



**CARMIGNAC**  
INVESTING IN YOUR INTEREST

# **SUSTAINABILITY-RELATED DISCLOSURES** **CARMIGNAC CRÉDIT 2027**

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

## Summary

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

The 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).

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 investment universe is actively reduced by at least 20% (applicable to corporate bonds).

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.

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 fund are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy screening. Furthermore, this fund is committed to considering Principal Adverse Impacts whereby 16 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 fund uses the following sustainability indicators to measure the attainment of Environmental and Social characteristics:

- The coverage rate of ESG analysis,
- The amount the corporate bond universe is reduced by (minimum 20%),
- 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 Managing Director of Carmignac UK branch.

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 sovereign bond proprietary scoring process sources publicly available sovereign-related data from institutions such as the World Bank and the IMF.

The Fund's sustainability risk may differ from the sustainability risk of the Reference indicator. In terms of methodology, our proprietary scoring process for sovereign bonds (Global model) and our START Framework are just two frameworks that can be used to illustrate ESG risks and opportunities; 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 fund's webpage.

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

### **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 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 has not designated a reference benchmark for the purposes of attaining the Environmental and Social characteristics.

### **Investment Strategy**

In order to achieve its investment objective, the fund chiefly applies a carry strategy, the aim of which is to build and hold a diversified portfolio of financial instruments comprising various credit market classes. The discretionary choice of investments is based on an in-house analysis conducted by the management company and is supported primarily by criteria of profitability, creditworthiness, prospects for debt recovery, liquidity and maturity, as well as by a diversification of the portfolio's financial risks in view of the fund's recommended investment horizon.

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 corporate bond investment universe is actively reduced by at least 20%:



(1) The Fund applies binding negative company-wide and Norms-based screening to exclude certain sectors and activities as described in the methodology section below,

(2) The Companies with high ESG risk, reflected by their respective ESG ratings, are also excluded. Companies with an MSCI rating for the environmental or social pillars of below 2.5, or with an overall MSCI rating of "B" or "CCC", are excluded from the fund's investment universe. Companies with a START score of "C" or above (on a rating scale of "A" to "E") may re-enter the fund once the management company has carried out ad-hoc analysis and engaged with the company in question. Following these screenings and exclusions, the initial investment universe (defined as 2500 issuers composed of ICE BofA Global Corporate Index, ICE BofA Global Non-Financial High Yield Index, ICE BofA Emerging Market Corporate Plus Index) is reduced at least by 20%. The full process of the reduction of the investment universe is found in the corresponding Transparency Code on the Carmignac website.

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 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.

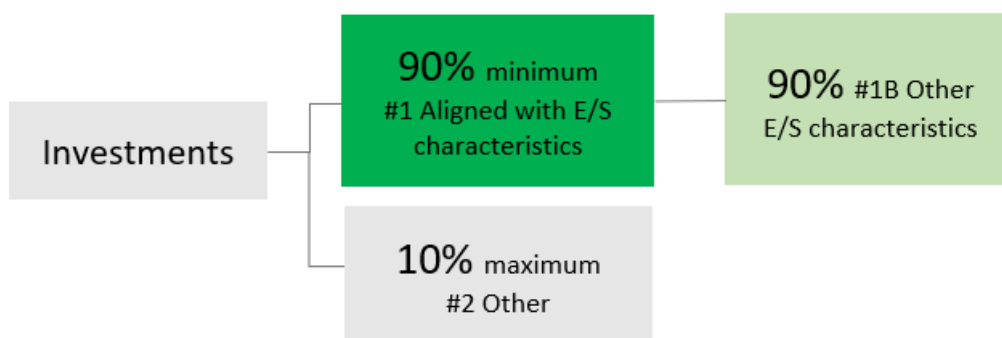
As for taxation, the fund recognize companies in it investment universe which adhere to the OECD Guidelines for multinational enterprises on taxation and push for disclosure where necessary.

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 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.

**Amount the corporate bond universe is reduced by (minimum 20%):** 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

**The Sovereign bond proprietry scoring systems** (Impact and Global) are available for up to 100 countries on the START platform which details the individual countries ESG relative indicator scores.

**Principal Adverse Impacts indicators.** The 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. Sovereign bond issuers are monitored for Social violations and GHG intensity indicators.

**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.

**ESG Sovereign debt scoring methodology.** Carmignac's proprietary Global Sovereign debt scoring model (Global Model) screens and scores 100 countries which are ranked between 1 (bad) & 5 (good), with dispersion across the full range of scores. For any criteria, countries' ESG rankings are based both on 1) spot data and 2) recent evolution/trends. These two rankings are then converted into an overall rating between 1 (bottom) & 5 (top). The dynamic rating is overweighed for emerging countries (75%) and underweighted for developed countries (25%) in order to reward recent ESG-positive trends and to mitigate structural under-investment of developing countries in ESG projects. For any E, S & G pillar, criteria rankings are then averaged to get a pillar scoring. This score is then adjusted either positively or negatively, where appropriate, as a result of forward-looking qualitative analysis. The overall ESG score is composed of the equally weighted average of the three components E, S, and G.

**Negative screening and exclusions methodology.** Carmignac employs ESG related exclusions and specific extended 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

**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 16 mandatory company-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 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 environmental and social characteristics** 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. The Global sovereign scoring model obtains public information from, amongst others, the World Bank, the IMF, The Heritage Foundation, Oxford University... For a full overview please view the ESG Integration policy document on the Carmignac Sustainable Investment website.

(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 20% universe reduction of the corporate bonds universe 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.

## 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 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 Managing Director of Carmignac UK branch.

Regarding the sovereign ESG scoring, automation of both, the data gathering, and composition of the country scores, has removed most possibility of human error in its calculation.

## 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 Crédit 2027
- **Management:** Fixed income strategies
- **Legal form:** French mutual fund (FCP)
- **ISIN code (A EUR acc share class):** FR00140081Y1
- **Recommended minimum investment horizon:** 5 years
- **Risk scale:** 3
- **Fund inception date:** 03/05/2022
- **Reference indicator:** N/A



# DISCLAIMER

**This document was updated on the 1<sup>st</sup> of January 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 Funds may be subject to restrictions with regard to certain persons or countries. The Funds are not registered in North America, South America, Asia nor are they registered in Japan. The Funds are registered in Singapore as restricted foreign scheme (for professional clients only). The Funds have not been registered under the US Securities Act of 1933. The Funds 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 Funds present a risk of loss of capital. The risks and fees are described in the KIID (Key Investor Information Document). The Funds' prospectuses, KIIDs and annual reports are available at [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).

**CARMIGNAC GESTION** - 24, place Vendôme - F-75001 Paris - Tel: (+33) 01 42 86 53 35. Investment management company approved by the AMF Public limited company with share capital of € 15,000,000 - 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 - RC Luxembourg B 67 549.