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A SOCIALLY RESPONSIBLE APPROACH TO GLOBAL EQUITY MARKETS



Carmignac is an investment company that understands its responsibilities to society. As well as being strongly committed to recognising and measuring its own Environmental, Social and Governance (ESG) impact, all Carmignac Funds integrate ESG criteria in their investment approach. Carmignac Portfolio Grandchildren takes a broader approach to ESG integration based on its philosophy, investment process and Fund Manager's convictions.



A longstanding commitment to responsible investment

Responsible investing is not new at Carmignac. Since inception, empowered through our independence and transparency, we have maintained high responsible investment standards, aware of our corporate duty towards our investors and stewardship as a leader in fund management. In 2012, our decision to become a signatory to the United Nations' Principles for Responsible Investment increased the level of transparency surrounding the ESG selection criteria applied within our investment processes.



Sustainability throughout the Fund's investment process

Within its investment process, Carmignac Portfolio Grandchildren includes in-house and third party ESG research, negative and positive screening, carbon emissions analysis, plus a high frequency of company and stakeholder meetings. Each step in the process supports the Fund Managers in finding the most attractive companies and building a portfolio that targets low carbon emissions and offers a transparent socially responsible investment (SRI) approach for investors.



A personal commitment to ESG issues

The Fund Managers have demonstrated personal accountability and high conviction towards ESG issues. For this Fund, they have extended Carmignac's exclusion list by applying limits to a broader range of controversial sectors⁽¹⁾ and by incorporating their own SRI analysis. In addition, they have made active shareholder participation a priority, engaging openly and mitigating against ESG-associated risks within the companies in which the Fund is invested.

(1) The Fund's full list of exclusions is available on our website (in the "Exclusion Policy", on the "Policies and Reports" page) and on the Fund's page (in the "SRI Guidelines", in the documents and reports section) or on demand to the asset management company. Exclusions lists are updated on a quarterly basis. To find out more on the SRI label, visit www.l.labelisr.fr/en.

To find out more on the Towards Sustainability label, visit www.towardssustainability.be.

Our investment path to sustainability



SRI starts at the very beginning of the investment process, when we screen the Fund's investment universe

The Fund invests in international equities using a **fundamentally driven investment approach**. The bottom-up analysis, implemented through a financial filter and scoring process, identifies companies with the best long-term growth prospects, as demonstrated by their high, sustainable profitability, ideally combined with internal or external reinvestment. **Stock selection is also done through two important complementary filters. A negative screening is applied** to prevent investment in companies identified as operating in controversial sectors such as tobacco, thermal coal extraction, controversial weapons and unconventional energy. There is a specific exclusion policy on conventional energy and electricity generation⁽¹⁾. **A positive screening also is applied** to select companies which have significant and measurable positive contribution to society or the environment⁽²⁾.



In-depth research and analysis refines stock selection and portfolio construction

The filtered Fund's investment universe is then analysed through **company-specific proprietary research and valuation**. During this phase, the Fund Managers **interact with companies and stakeholders**, identifying ESG risks. **Corporate sustainability reports and specialist ESG corporate research are consulted** and **potential controversies discussed**. The portfolio is then constructed taking these aspects into consideration.



Consideration of SRI issues does not end once the investment decision is made

The investment case of each company held in portfolio is regularly reviewed, notably regarding the changing nature of ESG associated risks. Furthermore, by adopting an active shareholder voting policy, the Fund Managers aim to participate in all possible voting actions⁽³⁾, thereby strengthening our commitment **to engaging openly with companies to improve their approach and behaviour** in regard to environmental, social and governance issues.

(1) The Fund's exclusion lists' characteristics are available on our website (in the "Exclusion Policy", on the "Policies and Reports" page) and on demand to the asset management company. Exclusions lists are updated on a quarterly basis. (2) We assess companies' contribution to society (Basic needs and Empowerment) or the environment (Climate Change and Natural Capital) through a positive impact filter based on the United Nations' Sustainable Development Goals (SDG) and MSCI ESG. (3) For 2020, we have set an internal objective, a participation rate of 100% excluding warrants / P-Notes and preference shares. To reach this internal objective, we work closely with Institutional Shareholder Services (ISS), a leading name in Corporate Governance and Proxy Voting Analysis & Processing. ISS also helps us to report and identify specific ESG related issues during voting actions.

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