

# CARMIGNAC OUTCOMES POLICY

31/12/2020

## DEFINITION

'All actions of investors- investment decisions and use of tools of influence – shape positive and negative outcomes in the world' <sup>1</sup>.

The UN PRI proposes that investors are connected to outcomes in three ways. These are outcomes that an investor:

1. **has caused** – through its own business activities, including effects on employees
2. **has contributed to** – through a business relationship or investment activity (actions or omissions) that induces or facilitates an outcome from an investee company or project;
3. **is directly linked to** – through the activities, products or services of an investee company or project.

Outcomes can be identified at asset, economic activity, company, sector, country or region level.

## OUR APPROACH

Our approach can be broken down into the UN PRI's three outcomes categories:

1) Outcomes that we have CAUSED:

Carmignac measures its own annual carbon emissions, at a corporate operational level, through a granular study of its footprint as defined in the GHG protocol of Scope 1 and 2 and its business travel and IT services within Scope 3. It is aided by a climate consultant and the use of their carbon calculator tool. Measuring carbon emissions is a start to understanding where these emissions can be reduced which is one of the benefits of this exercise. A carbon offsetting project ensues, for the emissions created, on an annual basis. The link between carbon emissions and climate change, which has harmful outcomes for society and the environment, is considered to be indisputable. Thus, as a result of these activities, we are reducing our harmful environmental outcomes.

Carmignac has shaped its human capital policies to reflect its duty towards its employees and its mission as a responsible employer. Empowerment is key to job satisfaction and productivity, team skills are developed, training pursued, and the means necessary are provided for an efficient workplace. Aside from bi-annual evaluations and setting of objectives, Carmignac engages formally with its employees every 2 years to understand what their views are in regards to the organization, and their

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<sup>1</sup> UN PRI, 2020

relationship with the organization, judging criteria of values, services to clients, goals and objectives and communication, to name key areas of the survey. Specific action plans are derived from the survey seeking to improve its policies towards its employees. In 2020, the Carmignac employee engagement score rose to 90% from 85% in 2018.

Carmignac's main focus when hiring talent is to seek maximum efficiency, which we believe is optimised by colleague diversity. Two thirds of total assets are co-managed by women, with 27 nationalities forming up our company of less than 300 people<sup>2</sup>. By having such diversity in our teams, Carmignac contributes to positive societal outcomes.

2) Outcomes that we have CONTRIBUTED to:

Our active approach to stock picking includes exclusions through which we avoid companies that we believe have negative outcomes on society and the environment. These include norms-based violations, such as companies that have been deemed to violate the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as examples.

We also monitor carbon emissions on a monthly or annual basis for the equities and fixed income investment portfolio for 56% of our total AUM (80% of our total portfolios)<sup>3</sup>. We employ carbon reduction targets for several of our Funds<sup>4</sup>, and also use a digressive carbon emission threshold to guide us in our power generators investments in our portfolio. This prohibits investment in power generators that violate necessary CO2 intensity thresholds to keep the global temperature rise to below 2 degrees above pre-industrial levels, in line with the Paris Climate Agreement, unless they have ambitious targets to realign towards the Paris Climate Agreement. Lastly, Carmignac has implemented a coal exit strategy for all coal-related companies: thermal coal miners and power generators alike.

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<sup>2</sup>For more information please see: [https://www.carmignac.co.uk/en\\_GB/about-us/efficiency-diversity-3477](https://www.carmignac.co.uk/en_GB/about-us/efficiency-diversity-3477)

<sup>3</sup> SRI Fund carbon emissions reported on a monthly basis, remaining strategies on an annual basis. Data correct as of the 31<sup>st</sup> December 2020. For more information please see our Climate Policy and Carbon Report: [https://www.carmignac.co.uk/en\\_GB/responsible-investment/template-hub-policies-reports-4528](https://www.carmignac.co.uk/en_GB/responsible-investment/template-hub-policies-reports-4528)

<sup>4</sup> Funds including: Carmignac Portfolio Grande Europe, Carbon Portfolio Patrimoine Europe, Carmignac Euro Entrepreneurs, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac China New Economy, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed.

Many of our SRI Funds<sup>5</sup> are also accredited with the the Belgian Towards Sustainability label, which stipulates that these funds shall not finance UN Global Compact violations, all weapons, tobacco, coal or unconventional oil & gas, as well as restrictions on conventional oil and gas extractors as these are activities that can be linked to harmful outcomes on society and the environment.

Specific outcomes' themes are a particular focus for our Fund Carmignac Portfolio Green Gold, categorized as an Article 9 fund as set out by the EU Sustainable Finance Disclosure Regulation, with a sustainable objective to invest in Taxonomy standard companies. Investments are made in low carbon solutions such as renewables, in companies that are enabling green supply chains to operate and companies that are strongly transitioning to cleaner energy sources. Also, climate related outcomes themes are within the mandates of other funds<sup>6</sup> given their environmental and social characteristics as defined by the Article 8 categorization (SFDR EU 2019./2088). This means that we seek out, engage with, and invest in companies that are contributing to socially and environmentally positive solutions.

Our engagement with corporates is structured in order to induce positive outcomes. We have a structured engagement programme, which relates to 5 key themes: ESG risk related; Thematic; Impact; Controversial Behaviours, and Proxy Voting Decisions. Please refer to our Shareholder Engagement Policy for more information<sup>7</sup>.

### 3) Outcomes that we are DIRECTLY LINKED TO:

We measure the outcomes associated with our investments by using each company's % of revenues associated with environmental good & harm, and social good & harm, for a subset of our fund range. For our measurement methodology, please see below. The percentage revenues figures are integrated into our investment process via START<sup>8</sup>, our proprietary rating system, for use by our Analysts and

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<sup>5</sup> Carmignac Portfolio Grande Europe, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed.

<sup>6</sup> Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe, Carmignac Euro Entrepreneurs, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Emerging Patrimoine, Carmignac China New Economy, Carmignac Portfolio China New Economy, Carmignac Grandchildren, Carmignac Family Governed, Carmignac Court Terme

<sup>7</sup> Please see: [www.carmignac.com/en\\_GB/responsible-investment/template-hub-policies-reports-4528](http://www.carmignac.com/en_GB/responsible-investment/template-hub-policies-reports-4528)

<sup>8</sup> The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

Portfolio Managers. We also report on these outcomes, as part of our Fund Sustainability Quarterly Report, which is available in the fund webpages and also the Responsible Investment website<sup>9</sup>.

## DIRECTLY-LINKED OUTCOMES MEASUREMENT METHODOLOGY

We assess the positive and negative outcomes associated with the business activities of the companies we invest in through many of our SRI and ESG thematic funds<sup>10</sup>. We group these outcomes into four groups ('Environmental Good', 'Social Good', 'Environmental Harm' and 'Social Harm'), and also according to the UN's Sustainable Development Goals (SDGs)<sup>11</sup>. We do this by using data provider, Impact Cubed, and their proprietary industry classification system to identify companies' products and services that contribute both positively and negatively to society and the environment. Impact Cubed considers around 10% of all products and services to be environmentally or socially beneficial, 10% as environmentally or socially harmful, and 80% as neutral (neither beneficial or harmful). Once a business activity is determined to cause social/ environmental good or harm, it is then mapped to the UN's Sustainable Development Goals according to the underlying targets and indicators. A geographic component is considered for activities which would imply a positive score only in a limited number of countries; for example, access to telecommunications is a specific sub-category in the SDGs, but companies providing such services would only positively contribute to the SDGs if they operate in a country with limited existing services.

*Please find below examples of business activities for the four environmental/ social good and harm:*

<b>Factor</b>	<b>Business activities</b>
Environmental good	Environmentally beneficial products such as i.e. clean technologies (wind turbines, solar panels, water purification, waste management and electric vehicles).
Social good	Socially beneficial products i.e. education, healthcare and access to financial services.
Environmental harm	Environmentally harmful products such as coal mining, coal-based power generation and factory farming
Social harm	Socially harmful products such as tobacco, alcohol, junk food and weapons

For more information, please refer to our website: [https://www.carmignac.co.uk/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.co.uk/en_GB/responsible-investment/in-practice-4744)

<sup>9</sup> Please see: [www.carmignac.com/en\\_GB/responsible-investment/template-hub-sri-thematic-funds-4526](https://www.carmignac.com/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526)

<sup>10</sup> Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed, Carmignac Portfolio Green Gold, Carmignac Portfolio Grande Europe, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Emerging Patrimoine, Carmignac Portfolio Patrimoine Europe, Carmignac Euro-Entrepreneurs

<sup>11</sup> For more information please see: <https://sdgs.un.org/goals>

Finally, in the global measurement of a portfolio, for ‘environmental good’ and ‘social good’, a Fund scores better when including companies with revenues from ‘positive products’. For ‘avoiding environmental harm’ and ‘avoiding social harm’, a Fund scores better when avoiding companies with revenues from ‘negative products’.

## **GOVERNANCE**

Senior Management and the Stewardship Director have implemented policies to measure and mitigate climate related outcomes that have been caused directly from Carmignac’s operational activities. The Responsible Investment team are responsible for setting out the framework through which we control the outcomes we contribute to, as well as presenting outcomes related data through our rating system, START. Finally, the Portfolio Managers and Analysts are responsible for integrating investment outcomes that we are directly linked to into their analysis, with the support of the ESG analysts.

### **GOVERNANCE STRUCTURE**

Good governance practices ensure the consistency and the sustainability of the company strategy, designing the best framework to serve investors’ interest. Please find more information on our internal governance in our website<sup>12</sup>.

Carmignac is a family owned company, it ensures an entrepreneurial approach and common alignment with investors. The Board which meets periodically and is composed of six experienced external and independent members as well as 4 senior executives of Carmignac including the founder Chairman, which has created a diverse and inclusive culture.

Internally, Stewardship ultimate responsibilities activities are shared at the CIO level, headed by Edouard Carmignac, as well as the Responsible Investment team, which reports to Maxime Carmignac - Managing Director of Carmignac UK. Maxime Carmignac leads the Sustainability policy at the board level and for company level decisions on Climate policies, risks and goals, as well as the Remuneration committee. In addition, at an operational level, a Responsible Investment Governance group, composed of Maxime Carmignac, the Stewardship Director, Sandra Crowl, the senior heads of the

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<sup>12</sup> Please see: [www.carmignac.com/en\\_GB/about-us/governance-424](http://www.carmignac.com/en_GB/about-us/governance-424)

portfolio management teams, the Head Global Head of Compliance , the CFO, and other senior heads of relevant departments approve significant decisions of the ESG Operational Committee.

The role of the Stewardship Director is to lead the Responsible Investment team (four people) on a day to day basis, oversee the implementation of the responsible investment process and practices, ESG integration, exclusions and engagement, investor communication, fund labelling process, affiliations, industry thought leadership and product innovation.

## REPORTING

Outcomes relating to products and services of our investments are reported as part of our **Fund Sustainability Quarterly Report**. The report is produced on a quarterly basis for a range of our SRI and ESG Thematic Funds<sup>13</sup>. This can be found in the Documents section on each Fund's page, as well as under *The Funds* tab of our Responsible Investment webpage.

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<sup>13</sup> Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed, Carmignac Portfolio Green Gold, Carmignac Portfolio Grande Europe, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Emerging Patrimoine, Carmignac Portfolio Patrimoine Europe, Carmignac Euro-Entrepreneurs

[www.carmignac.com](http://www.carmignac.com) or upon request to the Management Company. The KIID must be made available to the subscriber prior to subscription. ● **Switzerland:** The Funds' respective prospectuses, KIIDs and annual reports are available at [www.carmignac.ch](http://www.carmignac.ch), or through our representative in Switzerland, CACEIS (Switzerland) S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. ● **United Kingdom:** The Funds' respective prospectuses, KIIDs and annual reports are available at [www.carmignac.co.uk](http://www.carmignac.co.uk), or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This material was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013).

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