



**CARMIGNAC**  
INVESTING IN YOUR INTEREST

# **SUSTAINABILITY-RELATED DISCLOSURES CARMIGNAC ALTS ICAV EUROPEAN LONG SHORT**

**IN ACCORDANCE WITH ARTICLE 10 (EU SFDR 2019/2088 – LEVEL II)**

## Summary

This Sub-Fund promotes Environmental/Social (E/S) characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation ("SFDR").

The Sub-Fund promotes environmental and social characteristics by applying best-in-universe and best-efforts approaches to invest in a sustainable manner by combining a three-pillar strategy: 1) ESG integration, 2) Negative screening, 3) Active Stewardship) to promote Environment and Social characteristics.

The Sub-Fund aims in the equity and corporate bond part of the portfolio to achieve carbon emissions 30% lower than its reference indicator (75% MSCI Europe index and 25% S&P 500 index), measured monthly by carbon intensity (tCO<sub>2</sub>/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol)).

All the investments of the Sub-Fund are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy screening. Furthermore, this Sub-Fund is committed to considering Principal Adverse Impacts whereby 14 mandatory and 2 optional environmental and social indicators and if relevant 2 Sovereign-related PAIs, are as indicated in the Annex 1 of the SFDR Level II 2019/2088.

The investment universe is assessed for ESG risks and opportunities recorded in Carmignac proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory). The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Sub-Fund's long investment universe is actively reduced.

Negative screening and exclusions of unsustainable activities and practices reflected in low ESG scores from START, MSCI and or ISS scores and research are performed based on the following indicators : (a) practices that are harmful to society and the environment, (b) controversies against the OECD business guidelines and UN Global compact principles, (c) controversial weapons (d) coal mining activity, (e) power companies that have not Paris alignment objectives in place, (f) companies involved in tobacco production, (g) companies involved in adult entertainment. Other extended exclusions may apply and can be consulted further below in this document. These binding exclusions are applied to both the long and short positions in the Sub-Fund.

From an active stewardship perspective, environmental and social related company engagements are performed with an objective leading to improvement in companies' sustainability policies (active engagement and voting policies - number of engagements - level of attainment versus the 100% objective of participation at shareholder and bondholder meetings).

All the investments of the Sub-Fund are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy screening. Furthermore, this Sub-Fund is committed to considering Principal Adverse Impacts whereby 14 mandatory and 2 optional environmental and social indicators and if relevant 2 Sovereign-related PAIs, are as indicated in the Annex 1 of the SFDR Level II 2019/2088.

This Sub-Fund uses the following sustainability indicators to measure the attainment of the sustainable objective:

- The coverage rate of ESG analysis,
- The amount the equity universe is reduced,

- Low carbon intensity target,
- Principal Adverse Impacts indicators,
- Active stewardship voting participation rate.

Further information regarding the methodology of monitoring the aforementioned indicators can be found in the document below.

The investment team are ultimately responsible for the proprietary ESG assessment. The auto populated START score is determined by a proprietary formula comparing companies within 90 peer groups aggregated by capitalization, sector and region. An upgrade or downgrade of this score can be made during the proprietary analysis and commentary by the financial or ESG analyst. The START score statistics are monitored for bias, frequency, and coherence by the Sustainable Investment team.

All sectorial and controversy exclusions are hard exclusions. The Sustainable investment team have a separate reporting line to the Chief Executive Officer of Carmignac UK Ltd.

The Fund uses several data sources that are aggregated into the Carmignac proprietary ESG System START. The sources are FactSet for revenue data, corporate filings for CAPEX data, S&P Trucost for carbon emissions data, TR Refinitiv for raw company ESG data, MSCI and ISS ESG for controversial behaviours, UNGC and OECD Business and Human Rights Norms screening.

The Sub-Fund's sustainability risk may differ from the sustainability risk of the Reference indicator. In terms of methodology, our SDG Framework is just one framework that can be used to illustrate positive outcomes; there are others that may yield different results

The attainment of the Environmental and Social characteristics is ensured on a continuous basis through monitoring and controls and will be published monthly on the Sub-Fund's webpage.

The Sub-Fund has not designated a reference benchmark for the purposes of showing the attainment of the sustainable investment objective.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

### **Environmental or Social Characteristics of The Financial Product**

The Sub-Fund applies best-in-universe and best-efforts approaches to invest in a sustainable manner by combining a three-pillar strategy: 1) ESG integration, 2) Negative screening, 3) Active Stewardship to promote Environment and Social characteristics.

The Fund aims in the equity and corporate bond part of the portfolio to achieve carbon emissions 30% lower than its reference indicator (75% MSCI Europe index and 25% S&P 500 index), measured monthly by carbon intensity (tCO<sub>2</sub>/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol)).

The Sub-Fund has not designated a reference benchmark for the purposes of attaining the Environmental and Social characteristics.

## Investment Strategy

The Investment Manager seeks to achieve the investment objective by implementing a fundamentally driven long/short equity strategy. This strategy consists in building up a portfolio of both long and short positions on financial instruments eligible to the Sub-Fund's investment.

1) The investment universe is assessed for ESG risks and opportunities recorded in Carmignac proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory). The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Fund's equity bond investment universe is actively reduced.

(2) The Sub-Fund applies binding negative company-wide and Norms-based screening to exclude certain sectors and activities as described in the methodology section below. In addition, the Sub-Fund also applies exclusions related to the gambling and conventional weapons industries as well as oil and gas extractors. The Sub-Fund's long equity positions having a MSCI rating below 3.4 on governance pillar or having Carbon Emissions above 168TCO<sub>2</sub> are a priori excluded of the Sub-Fund's investment universe.

3) From an active stewardship perspective, environmental and social related company engagements are performed with an objective leading to improvement in companies' sustainability policies (active engagement and voting policies - number of engagements, rate of voting participation - level of attainment 100% objective at shareholder and bondholder meetings).

In order to assess good governance practices, the Sub-Fund applies Carmignac proprietary ESG research system START, which gathers key governance indicators automated for over 7000 companies, including 1) the percentage of Audit Committee Independence, Average Board Tenure, Board Gender Diversity, Board Size, Compensation Committee Independence as it relates to sound management structures, 2) Executive Compensation, Executive Sustainability Incentive, Highest Remuneration Package as it relates to remuneration of staff. Employee relations are covered within Carmignac Social indicators (namely through employee satisfaction, gender pay gap, turnover of employees) within START.

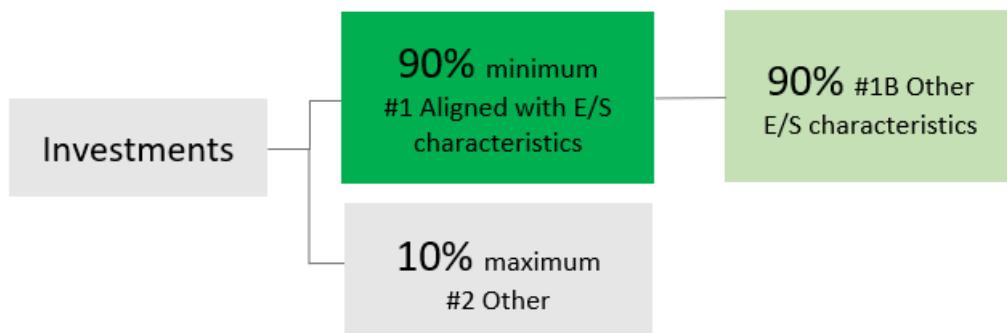
As for taxation, the Sub-Fund recognizes companies in its investment universe which adhere to the OECD Guidelines for multinational enterprises on taxation and push for disclosure where necessary.

In addition, as signatory of the PRI, we Carmignac would expect from the companies it invests in to:

- o Publish a global tax policy that outlines the company's approach to responsible tax,
- o Report on tax governance and risk management processes; and
- o Report on a country-by-country basis (CBCR)

This is a consideration Carmignac increasingly integrates into its engagements with corporates and votes in support for more transparency via for example support for shareholder resolutions.

## Proportion of Investments



A minimum proportion of 90% of the investments of this Fund is covered by ESG analysis.

Where investments fall outside of the 90% minimum limit incorporating Environmental and Social characteristics, ESG full analysis may not have been performed.

## Monitoring of Environmental or Social Characteristics

Several indicators are monitored to measure the attainment of each of the environmental or social characteristics promoted by the Sub-fund.

**The coverage rate of ESG analysis:** ESG integration through ESG scoring using Carmignac's proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory) is applied to at least 90% of issuers of the long positions in the Sub-Fund.

**Amount the equities universe is reduced by:** Negative screening and exclusions of unsustainable activities and practices reflected in low ESG scores from START, MSCI and or ISS scores and research are performed based on following indicators : (a) practices that are harmful to society and the environment, (b) controversies against the OECD business guidelines and UN Global compact principles, (c) controversial weapons, (d) coal mining activity, (e) power companies that have not Paris alignment objectives in place, (f) companies involved in tobacco production, (g) companies involved in adult entertainment. In addition, the Sub-Fund also applies exclusions related to the gambling and conventional weapons industries as well as oil and gas extractors. The Sub-Fund's long equity positions having a MSCI rating below 3.4 on governance pillar or having Carbon Emissions above 168TCo2 are a priori excluded of the Sub-Fund's investment universe.

**Low carbon intensity target:** the Sub-fund aims in the equity and corporate bond part of the portfolio to achieve carbon emissions 30% lower than its reference indicator (75% MSCI Europe index and 25% S&P 500 index), as mentioned above.

**Principal Adverse Impacts indicators.** The Sub-Fund has applied the SFDR level II 2019/2088 Regulatory Technical Standards (RTS) annex 1 whereby 14 mandatory and 2 optional environmental and social indicators are monitored to show the impact of such sustainable investments against these indicators : Greenhouse gas emissions, Carbon footprint, GHG intensity (investee companies), Exposure to companies in fossil fuel sector, 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 ratio, Water usage and recycling (optional choice), Violations of UN Global Compact principles or OECD Guidelines for Multinational Enterprises, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises, Unadjusted gender pay gap (optional choice), Board gender diversity, Exposure to controversial weapons, Excessive CEO pay ratio.

**Active stewardship:** Environmental and social related company engagements leading to improvement in companies sustainability policies are measured by following indicators: (a) level of active engagement and voting policies, (b) number of engagements, (c) rate of voting and (d) participation at shareholder and bondholder meetings.

## Methodologies

**ESG analysis methodology.** The Carmignac's proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory) provides a platform that aggregates raw company ESG data of 31 ESG indicators, if available, across Environmental, Social and Governance pillars. Overall ESG scores for companies grouped by sector, capitalisation and region are computed. The investment team members are responsible for company proprietary ESG analysis and confirms the START score and analysis by a commentary of ESG risks and integrates these analyses into the investment decisions. The START platform is available on the Verity RMS internal database for investment research accessible to all investment staff.

**Negative screening and exclusions methodology.** Carmignac employs ESG related exclusions and specific extended Sub-Fund exclusions, as mentioned above, which are hard exclusions implemented into the compliance tool CMGR linked to the BBG Aim Portfolio Management Order system. Every quarter the Exclusion lists are reviewed by the Sustainable Investment team including the following updates: index reweighting, revised revenue data and revenue thresholds and new investments. The updated list is uploaded and monitored by the Risk Management team. For further information please refer to the Exclusion policy on the Carmignac Sustainable Policy and Reports web page.

**Carbon emission target methodology.** Carbon emissions targets are monitored real time through the portfolio dashboard Global Portfolio Monitoring system. S&P Trucost is used for carbon data measuring carbon intensity (tCO<sub>2</sub>/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol. For further information please refer to the Sub-Funds monthly factsheet.

**Principal Adverse Indicator (PAI) Impact methodology.** Carmignac sources the Principle Adverse Impact indicators for all funds classified as Article 8 or 9 under the EU SFDR from the data provider Impact Cubed. Each indicator data point is sourced and averaged over 4 quarters before a yearly publication is made. The definitions for each of the 14 mandatory equity-related PAIs plus two optional, and if relevant 2 Sovereign-related PAIs, are as indicated in the Annex 1 of the SFDR Level II 2019/2088. Publication and full methodology will be published on the Carmignac Sustainable Investment website in 2023 in line with the aforementioned Disclosure requirements.

**Stewardship and engagement methodology.** The Sub-Fund exercises its votes to seek a 100% voting participation target through the proxy voting provider ISS. The Portfolio Manager has control of the voting choice and exercises that right with the recommendation of the Sustainable Investment team. ESG and controversy related Engagements led by the Sustainable investment team are programmed each quarter, the outcomes of which, are documented in the Engagement tool within the Investment team

Verity RMS database. For further information please refer to the Stewardship Report on the Carmignac Sustainable Policy and Reports web page.

## Data Sources and Processing

- (a) **The data sources used to attain the sustainable investment objective of the financial product:** The Fund uses several data sources that are aggregated into the Carmignac proprietary ESG System START. The sources are FactSet for revenue data, corporate filings for CAPEX data, S&P Trucost for carbon emissions data, TR Refinitiv for raw company ESG data, MSCI and ISS ESG for controversial behaviours, UNGC and OECD Business and Human Rights Norms screening.
- (b) **The measures taken to ensure data quality:** The Sustainable investment team includes ESG data experts who are in charge of automated checks such as identifying outliers in a data set, as well as verifying alternative data sources.
- (c) **How data are processed:** as explained in the Methodologies section above.
- (d) **The proportion of data that are estimated:** ESG START scoring and company revenue data is not estimated. PAIs data, contain an average of 46% estimations whereby all reported PAIs are aggregated for all Carmignac eligible funds as of 30/09/2022. Carbon emissions data (Scope 1 and 2) are mainly based on fully disclosed company emissions declarations with few estimations.

## Limitations to Methodologies and Data

The Fund's sustainability risk may differ from the sustainability risk of the Reference indicator.

The universe reduction of the equity portfolio uses MSCI ESG and START scoring systems to assess ESG risks but other methodologies and data sources could have been used. The proprietary ESG sovereign models uses both quantitative and qualitative elements in order to capture both current risks and opportunities, as well as forward-looking dynamic trends but may not systematically reflect the most recent events or ESG progress. The objective however is to limit these qualitative adjustments to exceptional situations such as an impactful policy change, in order to maintain the impartiality of the model.

The short positions in the Sub-Fund are not subject to comprehensive ESG analysis.

## Due Diligence

Over 90% of the Funds' assets (listed equities, corporate and sovereign bonds where applicable) are assessed for ESG score and risks. Proprietary analysis is combined with the ESG scoring process of Carmignac's proprietary system START and the sovereign bond proprietary models (Global and Impact models) where applicable. The short positions in the Sub-Fund are not subject to comprehensive ESG analysis.

The investment team are ultimately responsible for the proprietary ESG assessment. The auto populated START score is determined by a proprietary formula comparing companies within 90 peer groups aggregated by capitalization, sector and region. An upgrade or downgrade of this score can be made

during the proprietary analysis and commentary by the financial or ESG analyst. The START score statistics are monitored for bias, frequency, and coherence by the Sustainable Investment team. Periodically, both the sovereign and corporate START ESG proprietary scoring systems are back tested for potential improvement.

Regarding exclusions, on a quarterly basis the Carmignac company exclusion list and the fund specific exclusion lists if relevant are reviewed including the following updates: index reweighting, revised revenue data and impact on revenue thresholds, fund new holdings. These exclusions are entered via the compliance tool. All sectorial and controversy exclusions are hard exclusions. The Sustainable investment team have a separate reporting line to the Chief Executive Officer of Carmignac UK Ltd.

## Engagement of Policies

Carmignac operates active voting and engagement policies that reflect their environmental, social and governance themes. The voting participation target is 100% of all possible votes. An Engagement plan is established to identify engagements with companies in which we are invested that show poor management of ESG related risks, where Carmignac has identified a specific theme, or where a specific impact or investigation of a controversy is required.

Please refer to the engagement policy: [Policies and Reports](#)

- **Fund:** Carmignac Alts ICAV European Long Short
- **Management:** Alternative strategies
- **Legal form:** ICAV
- **ISIN code (I EUR acc share class):** IE000YCOEJX1
- **Recommended minimum investment horizon:** 3 years
- **Risk scale:** 4
- **Fund inception date:** 04/05/2022

# DISCLAIMER

**This document was updated on the 01<sup>st</sup> of October 2023.** This document may not be reproduced, in whole or in part, without prior authorisation from the management company. This document does not constitute a subscription offer, nor does it constitute investment advice. Access to the Fund may be subject to restrictions with regard to certain persons or countries. The Fund is not registered in North America, in South America, in Asia nor is it registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Fund has not been registered under the US Securities Act of 1933. The Fund may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US Regulation S and/or FATCA. The Fund presents a risk of loss of capital. The risks and fees are described in the KID (Key Information Document). The Fund's prospectus, KIDs and annual reports are available at [www.carmignac.com](http://www.carmignac.com), or upon request to the Management Company. The KID must be made available to the subscriber prior to subscription. The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following link at section 6: [https://www.carmignac.com/en\\_US/article-page/regulatory-information-1788](https://www.carmignac.com/en_US/article-page/regulatory-information-1788)

• **In Switzerland**, the Fund's respective prospectuses, KIDs 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, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

• **In the United Kingdom**, the Funds' respective prospectuses, KIDs 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, Carmignac Gestion Luxembourg or Carmignac UK Ltd and is being distributed in the UK by Carmignac Gestion Luxembourg.

**CARMIGNAC GESTION** 24, place Vendôme - F-75001 Paris - Tél : (+33) 01 42 86 53 35. Investment management company approved by the AMF Public limited company with share capital of € 13,500,000 - RCS Paris B 349 501 676. **CARMIGNAC GESTION Luxembourg** - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1 Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF Public limited company with share capital of € 23,000,000 - RCS Luxembourg B 67 549