fund's exposure to climate risk and benefit from the opportunities associated with the transition to a net-zero emissions economy through investing in companies which are actively managing their carbon exposure and setting meaningful targets.

The Fund's benchmark, S&P 500 Index, has not been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Fund.

##### What Sustainability Indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

Where data is available, a number of quantitative and qualitative indicators are used including:

- carbon intensity and absolute emissions;
- targets set (short/medium/long term);
- long term ambition, for example a net zero long term target;
- a decarbonisation strategy including exposure and capital expenditure assigned to green revenues;
- governance including oversight and executive remuneration.

Industry and company specific sustainability factors will also affect what indicators are looked at in addition to the above.

### **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Investment Manager seeks to decrease the Fund's exposure to climate risk and benefit from the opportunities associated with the transition to a net-zero emissions economy.

The Investment Manager will do this through investing in companies which are actively managing their carbon exposure and setting meaningful targets.

### **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

Significant harm is avoided via:

- (1) Detailed company specific sustainability analysis: including ongoing monitoring for controversies, specifically related to significant negative environmental or social harm; and
- (2) Exclusions: The Fund applies a range of exclusions which prevent investment in activities generally deemed to be environmentally or socially harmful or in breach of the UN Global Compact principles on human rights, labour rights, the environment and anti-corruption.
- (3) With support from the Artemis stewardship team, stewardship activities such as voting and engagement may be undertaken with investee companies assessed to be involved in controversies related to environmental and social issues, in line with Artemis' voting and engagement policies.

The "do no significant harm" principle under Taxonomy Regulation applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The underlying investments of this Fund which are not in taxonomy-aligned environmentally sustainable activities do not take into account the EU criteria for environmentally sustainable economic activities within the meaning of the Taxonomy Regulation.

However, in order to assess whether a company is deemed to be a sustainable investment, an assessment of factors is undertaken to establish whether a company does not cause significant harm to any environmental or social objectives, such as violations of the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights.

#### ***- How have the indicators for adverse impacts on sustainability factors been taken into account?***

The indicators for adverse impacts on sustainability factors are considered in a number of ways:

- (1) Exclusions: The Fund applies a variety of exclusions, including those related to the exclusion of coal, controversial weapons and companies which the Investment Manager deems to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption.
- (2) Material adverse sustainability impacts are considered by the investment team pre investment, and key ESG metrics monitored through the Artemis ESG dashboard (a dashboard for use by the Investment Manager and investment risk monitoring, with inputs from a number of different data sources), and reviewed and challenged at quarterly investment risk fund manager meetings.

All PAIs listed in Table 1 of Annex I of SFDR RTS are taken into account as appropriate as part of the sustainability analysis.

#### ***- How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

The Fund is excluded from buying securities issued by companies that the Investment Manager determines to be in breach of the UN Global Compact principles on human rights, labour rights, the environment and anti-corruption.

In addition there is ongoing monitoring of controversies, for example, through the quarterly investment risk fund manager meetings.



### **Does the financial product consider principal adverse impacts on sustainability factors?**

☒ Yes. The PAIs listed in Table 1 of Annex I of SFDR RTS are taken into account as appropriate and subject to data availability. The Investment Manager deems the following PAIs on sustainability factors to be most relevant to the Fund:

- Greenhouse gas (GHG) emissions divided into Scope 1, Scope 2 and Scope 3 GHG emissions (PAI 1);
- Carbon footprint (PAI 2);

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- GHG intensity of investee companies (PAI 3);
- Exposure to companies active in the fossil fuel sector (PAI 4);
- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10);
- Board gender diversity (PAI 13);
- Exposure to controversial weapons (cluster munitions, chemical weapons, biological weapons) (PAI 14).

Relevant information on principal adverse impacts on sustainability factors will also be disclosed in due course in the Fund's annual report.

Scope 1 emissions are direct GHG emissions from sources that are controlled or owned by the company.

Scope 2 emissions are its indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling.

Scope 3 emissions are indirect GHG emissions along a company's value chain.

☐ No



### What investment strategy does this financial product follow?

The Fund invests principally in equities of companies that are listed, headquartered or that exercise the predominant part of their economic activities in the USA.

The Fund is actively managed. The Investment Manager uses multiple sources of information, both to generate ideas and to assist in validating and testing candidate companies for investment. External research is also used in order to tap into knowledge already available and to look for different views. The Investment Manager carries out a significant amount of analysis of wider economic trends to understand cyclical and long-term trends and the outlook.

ESG factors are analysed alongside other factors in the upside/downside assessment of each stock. This means the Investment Manager assesses high-level ESG risks and opportunities which may influence the general market or industry, and also stock specific considerations. ESG factors are initially considered from an industry perspective and then on a company specific basis. Through the Artemis ESG dashboard the Investment Manager monitors a range of key ESG raw metrics, as well as analysis and assessments from a range of external providers.

The Investment Manager considers a number of factors to assess the environmental impact of current or potential holdings. These are assessed as part of the fundamental upside/downside analysis and include:

- carbon intensity and absolute emissions;
- targets set (short/medium/long term);
- long term ambition, for example a net zero long term target;
- company disclosure on material issues and metrics;
- a decarbonisation strategy including exposure and capital expenditure assigned to green revenues;
- governance including oversight and executive remuneration.

Inputs to undertake this assessment come from a number of different sources including company disclosures, company engagement, and data from sources such as MSCI Carbon Analytics, Climate Action 100+ and the Transition Pathway Initiative.

More detailed environmental analysis is however performed on those companies which are considered high impact as set out in the Paris Aligned Investment Initiative Net Zero Investment Framework Implementation Guide (March 2021). These are:

- companies on the Climate Action 100+ focus list
- companies in high impact sectors consistent with Transition Pathway Initiative sectors
- banks
- real estate

This includes active engagement and monitoring, both of the company but also in relation to peers. The assessment of environmental factors, as with other ESG risks and opportunities, feeds into the fundamental assessment of holdings which includes analysis of the business model, financial model, a company's management, and its valuation. The Investment Manager's time horizon on holdings does vary considerably and this is also reflected in the time spent assessing all factors related to a company.

The Investment Manager applies a process of negative screening as part of the Fund's investment strategy to automatically exclude potential investments in companies operating in certain industries, involved in certain business activities or which do not meet certain standards. Formal investment exclusions are set up into the compliance module of the Investment Manager's order management system to ensure that no investment in companies that undertake these activities can be made.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The commitment to have a minimum proportion of 15% of sustainable investments and the sector exclusions incorporated by the Fund to help avoid exposure to sectors with significant ESG risks are both binding elements to the Investment Manager. Formal exclusions are coded into the order management system. The formal exclusions are as follows: Tobacco (companies which derive more than 5% revenue from tobacco production), Weapons (companies involved in the production of controversial weapons - including cluster munitions, landmines, biological and chemical weapons - or companies which derive more than 10% revenue from conventional or nuclear weapons, related components and systems; and companies which derive more than 10% revenue from manufacture or sale of civilian firearms or ammunition), Coal (companies which derive more than 5% revenue from mining or sale of thermal coal), Companies that the Investment Manager determines to be in breach of the United Nations Global Compact principles on human rights, labour rights, the environment and anti-corruption are also excluded.

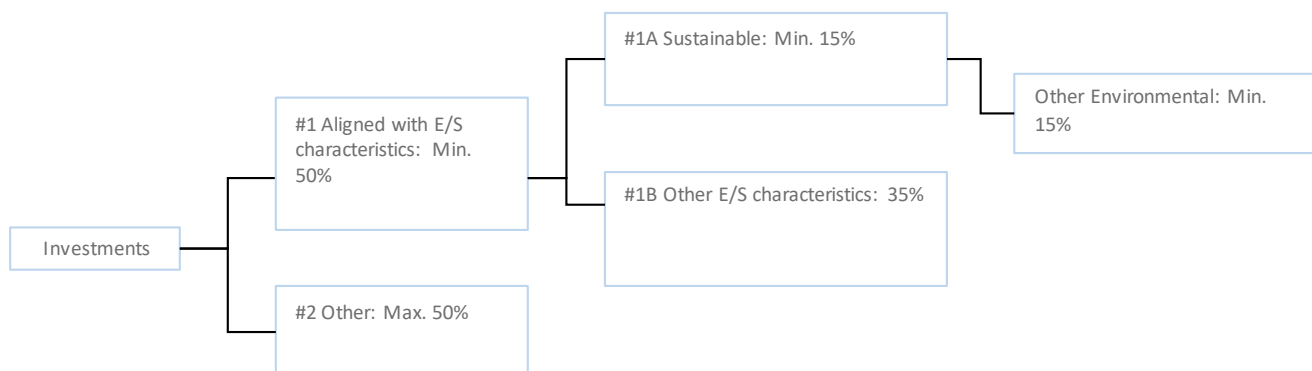
- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Whilst the exclusions stated above will reduce the scope of investments considered before the application of the investment strategy, the Fund does not commit to a minimum rate.

- **What is the policy to assess good governance practices of the investee companies?**

Corporate governance is considered for each company as part of the fundamental investment analysis. Corporate governance analysis considers shareholder rights, the authenticity and experience of the management team, independence and board diversity, executive compensation practices and ownership.

#### What asset allocation is planned for the financial product?



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments. Includes derivatives, cash and equivalent liquid positions, and any securities that do not align with the Fund's environmental or social characteristics.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

For Box #1, whilst ESG analysis is conducted on all holdings, the figure represents the percentage of the securities aligned to the environmental characteristic of investing in companies which are actively managing their carbon exposure and setting meaningful targets.

#### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Derivatives are not used to attain the environmental characteristics promoted by the Fund. Derivatives may be used for hedging and for efficient portfolio management purposes.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not have any intention to invest in Taxonomy-aligned investments (including transitional and enabling activities) but it is not excluded that this may be the case. Taxonomy alignment of this Fund's investments has therefore not been calculated and has as result been deemed to constitute zero percent of the Fund's portfolio. Information on EU Taxonomy alignment is not yet readily available from investee companies' public disclosures and third-party providers. As soon as data becomes more accurate and available, it is expected that the proportion of EU Taxonomy aligned investments will increase.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU taxonomy?**

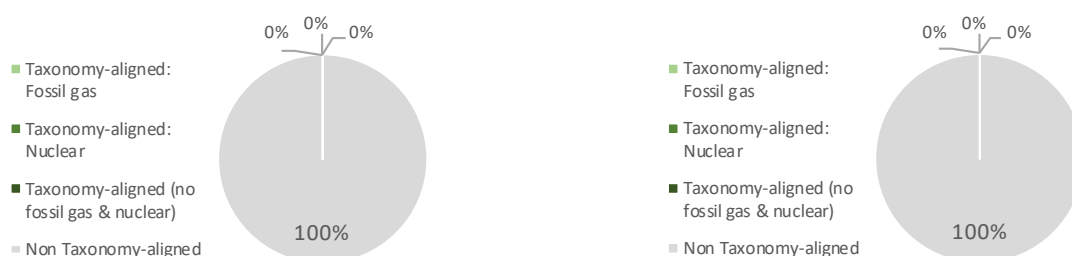
☐ Yes

☐ In fossil gas ☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

### 1. Taxonomy alignment of investments including sovereign bonds\* 2. Taxonomy alignment of investments excluding sovereign bonds\*



This graph represents 100% of the total investments.

\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- **What is the minimum share of investments in transitional and enabling activities?**

- There is no commitment to a minimum proportion of investments in transitional and enabling activities and therefore the minimum share of such investments is 0%.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum commitment to sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 15%. The Fund's investment in sustainable investments with an environmental objective may or may not be aligned with the EU Taxonomy. Information on EU Taxonomy alignment is not yet readily available from investee companies' public disclosures and third-party data providers. As soon as data becomes more accurate and available, it is expected that the proportion of EU Taxonomy aligned investments will increase.



### What is the minimum share of socially sustainable investments?

There is no commitment to a minimum proportion of socially sustainable investments and therefore the minimum share of such investments is 0%.

<sup>7</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ('climate change mitigation') and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214



### **What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

While not all investments in the portfolio can be labelled as sustainable using the methodology set out above, ESG factors are integrated into the investment process for all decisions made. The exclusions set out above are applied across the portfolio.

The “#2 Other” category is comprised of investments that do not meet the ESG factors for promoting their environmental or social characteristics or do not qualify as sustainable investments. The category may include financial derivative instruments for hedging and for efficient portfolio management purposes as well as ancillary liquid assets, bank deposits, money market instruments and money market funds on an ancillary basis in order to achieve its investment goals, for treasury purposes and in case of unfavourable market conditions. No minimum environmental or social safeguards will be in place in relation to such holdings.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

There is no reference benchmark to determine if the Fund is aligned with the promoted environmental and social characteristics.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*

Not applicable

- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*

Not applicable

- *How does the designated index differ from a relevant broad market index?*

Not applicable

- *Where can the methodology used for the calculation of the designated index be found?*

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.



### **Where can I find more product specific information online?**

More product-specific information can be found on the website:  
<https://www.artemisfunds.com/en/lux/professional/stewardship-and-esg>