



## RESPONSIBLE INVESTMENT POLICY

APRIL 2025

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## 1. INTRODUCTION

**This Policy sets out Artesian's approach to Responsible Investment. It includes Artesian's:**

1. Overall approach to Responsible Investing.
2. Specific approach to environmental, social and governance factors.
3. Our approach to stewardship, including outcome objectives.
4. Approach to exclusions.
5. Governance & oversight of implementation of ESG and compliance with this Policy.

**Artesian is committed to continuous improvement. As a key part of that, this Responsible Investment Policy is practice and our understandings and new research initiatives. We continue to reconsider and enhance our policy and processes with this objective.**

**Artesian, is a global alternative investment management firm specialising in fixed income, venture capital and impact investment strategies.**

For Artesian, Responsible Investing means incorporating into our investment process consideration of the actions and impacts on stakeholders by companies.

A fundamental cornerstone of Artesian's strategy is to build a sustainable investment platform delivering long-term performance.



Artesian believes that a proactive approach to responsible investment issues and drivers provides advantages to our business, investment performance, customers and employees. The benefits include risk mitigation, greater long-term performance and a sustainable and responsible business.

In our approach to Responsible Investment, we consider environmental, social, and corporate governance (ESG) factors fundamental to our business. Indeed, many of our investment products are grounded in the investment proposition of investing for impact.

As part of this, we access and integrate environmental, social, and governance (ESG) factors into our investment analysis and decisions. This is because of Artesian's view that ESG factors can have an impact on the financial value of an investment and that investments have impacts. As such, we see consideration of ESG factors as part of our fiduciary duty.

In addition to ESG factors being integral to our investment teams' decision-making process, it is also integral to culture. We apply ESG factors into our company practices and standards as we see it as enhancing value for our stakeholders.

**Artesian has committed to adopting and implementing the PRI's six Principles for Responsible Investment across its business and for each investment strategy.**

The Principles are not a set of prescriptive rules and are to be applied as appropriate within each asset class and investment approach. They provide a robust and widely endorsed framework through which investors can incorporate ESG issues into their decision-making and ownership practices, and as such, they inform Artesian's investment processes.

**Artesian commits to adopting and implementing the six Principles for Responsible Investment;**

**Principle 1** ▶ We will incorporate ESG issues into investment analysis and decision-making processes.

**Principle 2** ▶ We will be active owners and incorporate ESG issues into our ownership policies and practices.

**Principle 3** ▶ We will seek appropriate disclosure on ESG issues by the entities in which we invest.

**Principle 4** ▶ We will promote acceptance and implementation of the Principles within the investment industry.

**Principle 5** ▶ We will work together to enhance our effectiveness in implementing the Principles.

**Principle 6** ▶ We will each report on our activities and progress towards implementing the Principles.

**As applicable and appropriate, Artesian:**

- Believes that a cross-asset class approach to impact investment, informed by a deep understanding of cutting-edge innovation and technology, creates superior and sustainable strategic and financial returns.
- Incorporates ESG issues into its investment analysis and decision-making processes.
- Conducts active engagement on ESG issues with the companies in its investment portfolios. This is pivotal in assessing risks and opportunities, and optimising long term investment value.
- Seeks appropriate and applicable disclosure on ESG issues by companies or entities in which we have, or will, invest.
- Reports on its ESG activities and progress to investors.
- Supports the implementation of ESG practices in the investment management industry.

Artesian follows the UN PRI guidelines for responsible investment investment engagement as summarised in the table below:

VALUE CREATION DYNAMICS	INVESTORS
<b>COMMUNICATION</b> Exchanging Information	<ul style="list-style-type: none"><li>• Signaling and defining ESG expectations</li><li>• Seeking detailed and accurate corporate information</li><li>• Enhancing investor ESG communication and accountability</li></ul>
<b>LEARNING</b> Producing & Diffusing Knowledge	<ul style="list-style-type: none"><li>• Building new ESG knowledge</li><li>• Contextualising investment decisions</li><li>• Identifying and diffusing industry best practice</li></ul>
<b>POLITICAL</b> Deriving Political Benefits	<ul style="list-style-type: none"><li>• Advancing internal collaboration and ESG integration</li><li>• Meeting client expectations</li><li>• Building long-term relationships</li></ul>

ARTESIAN IS A SIGNATORY TO THE UNITED NATIONS PRINCIPLES FOR RESPONSIBLE INVESTMENT (PRI).

Our Approach to Responsible Investing

The overall approach is based on our belief that companies are increasingly being held to account for the impacts of their operations. This creates obligations, risks and opportunities as such, consideration of responsible investment criteria facilitates enhanced long-term investment assessment.

Guidelines

In framing and developing our ESG Policy and implementation, Artesian is informed by and supports;

- The PARIS Agreement
- The SDG Goals and targets
- The Task force on Climate Related Financial Disclosure

Materiality

Artesian analyses for the materiality of carbon equivalent emissions on investment valuations. This includes revenue and cost impacts and asset and liability valuations.

## RESEARCH INTEGRATION

Artesian believes that the most effective way to integrate responsible investment into an investment process over the long term is for investment teams to actively participate in the research and analysis of ESG factors and integration with other inputs into the investment process.

For this reason, we embed our ESG research into the work of our Investment Analysts, rather than employing a separate ESG research team.

## ASPECTS CONSIDERED

Artesian considers environmental, social and governance factors. This information is considered on an absolute and-relative-to-peers-basis; i.e., we seek to understand absolute and relative levels of impact and risk.

Our factor analysis prioritization and focus for each sector and company is informed by guidelines describing the default sector material risks and impacts.

## ASSET CLASS APPROACHES

Artesian's approach to Responsible Investing is applied consistently across the firm but is varied based on asset classes managed.

Artesian does not differentiate ESG practices and other practices. Responsible investment integration occurs across Artesian's investment platform but varies recognising that responsible investment integration should be specific to the asset class, capital structure, sector and geography and the investment teams' specific processes and strategies.

As a result, a sub-Responsible Policy is developed for each asset class.



**Artesian believes that analysing ESG characteristics enhances traditional credit analysis by providing a broader, enhanced understanding of the risk profile of each issuer.**

Artesian sees the scalability of credit markets as an underappreciated avenue for investors to facilitate positive change. The rise of the green bond market and the innovation of sustainability-linked bonds are prime examples of how investor demand, capital market innovation and corporations can foster positive impact, whilst improving returns with quality fixed income investments.

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**For our fixed income funds, we apply a preclusive screen for unacceptable products and practices. Investment in companies that are captured by this screen is precluded.**



We also apply a positive screen to highlight companies that are undertaking practices and activities that reflect appropriate responsible investment practices and impact reductions. A particular focus is analysis for the manner companies approach gender issues and promote gender equity.

**Our proprietary credit analysis framework integrates bottom-up ESG research to enable our portfolio managers to better assess investment opportunities.**

We then seek to determine and assess for material impacts, risks and opportunities and the manner in which these managed. This analysis and assessment is incorporated into our investment decision-making process via reports, presentations and engagement with bond issuers.

Through this portfolio construction methodology, Artesian is funding incumbents that are generating positive externalities for society – creating resilience for those firms that are striving for business models that are inclusive of all stakeholders. For investors we are aiming to reduce fat-tail risks of credit investing by incorporating responsible investment screening as part of our analysis.

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**We apply preclusive screens for unacceptable products and practices to our impact products.**

**Extending our positive screening, for our fixed income impact products, we invest in transformational and sustainable solutions to the environmental impacts, but also gender and innovation.**

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**FIXED INCOME RESPONSIBLE INVESTMENT OBJECTIVES:**

- Funding market incumbents that are generating positive externalities for society.
- Creating resilience for those firms that address the needs of society in a responsible way.
- Using credit metrics and ESG analysis/screening to fund sustainable business models to ensure investors avoid fat-tail risks.
- Funding incumbents that are striving for business models that are inclusive of all stakeholders.

**In our Venture Capital Practice, we are funding disruptors that will generate positive outcomes for society and are commercially attractive.**

**Artesian looks to identify market opportunities where ESG analysis indicate a market failure and/or industry or incumbent vulnerabilities.**

ARTESIAN ENGAGES IN COLLABORATIVE PARTNERHIPS WITH A BROAD RANGE OF PARTICIPANTS IN THE INNOVATION ECOYSYTEM



Artesian believes that innovation, with technology as a key facilitator, can have a sustainable deflationary effect on the cost of infrastructure required to address critical social and environmental issues.

Artesian scales its responsible investment activities by building collaborative partnerships, with innovation ecosystem participants with domain expertise, including government organisations, corporations and industry groups, universities & research institutes, accelerators, and incubators to achieve sustainable outcomes at scale.

**ARTESIAN'S VENTURE CAPITAL RESPONSIBLE INVESTMENT OBJECTIVES:**

- Funding disruptors that will generate positive outcomes for society that are also commercially attractive.
- Identifying market opportunities where Environmental, Social and Governance (ESG) analysis indicate a market failure and/or industry or incumbent vulnerabilities.
- Creating more inclusive business models as a competitive edge against incumbents.
- Design companies that generate positive externalities for society.
- Use technology to bring down barriers to catalyse positive change.

Artesian believes that engagement with companies in our investment portfolios and those in which we consider investment is critical. Active engagement over responsible investment is an extension of the process of engagement over all company matters that we consider may affect the investment proposition and valuation we seek.

### ENGAGEMENT STRATEGY

Engagement with the companies in which we invest, or are considering an investment, is an appropriate and important mechanism to communicate our perspectives, objectives, and obligations as a responsible investor. It also helps us better understand the ESG considerations and broader perspectives and drivers of the security issuers in which we seek to invest.

More specifically, we seek to understand each company's understanding of its ESG impacts and risks and the rationale and process for management of these, whilst also signalling that of Artesian. We use this to arm us with a fuller, more broadly informed perspective.

### The criteria for Artesian's engagement is based on several factors:

- Contravention of or concern regarding potential breach of our defined unacceptable practices or policies (negative screens)
- Assessed material impacts both from and to a company and the nature and extent of efforts to mitigate these.
- Transparency - the level and nature of reporting of ESG issues and commitment to these.

We pursue engagement when we have concerns over issues, including incidents, actions or inaction, and level and quality of reporting which may affect our investment proposition and valuation.

Engagement in response to controversies or incidents is ad hoc. Our engagement following assessed material impacts and transparency is based on a determination and ranking based on materiality of impact and reporting levels.



### IMPACT REDUCTION

As Responsible Investors, we also apply engagement to highlight our commitment to assist companies to pursue impact reduction in their operations and/or those of its products and services. We signal our commitment to quantification of engagement outcomes.

### PROCESS

As the initial step in our Engagement Program, we seek each company's view of our ESG analysis and assessment, through sharing our analysis and seeking confirmation or correction of facts and feedback on our analysis.

Our internally developed Artesian ESG Assessment is provided to companies where we seek feedback and clarification of our understandings. Issues and aspects of concern, as set out in our Assessment, are highlighted and proposed for discussion.

Artesian does not currently participate in collaborative engagement. In addition to our periodic assessment-based engagement, we engage with investee companies in response to issues or controversies that we believe may affect our understanding of a company's responsible investment status.

### COLLABORATIVE ENGAGEMENT

Artesian recognizes the relevance, effectiveness and efficiency of collaborative engagement. Currently, our focus is on prioritizing and pursuing those issues most material to Artesian's investment proposition and valuation. Inevitably this is most effectively done singularly.

Nevertheless, Artesian actively monitors collaborative engagement – to assess when issues arise that are relevant to our engagement strategy and ambitions. We are also considering processes that enable other stakeholders to be aware of and join Artesian in our engagement initiatives

For our fixed income funds, specifically when analyzing labelled bonds and their Use of Proceeds, ensuring they are as disclosed and the reporting of impact reduction arising from these activities is core to our research. We actively engage with issuers when seeking further clarification on ESG specific queries which come up during our investment research.

Whilst Artesian does not currently participate in collaborative engagement, we are committed to pursuing collective opportunities which reflect shareholder and stakeholder concerns.

**As part of Artesian's commitment to ensure policy implementation in an aligned and consistent way, whilst acknowledging the different implementation aspects across different asset classes and service provision, an ESG Committee and an ESG Thought Leadership Team have been established.**

Artesian has established an ESG Committee as the primary oversight and governance entity for ESG implementation. The ESG Committee is responsible for oversight of implementation of and compliance with Artesian's responsible investment policy across asset classes in which we invest.

**It sets strategy, reviews investment process and provides direction and leadership regarding:**

- Firm wide commitment to continual improvement of ESG expertise, knowledge and practices.
- Greater ESG integration in investment processes and research activities.
- Broader community engagement, including thought leadership, on-going education, participation in conferences and an active role guiding investee companies and market initiatives.

**The Committee meets quarterly to review responsible investment policy adherence across Artesian's debt and venture capital funds.**



## 5.2 ESG OVERSIGHT & GOVERNANCE

At Artesian, all shareholders are active in the business alongside management and staff and the managing partners have determined that an ESG Committee, comprised of staff from across the organisation and reflecting a range of responsibilities and perspectives, is the most appropriate and effective structure to oversight ESG implementation and monitor compliance with the ESG Policy and its continuous improvement.

The Committee is chaired by the Head of ESG Investing, John McCartney (CFA, ESG Certified), and meets quarterly.

