Pre-contractual disclosure for the financial products referred to in Article 8(1), (2) and (2a), of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: CARMIGNAC SÉCURITÉ **Legal entity identifier:** 969500EBHL0T9UB25E97

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: _%**	☒ 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 <u>10%</u> of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective: ___%**	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

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

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The fund applies a "best-in-universe" approach (identifying companies whose activities are sustainable) and a "best-efforts" approach (consisting in favouring issuers that exhibit an improvement or strong prospects in terms of ESG practices and performance over time) in order to invest sustainably: 1) ESG integration, 2) negative screening, 3) positive screening, 4) active stewardship to promote environmental and social characteristics, and 5) monitoring of principal adverse impacts – PAI).

The "positive screening" pillar entails at least 10% of the fund's net assets being invested in sustainable investments. Sustainable investments are defined as:
1) Bonds such as green, social or sustainable bonds issued by public or corporate issuers, and bonds linked to sustainable development ("sustainability-linked bonds"); or
2) Bonds issued by companies aligned with the United Nations Sustainable Development Goals taken into consideration by the management company. To find out more about the United Nations sustainable development goals, please visit https://sdgs.un.org/goals.

The fund does not have a reference indicator for sustainability in order to measure the fund's ESG performance.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

This fund uses sustainability indicators to measure the attainment of each of the environmental or social characteristics it promotes:

1) **Coverage rate of ESG analysis:** ESG integration, through ESG rating via Carmignac's proprietary "START" (System for Tracking and Analysis of a Responsible Trajectory) platform, which includes in-house and external ESG scores, is applied to at least 90% of securities (excluding cash and derivatives).

   START is a systematised platform that aggregates multiple sources of raw ESG data for use in Carmignac's proprietary rating systems for companies, ESG sovereign debt model, controversy analysis and alignment with the United Nations Sustainable Development Goals. START rates companies from "E" to "A". The table below indicates the relationship between numeric scores and the START rating:

MSCI lower limit		START rating		MSCI upper limit
8	≤	A	≤	10
6	≤	B	<	8
4	≤	C	<	6
2	≤	D	<	4
0	≤	E	<	2

2) **Reduction of the investment universe**: The fund's investment universe is made up of the ICE BofA Global Corporate, ICE BofA Global High Yield and ICE BofA Emerging Markets Corporate Plus indices. This represents around 2,500 issuers (excluding sovereign and quasi-sovereign issuers). This investment universe is reduced by a minimum of 20% by applying the exclusions set out below.
   a. **Exclusions at management company level:** unsustainable activities and practices are identified using an approach based on international standards and rules in the following areas: (a) controversies concerning the OECD Guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.
   b. **Negative screening specific to the fund:** bond portfolio positions with a global START score of "D" or "E" (on a rating scale from "E" to "A") are excluded from the fund's investment universe. Issuers with a START score of "E" (on a rating scale from "E" to "A") on environmental or social pillars are excluded from the fund's investment universe. Issuers with a global MSCI rating of "CCC" or "B" (on a scale

from “C” to “AAA”) are excluded from the fund’s investment universe. Issuers with a global MSCI rating of “CCC” or “B” (rating of “E” to “A”) may re-enter the fund's investment universe if they have a START rating of “C” or higher.

Before the investment universe is reduced as described above, the equity and corporate bond universes are reweighted to eliminate any biases that could result in significant differences between the composition of the indices constituting these universes and that of the fund’s portfolio. Each issuer is reweighted using the fund’s historical weightings by sector, geographical region (emerging markets/developed markets) and capitalisation (small/mid/large), with authorised deviation of +/-5% for each of these characteristics. The weightings used are calculated annually whereas the universe components and the ESG data used to reduce the universe are updated quarterly. The reweighting is carried out using the fund’s average historical weightings, observed over the past two years (corresponding to the recommended investment horizon).

3) **Positive screening (responsible investment):** at least 10% of the fund’s net assets are invested in (i) green bonds, social or sustainable bonds issued by public or corporate issuers, and bonds linked to sustainable development (“sustainability-linked bonds”), or (ii) bonds issued by companies considered as being aligned with the United Nations Sustainable Development Goals (as listed below). The minimum levels of sustainable investments with environmental and social objectives are 1% and 3% of the fund’s net assets, respectively.

   An investment/issuer is aligned when at least one of the following three thresholds is reached:

   a. **Goods and services:** at least 50% of their revenue derives from goods or services linked to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or
   b. **Capital expenditure (CapEx):** at least 30% of capital expenditure is on business activities related to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or
   c. **Operations**:
      i. The issuer is given “aligned” status, in terms of operational alignment, for at least three of the 17 United Nations Sustainable Development Goals, determined on the basis of evidence provided by the issuer regarding its policies, practices and objectives in line with these Sustainable Development Goals. “Aligned” status corresponds to an operational alignment score higher than or equal to +2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company; and
      ii. The issuer has not been given “non-aligned” status, for operational alignment, with any of the 17 United Nations Sustainable Development Goals. “Non-aligned” status corresponds to an operational alignment score of below or equal to -2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company.

These thresholds represent significant commitment from the issuer with respect to its contribution. To find out more about the United Nations sustainable development goals, please visit https://sdgs.un.org/goals.

Additional information on methodology:

First of all, in order to determine which companies are aligned **in terms of goods and services and CapEx,** the management company has identified a robust company classification system and mapped 1,700 different business activities. Furthermore, the management company uses the “SDG Compass”, a resource created by the GRI (“Global Reporting Initiative”), the United Nations Global Compact and the World Business Council for Sustainable Development, to identify the business activities that contribute to each Sustainable Development Goal. Carmignac has also created “investable themes” corresponding to business activities. The management company filters each business activity in the classification system on the basis of these themes, sorting the relevant business activities into Carmignac’s “investable themes” and using sustainable development goal targets to verify their suitability. This approach has been reviewed by members of the Responsible Investment teams.

Then, to determine which issuers are aligned **for Operations**, the management company uses an external rating methodology to create an indicative operational alignment filter. Each issuer is assessed on each of the 17 United Nations Sustainable Development Goals and its performance is rated on a scale of -10 to +10 for each of these Sustainable Development Goals. To calculate this score, for each Sustainable Development Goal there are (1) positive indicators linked to policies, initiatives and objectives with specific key performance indicators, which result in positive additions to the score, (2) negative indicators linked to controversies or adverse impacts, which result in subtractions from the score, and (3) performance indicators which assess the trajectory of the issuer's performance and which can increase or reduce the score. The three assessments mentioned above are combined into a final score for each Sustainable Development Goal on the scale of -10 to +10 mentioned above. This means that each issuer receives 17 scores, one for each Sustainable Development Goal, ranging from -10 to +10.

The above rating scale is subdivided into five result categories:

- Score above 5.0: strongly aligned;
- Score between 2.0 and 5.0 (inclusive): aligned;
- Score below 2.0 and above -2.0: neutral;
- Score below or equal to -2.0 and higher than -10: non-aligned;
- Score of -10: strongly non-aligned.

Once the alignment threshold is reached for goods and services, Capex and/or operations, the total weight of that holding is considered aligned.

4) **Active stewardship for bondholders:** companies’ environmental and social engagement efforts leading to an improvement in companies’ sustainable development policies are measured using the following indicators: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting rate and (d) participation in shareholder (or bondholder) meetings.

5) **Principal adverse impacts - PAI: Moreover, as regards monitoring** principal adverse impacts, and in accordance with Annex 1 to Commission Delegated Regulation (EU) 2022/1288, the fund monitors 16 mandatory environmental and social indicators, and 2 optional indicators to demonstrate the impact of sustainable investments with respect to these indicators: greenhouse gas (GHG) emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector, activities negatively affecting biodiversity-sensitive areas, emissions to water, hazardous waste and radioactive waste ratio, water usage and

recycling (optional choice), violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons, excessive pay ratio (optional choice). Sovereign issuers are monitored for violations of social norms with respect to their GHG intensity.

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 fund invests at least 10% of its net assets in green, social or sustainable bonds, or sustainability-linked bonds, as well as in bonds issued by companies aligned with the United Nations Sustainable Development Goals.

As mentioned above, an investment/issuer is aligned when at least one of the following three thresholds is reached:

i. **Goods and services:** at least 50% of their revenue derives from goods or services linked to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or

ii. **Capital expenditure (CapEx):** at least 30% of capital expenditure is on business activities related to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or

iii. **Operations**:
   a. The issuer is given “aligned” status, in terms of operational alignment, for at least three of the 17 United Nations Sustainable Development Goals, determined on the basis of evidence provided by the issuer regarding its policies, practices and objectives in line with these Sustainable Development Goals. “Aligned” status corresponds to an operational alignment score higher than or equal to +2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company; and
   b. The issuer has not been given the status of secular “non-aligned”, in terms of operational alignment, with any of the 17 United Nations Sustainable Development Goals. “Non-aligned” status corresponds to an operational alignment score of below or equal to -2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company.

These thresholds represent significant commitment from the issuer with respect to its contribution. To find out more about the United Nations sustainable development goals, please visit https://sdgs.un.org/goals.

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?

The management company uses the following mechanisms to ensure that sustainable investments do not cause significant harm to any environmental or social sustainable investment objective:

1) **Reduction of the investment universe:** The fund's investment universe is made up of the ICE BofA Global Corporate, ICE BofA Global High Yield and ICE BofA Emerging Markets Corporate Plus indices. This represents around 2,500 issuers (excluding sovereign and quasi-sovereign issuers). This investment universe is reduced by a minimum of 20% by applying the exclusions set out below.
   i) **Exclusions at management company level:** unsustainable activities and practices are identified using an approach based on international standards and rules in the following areas: (a) controversies concerning the OECD Guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.
   ii) **Negative screening specific to the fund:** bond portfolio positions with a global START score of "D" or "E" (on a rating scale from "E" to "A") are excluded from the fund's investment universe. Issuers with a START score of "E" (on a rating scale from "E" to "A") on environmental or social pillars are excluded from the fund's investment universe. Issuers with a global MSCI rating of "CCC" or "B" (on a scale from "C" to "AAA") are excluded from the fund's investment universe. Issuers with a global MSCI rating of "CCC" or "B" (rating of "E" to "A") may re-enter the fund's investment universe if they have a START rating of "C" or higher.

2) **Active stewardship for bondholders:** ESG engagement efforts with companies, contributing to a heightened awareness and improvement in companies' sustainable development policies are measured using the following indicators: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting rate and (d) participation in shareholder or bondholder meetings.

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

Indicators for adverse impacts are monitored on a quarterly basis. Adverse impacts are identified based on severity. After discussion with the investment team concerned, a plan of action including an execution schedule is drawn up.

In general, dialogue with the company is the preferred plan of action in order to influence the mitigation of adverse impacts by the company concerned. In such cases, engagement with the company is included in Carmignac's quarterly engagement plan, in accordance with Carmignac's engagement policy. Divestment may be an option, with an exit strategy determined in advance within the limits of this policy.

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 management company applies a screening process for controversies regarding the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights to all of the fund's investments.

The management company acts in accordance with the principles of the United Nations Global Compact (UNGC), the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and the Organisation for Economic Cooperation and Development (OECD) guidelines allowing multinational enterprises to assess the standards applicable to them, including, but not limited to, violations of human rights, employment law and standard practices relating to climate.

The fund applies a controversy screening process to all its investments. Companies implicated in major controversies regarding the environment, human rights and international employment law, among other infractions, are excluded. The screening process identifies controversies on the basis of the OECD Guidelines for Multinational Enterprises and the principles of the United Nations Global Compact. This is generally referred to as “standards-based screening” and it includes restrictive screening controlled and measured using Carmignac’s proprietary ESG system “START”. Company controversies are researched and rated using data extracted from the ISS ESG database.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

‘The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider principal adverse impacts on sustainability factors?

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.

☒ **Yes**, the management company is committed to applying the regulatory technical standards (RTS) referred to in Annex 1 of Delegated Regulation (EU) 2022/1288, which define 16 mandatory environmental and social indicators, and two optional indicators to demonstrate the impact of sustainable investments with respect to these indicators: greenhouse gas (GHG) emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, share of non-renewable energy consumption and production, energy consumption intensity per high impact climate sector, activities negatively affecting biodiversity-sensitive areas, emissions to water, hazardous waste and radioactive waste ratio, water usage and recycling (optional choice), violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons, excessive pay ratio (optional choice). Sovereign issuers are monitored for violations of social norms with respect to their GHG intensity.

The principal adverse impacts of investment decisions on sustainability factors are set out in the PAI Integration Policy on the management company's website. This information is disclosed in the annual reports.

☐ No

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

What investment strategy does this financial product follow?

The Fund aims to outperform the reference indicator by exposing the portfolio to interest rates in the Eurozone and, occasionally, to interest rates outside the Eurozone, and by exposing the portfolio to international credit markets through investments in debt securities or money market instruments issued by international governments and corporations, or through derivatives. The Fund is free to vary its foreign exchange market exposure within the limit of 10% of the net assets.

The fund invests at least 10% of its net assets in green, social or sustainable bonds, or sustainability-linked bonds, as well as in bonds issued by companies aligned with the United Nations Sustainable Development Goals taken into consideration by the management company. The minimum levels of sustainable investments with environmental and social objectives are 1% and 3% of the fund's net assets, respectively.

An investment/issuer is aligned when at least one of the following three thresholds is reached:

i. **Goods and services:** at least 50% of their revenue derives from goods or services linked to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or

ii. **Capital expenditure (CapEx):** at least 30% of capital expenditure is on business activities related to at least one of the following nine United Nations Sustainable Development Goals, out of 17: (1) No poverty, (2) Zero hunger, (3) Good health and well-being, (4) Quality education, (6) Clean water and sanitation, (7) Affordable and clean energy, (9) Industry, innovation and infrastructure, (11) Sustainable cities and communities and (12) Responsible consumption and production; or

iii. **Operations**:
   a. The issuer is given "aligned" status, in terms of operational alignment, for at least three of the 17 United Nations Sustainable Development Goals, determined on the basis of evidence provided by the issuer regarding its policies, practices and objectives in line with these Sustainable Development Goals. "Aligned" status corresponds to an operational alignment score higher than or equal to +2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company; and
   b. The issuer has not been given the status of secular "non-aligned", in terms of operational alignment, with any of the 17 United Nations Sustainable Development Goals. "Non-aligned" status corresponds to an operational alignment score of below or equal to -2 (on a scale from -10 to +10), as determined by the external rating provider selected by the management company.

These thresholds represent significant commitment from the issuer with respect to its contribution. To find out more about the United Nations sustainable development goals, please visit https://sdgs.un.org/goals.

The investment universe is assessed in light of the ESG risks and opportunities recorded in Carmignac's proprietary ESG platform, START. Environmental, social and governance analysis is integrated into the investment process implemented by the investment team using proprietary and external research.

Non-financial analysis is applied as part of the investment strategy through the following processes, which actively reduce the fund's equity and corporate bond investment universe.

Reduction of the investment universe:

i) **Exclusions at management company level:** unsustainable activities and practices are identified using an approach based on international standards and rules in the following areas: (a) controversies concerning the OECD Guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.

ii) **Negative screening specific to the fund:** bond portfolio positions with a global START score of “D” or “E” (on a rating scale from “E” to “A”) are excluded from the fund's investment universe. Issuers with a START score of “E” (on a rating scale from “E” to “A”) on environmental or social pillars are excluded from the fund's investment universe. Issuers with a global MSCI rating of “CCC” or “B” (on a scale from “C” to “AAA”) are excluded from the fund’s investment universe. Issuers with a global MSCI rating of “CCC” or “B” (rating of “E” to “A”) may re-enter the fund's investment universe if they have a START rating of “C” or higher.

Active stewardship for bondholders: ESG engagement efforts with companies, contributing to a heightened awareness and improvement in companies’ sustainable development policies are measured using the following indicators: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting rate and (d) participation in shareholder or bondholder meetings.

The portfolio’s climate targets: The fund aims to reduce greenhouse gas emissions (GHG) by 50% in 2030 and 70% in 2040, and to achieve net zero by 2050. To monitor this target, the fund uses an aggregation of the emissions financed by each individual company, calculated using the following formula: (market value of the investment / value of the company including cash) x (Scope 1 GHG emissions + Scope 2 GHG emissions).
The reference year for the portfolio’s climate targets is 2018. The fund’s chosen methodology may depend on the establishment of adequate regulatory incentives by governments, on consumer behaviour (i.e. favouring the most suitable options), and on technological innovation to deliver affordable and scalable solutions to reduce greenhouse gas emissions.

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 binding elements of the investment strategy used to select investments, and to attain each of the environmental or social characteristics promoted by this financial product, are:

1) At least 10% of the fund’s net assets are invested in green, social or sustainable bonds, or sustainability-linked bonds, as well as in bonds issued by companies aligned with the Sustainable Development Goals taken into consideration by the management company.
2) The minimum levels of sustainable investments with environmental and social objectives are 1% and 3% of the fund’s net assets, respectively.
3) The investment universe is actively reduced.
4) ESG analysis is applied to at least 90% of securities.

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

The committed minimum rate to reduce the investment universe is 20% of net assets.

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

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

To assess good governance practices, the fund uses Carmignac’s proprietary ESG system (“START”), which collates automated key indicators on governance for over 7,000 companies, including: 1) percentage of independent members of the audit committee, average term of office for members of the board of directors, gender diversity on the board of directors, size of the board of directors, independence of the remuneration committee as regards sound management structures, and 2) director remuneration, sustainability incentives for directors, and the highest remuneration in terms of staff remuneration. Human resources are covered by Carmignac’s “S” indicators (in particular staff satisfaction, the gender pay gap and staff turnover) within “START”.

As regards tax, the fund recognises the companies in its investment universe that adhere to the OECD Guidelines for Multinational Enterprises on tax matters and encourages transparency where necessary.

Furthermore, as a signatory to the Principles for Responsible Investment (“PRI”), the management company expects the companies in which the fund invests to:

1) Publish a comprehensive tax policy describing the company’s approach to tax responsibility;
2) Report on their tax governance and risk management processes to the competent authorities; and
3) File appropriate returns in each of the countries in which they operate (country-by-country reporting, “CBCR”).

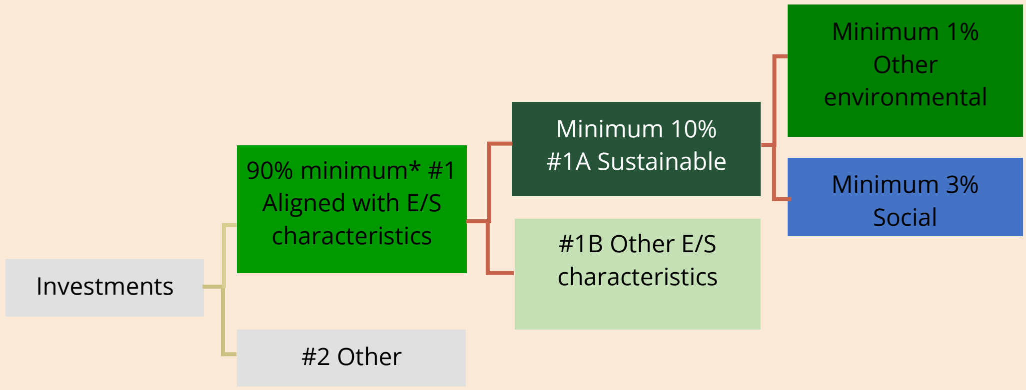
These considerations inform the management company’s actions with respect to companies and its votes in favour of greater transparency, for example via support for shareholder resolutions.

As regards sovereign issuers, the following governance criteria are assessed: ease of doing business, tax positioning, debt ratio expressed per year of tax receipts, current account balance and economic freedom.

What is the asset allocation planned for this financial product?

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.



* Coverage rate of ESG analysis

#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.
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 environmental or social characteristics that do not qualify as sustainable investments.

At least 90% of the fund's investments are intended to attain the environmental or social characteristics it promotes, in accordance with the binding elements of the investment strategy.

The fund invests at least 10% of its net assets in green, social or sustainable bonds, or sustainability-linked bonds, as well as in bonds issued by companies that positively align with the United Nations Sustainable Development Goals. The minimum levels of sustainable investments with environmental and social objectives are 1% and 3% of the fund's net assets, respectively. As well as making sustainable investments accounting for at least 10% of the net assets, the fund may target companies whose goods and services, Capex and operations are not aligned with the Sustainable Development Goals taken into consideration.

In addition to cash and derivatives (which may be used for the purposes of efficient portfolio management and/or hedging and/or exposure, as applicable), this category includes investments in corporate bonds or in sovereign bonds that are not classed as sustainable investments. Such investments are carried out in strict compliance with the fund's investment strategy and in order to implement the fund's investment strategy. All these investments are subject to ESG analysis (including via our proprietary ESG model for sovereign bonds). For corporate bonds, minimum safeguards are assessed to ensure that their business activities comply with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. These instruments are not used to attain the environmental or social characteristics promoted by the fund.

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

The use of derivatives does not contribute to the attainment of the fund's environmental and/or social characteristics.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

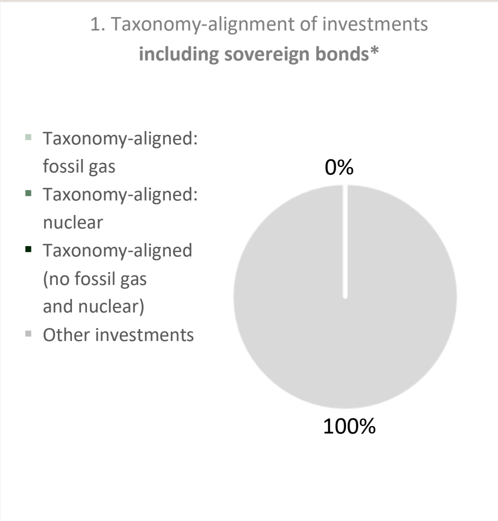
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

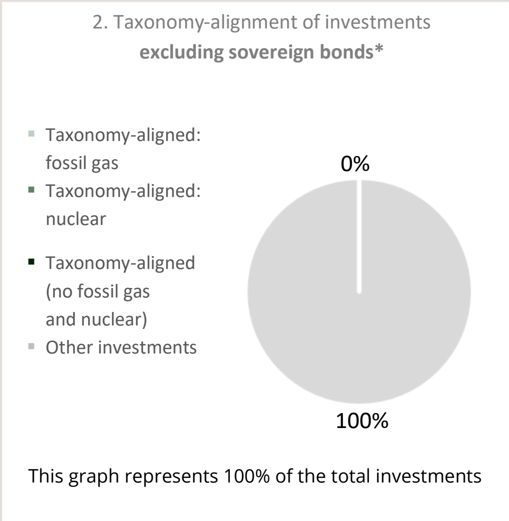
To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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
- [x] 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.





** 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?

The minimum share of these investments is 0% of net assets.

Are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

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

The minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 1% of the net assets.

What is the minimum share of socially sustainable investments?

The minimum share of sustainable investments with a social objective is 3% of the net assets.

What investments are included under "#2 Other", what is their purpose and are any minimum environmental or social safeguards applied to them?

The remainder of the portfolio (i.e. beyond the minimum share of 90%) may also promote environmental and social characteristics but is not systematically covered by ESG analysis. These assets may include securities for which ESG analysis may be carried out after the financial instrument in question is acquired by the fund. Cash and derivatives are also included under "#2 Other".

At corporate issuer level, investments that are not sustainable investments are assessed to ensure compliance with global standards on environmental protection, human rights, employment practices and anti-corruption measures through controversy screening ("standards-based" approach). These investments are analysed on the basis of the minimum safeguards in place to ensure that their business activities comply with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

Environmental, social and governance considerations are integrated into the instruments enabling synthetic exposure based on the framework applied to derivative instruments, as detailed below. The approach adopted will depend on the type of derivative instrument used by the fund: a derivative on a single underlying or a derivative on an index.

Derivatives on a single underlying

Derivatives offering short exposure to a single underlying security are not subject to additional checks related to ESG. The underlying issuer may feature on the fund's exclusion lists, given that signalling a lack of confidence in a company with poor ESG characteristics by short selling the security is considered reasonable when attempting to balance the investment objectives of holders. These instruments are not subject to a START rating.

Derivatives offering long exposure to a single underlying issuer are subject to the same ESG integration policy as physical long positions in shares and/or in corporate debt, as applicable. These instruments must satisfy the same ESG integration criteria as those described in this appendix.

Derivatives on an underlying index

Derivatives offering exposure to an index, whether long or short, may be subject to additional checks to ensure their eligibility as a fund asset, depending on their purpose.

- Derivatives used for the purposes of hedging and efficient portfolio management: index derivatives acquired by the fund for hedging purposes are not analysed on the basis of ESG criteria.

- Derivatives used for the purposes of exposure: index derivatives may be acquired for the purposes of exposure, providing that they present the following characteristics and are held for a period of greater than one month and less than twelve months:
    - Concentrated index (five components or less): the index must not include components that are included on the fund's exclusion list.
    - Broad index (more than five components): the significant majority of the index (>80% of exposure) must comprise companies that are not included on the fund's exclusion list.

In addition, the weighted average ESG rating of the index must be higher than BBB (MSCI) or C (START), and ESG coverage of the index (MSCI or START) must be above 90%.

The fund's reference indicator remains outside the scope of application of this framework that is applicable index derivatives, and is not taken into account for ESG purposes.

The fund applies a netting calculation (netting a long position against equivalent short positions in the relevant issuer) in order to measure adverse impacts.

All of the fund's assets (excluding cash and derivatives) are subject to sectoral and standards-based exclusions guaranteeing minimum environmental and social safeguards.

Moreover, the exclusion process, the lack of significant harm, and monitoring of adverse impacts apply to all fund assets.

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?

N/A.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

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

  N/A.

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

  N/A.

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

  N/A.

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

  N/A.

Where can I find more product specific information online?

More product-specific information can be found online on the website: www.carmignac.com, in the "Funds" and "Responsible Investment" sections.