

# TRANSPARENCY CODE

## EUROPEAN EQUITIES :

Carmignac Portfolio Grande Europe, Carmignac Euro-Entrepreneurs and Carmignac Portfolio Patrimoine Europe

February 2022

## Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of **Carmignac**. We have been involved in SRI since 2012 and welcome the Transparency Code.

This is our fifth statement of commitment and covers the period 01/01/2021- 31/12/2021. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Mark Denham, Malte Heininger and Keith Ney, portfolio managers of the funds under the scope of this Transparency Code, are committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. **Carmignac** meets the full recommendations of the European SRI Transparency Code.

**31/12/2021**

Name of the fund(s): Carmignac Portfolio Grande Europe, Carmignac Euro-Entrepreneurs, Carmignac Portfolio Patrimoine Europe					
Dominant / preferred SRI strategy	Asset class	Exclusions standards and norms <sup>1</sup>	Fund capital as 31/12/2021	Other labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment selection <input checked="" type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> <b>Impact Investing</b> <input checked="" type="checkbox"/> Norms-Based Screening <input checked="" type="checkbox"/> Leading to exclusions <input checked="" type="checkbox"/> Leading to risk management analysis / engagement <input checked="" type="checkbox"/> Sustainability-Themed	<b>Passively managed</b> <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking  <b>Actively managed</b> <input checked="" type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input checked="" type="checkbox"/> Bonds and other debt securities denominated in euro <input checked="" type="checkbox"/> International bonds and other debt securities <input checked="" type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input checked="" type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input checked="" type="checkbox"/> Other (please specify) Non-conventional and conventional energy <input checked="" type="checkbox"/> Global Compact <input checked="" type="checkbox"/> OECD Guidelines for MNCs <input checked="" type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	<b>Carmignac Portfolio Grande Europe:</b> €824.82 million  <b>Carmignac Euro-Entrepreneurs :</b> €196.50 million  <b>Carmignac Portfolio Patrimoine Europe :</b> €760.56 million	<input checked="" type="checkbox"/> French SRI label (Carmignac Portfolio Grande Europe, Carmignac Euro-Entrepreneurs, Carmignac Portfolio Patrimoine Europe) <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Lux flag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input checked="" type="checkbox"/> Other (please specify) Belgian Quality Standards label (Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe)	- KIID, Prospectus - Weekly, quarterly and annual reports - Monthly factsheet (including ESG data)  Can be found at : <b>Carmignac Portfolio Grande Europe:</b> <a href="https://www.carmignac.fr/PL_CGE_3_FR_en.pdf?source=websitef">https://www.carmignac.fr/PL_CGE_3_FR_en.pdf?source=websitef</a>  <b>Carmignac Euro-Entrepreneurs :</b> <a href="https://www.carmignac.lu/en_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports">https://www.carmignac.lu/en_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports</a>  <b>Carmignac Portfolio Patrimoine Europe:</b> <a href="https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports">https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports</a>

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## 1. General information about the fund management company

### 1.1. Name of the fund management company that manages the applicant fund(s)

**For the sub-funds of the Luxembourg SICAV Carmignac Portfolio, thus Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe the management company is:**

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

**For the French Mutual Funds (i.e. Fonds Commun de Placement), Carmignac Euro-Entrepreneurs, the management company is:**

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 € 15,000,000 - RCS Paris B 349 501 676

### 1.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Carmignac, empowered through its independence and transparency since 1989, has maintained a long-held practice of investing responsibly, aware of its corporate duty to its investors and stewardship as a leader in the European fund management industry. Its ethical values in respect to society and environment, can be seen in the company wide scrutiny of tobacco producers and the coal industry.

As Risk Managers, Carmignac seeks to mitigate as many risk factors as it can identify, this very resolutely includes risks associated with poor governance and shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges particularly in respect of fossil fuel reserves.

Since 2012, Carmignac, as a UNPRI signatory (United Nations Principles of Responsible Investment) and a French investment firm (under the French government's directive Grenelle II Law, art 224-238, 2010), has raised the level of its transparency regarding the application of Environment, Social and Governance (ESG) criteria in its investment process. Each UNPRI principle has been implemented across most of its Fund range.

[https://www.carmignac.lu/en\\_GB/responsible-investment/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)

### 1.3. How does the company formalise its sustainable investment process?

Carmignac formalises its Sustainable investment process through several policies.

- 100% ESG integration policy
- Exclusion Policy
- Voting and Engagement Policies
- Climate and Carbon report Policies

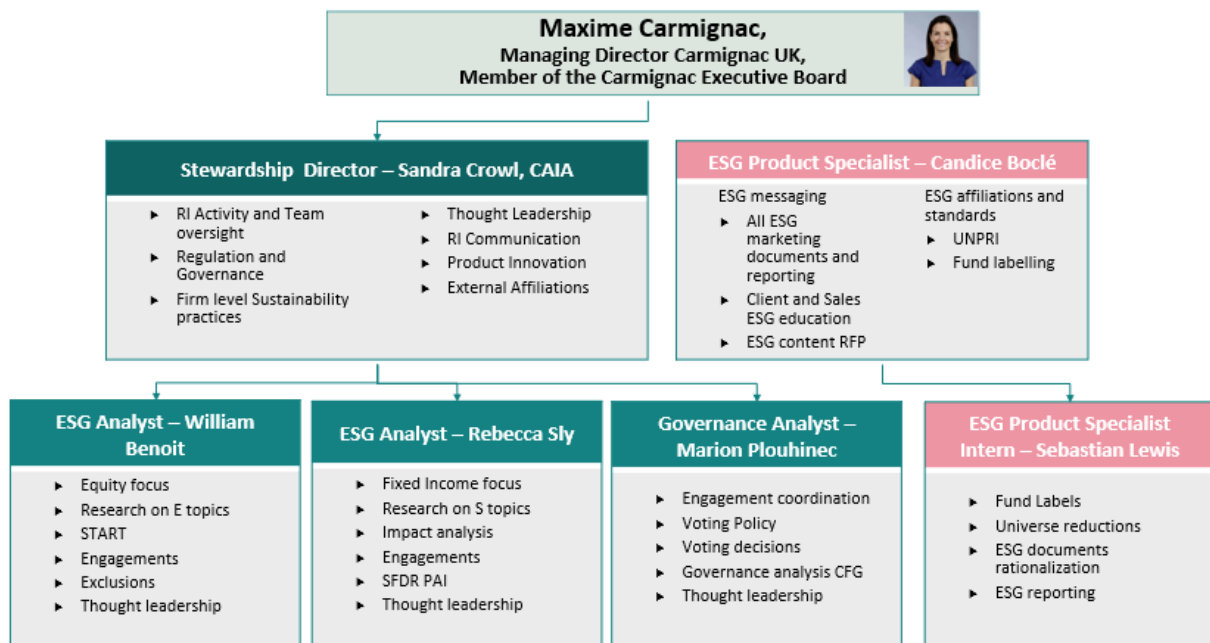
Which can be found at [https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

These policies are implemented across the whole fund range.

#### Our Responsible Investment resources

Carmignac has a dedicated Responsible Investment team headed by Sandra Crowl as Stewardship Director. She reports to Maxime Carmignac, Managing Director of Carmignac UK, member of the executive board of Carmignac, who leads the responsible investment philosophy and strategy at the corporate level and fund level innovation and ESG solutions. The role of the Stewardship Director is to oversee the implementation of the responsible investment process and practices, investor communication, fund labelling process, affiliations, industry thought leadership and new product innovation. The ESG analyst is responsible for the ESG framework, fund specific research, ESG thematic and targeted research, active investee company engagements, voting practices and leads industry thought leadership. The Responsible Investment team have 2 full time ESG interns and is also supported by an experienced, dedicated ESG product specialist employed within our Product team.

[https://www.carmignac.lu/en\\_GB/our-funds/management-team-417](https://www.carmignac.lu/en_GB/our-funds/management-team-417)



#### **1.4. How are ESG risks and opportunities – including those linked to climate change – understood/considered by company?<sup>2</sup>**

##### ***Mainstream ESG approach***

As of 31/12/2021 close to 100 % of our assets under management take into account ESG criteria.

In July 2020, Carmignac launched a firm-wide proprietary ESG research system called START<sup>3</sup> that enables us to systematically integrate ESG research into the investment process.

This system aggregates key ESG information: carbon emissions data, raw company ESG data, external ratings, impact statistics and a controversies data sources. The portfolio managers and analysts' proprietary research offer human insight and a forward-looking approach to the automated ESG scoring system START. ESG scores are calculated according to a proprietary algorithm of reported raw company ESG indicators that are sorted for our predefined peer group (capitalization, region and 90 sub-industry groups). START sits inside our MackeyRMS front-office portal. These quantitative assessments are augmented by a written investment rationale composed by the investment team or the ESG Analysts in the START system, as well as any granular commentary of ongoing ESG risks. Our ESG research system is built on a framework based on past academic research and the work of various industry bodies such as the Sustainable Accounting Standards Board (SASB), Global Reporting Initiative (GRI), in order to conduct comprehensive ESG analysis. We believe that this integration reduces the potential negative financial impact on companies' valuations, and we hope to capture rising momentum when companies are improving ESG related risks.

Carbon emissions are monitored and measured for each equity fund annually, as well as on an ongoing basis on the Portfolio Management tool CMGR, which enables scenario analysis at portfolio level when adding and reducing positions. Since October 2020, our funds carbon emissions are also measured through the START platform and reported monthly for our SRI and ESG thematic funds. Individual carbon reports can be found in the annual reports of each fund as well as on our specific SRI website. Through our energy-related exclusions, seen below, the firm limits exposure to potential stranded assets and transition risks due to climate change.

A negative screening is applied, according to the following parameters. These exclusions are updated quarterly and are hard-wired into our portfolio management system. In this manner we exclude sectors, activities or countries that we believe embed ESG risks.

- Controversial weapon manufacturers whose products do not comply with treaties or legal bans
- Tobacco producers: wholesale distributors and suppliers with revenues over 5% from such products
- Thermal coal miners with over 10% revenues or 20 million tonnes from extraction

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<sup>3</sup> The proprietary ESG system START combines and aggregates market leading data providers ESG indicators . Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete. ESG scores attributed in START are between A and E with A being the highest ESG score.

- Power generators that produce more CO2/kWh than the defined thresholds aligned with the Paris Agreement and that can be found in our exclusion policy
- Adult entertainment and pornography producers and distributors with over 2% revenues from such product
- International Global Norms violations including OECD Business Principle, ILO Principles and UNGC Principles.

Treatment of controversies - A controversy does not necessarily trigger a sell of the given position. Environmental accidents are never easy to predict but lessons can be learned, and companies can improve. That is why we believe that an ESG approach solely based on favouring ESG best-in-class, green sectors, etc., shows a good sign to corporates to behave better, but is not necessarily the only way. We, as investors, should not systematically leave the bad student behind. As shareholders, we can influence and interact with companies, starting simply with participating in all shareholder votes, with a sustainability objective and maintaining a strong focus on looking beyond short-term performance or dividend payment.

Carmignac has committed to an active voting and engagement policy that has been integrated into the Investment Management Team's internal guidelines. Engagements may occur with the Management of the companies in which we invest and often include engagement on environmental issues and carbon emission transparency:

Carmignac has committed to a quarterly engagement program targeting specific actions within the possibility of 5 different types of engagements:

1. ESG risk related engagement
2. Thematic engagement
3. Impact engagement
4. Controversial behaviour engagement
5. Proxy voting decision engagement

These engagements are registered internally. Important engagements are documented in the funds' annual report. In addition, a summary Engagement Report is published on our website denoting type, region, and sector of Engagement.

[https://www.carmignac.lu/en\\_GB/responsible-investment/template-hub-policies-reports-4528](https://www.carmignac.lu/en_GB/responsible-investment/template-hub-policies-reports-4528)

### ***Funds with a Socially Responsible approach***

Carmignac also offers a range of funds that adopt a Socially Responsible approach noted in the funds' prospectuses. Negative screening, through Norms based, ethical and climate related exclusions, and positive social and environmental screening, active voting policy and low carbon emissions policies have been adopted within the strategies. There are also an increased range of ESG thematic funds.

The fund information can be found in the following links or through our dedicated Responsible Investment (RI) web page.

[https://www.carmignac.lu/en\\_GB/responsible-investment/template-hub-sri-thematic-funds-4526](https://www.carmignac.lu/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526)



- **Carmignac Portfolio Family Governed (ESG Thematic Fund - Global Markets – Equities)**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Euro-Entrepreneurs (European Markets – Mid caps Equities)**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Emerging Patrimoine (Emerging Markets – Mixed)**  
<https://www.carmignac.fr/en/carmignac-portfolio-emerging-patrimoine-a-eur-acc>
- **Carmignac Portfolio Patrimoine Europe**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac China New Economy**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-china-new-economy/f-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-china-new-economy/f-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio China New Economy**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-china-new-economy/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-china-new-economy/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Patrimoine (Global Markets – Mixed)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-patrimoine/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-patrimoine/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Patrimoine (Global Markets – Mixed)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-patrimoine/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Securite (European Markets – Fixed Income)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-securite/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-securite/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Securite (European Markets – Fixed Income)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-securite/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-securite/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Flexible Bond (Global Markets – Fixed Income)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-flexible-bond/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-flexible-bond/a-eur-acc/fund-overview-and-characteristics)

- **Carmignac Portfolio Global Bond (Global Markets – Fixed Income)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-global-bond/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-global-bond/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Long- Short European Equities (European Markets – Mixed Management)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-long-short-european-equities/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-long-short-european-equities/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Long- Short European Equities (European Markets – Mixed Management)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-long-short-european-equities/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-long-short-european-equities/a-eur-acc/fund-overview-and-characteristics)

Article 9 Funds in accordance with SFDR 2019/2088 as of 1<sup>st</sup> of January 2022

- **Carmignac Investissement – (Global Markets – Equities)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-em-debt/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-em-debt/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Investissement (Global Markets – Equities)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-investissement/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-investissement/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Investissement Latitude (Global Markets – Mixed)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-investissement-latitude/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-investissement-latitude/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Grande Europe (European Markets – Equities)**  
<https://www.carmignac.fr/en/carmignac-portfolio-grande-europe-a-eur-acc>
- **Carmignac Emergents (Emerging Markets – Equities)**  
<https://www.carmignac.fr/en/carmignac-emergents-a-eur-acc>
- **Carmignac Portfolio Emergents (Emerging Markets – Equities)**  
<https://www.carmignac.fr/en/carmignac-portfolio-emergents-f-eur-acc>
- **Carmignac Portfolio Family Grandchildren**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Green Gold (ESG Thematic Fund – Global Markets – Equities)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-green-gold/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-green-gold/a-eur-acc/fund-overview-and-characteristics)

- **Carmignac Portfolio EM Debt**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-em-debt/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-em-debt/a-eur-acc/fund-overview-and-characteristics)

The European Equity Funds: Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe and Carmignac Euro-entrepreneur are under the scope of this Transparency Code.

The ESG analysis follows the same principles as for the mainstream funds. ESG analysis allows the investment team to mitigate ESG related risks and to engage with companies should risks be identified. For the SRI funds, a further commitment is made to apply ESG ratings minimum requirements of portfolio construction and a broader range of negative screening and exclusions depending on the fund. Each company is analysed for ESG risks, comments of practices are made on outset of investments and are updated usually annually or when controversies occur. A dialogue with the company directly enables any questions regarding ESG related risks to be answered.

In addition to the carbon monitoring described for the mainstream funds, these socially responsible funds offer a low carbon portfolio monitored through our ESG system START and our carbon data source portal. The funds seeks to achieve a carbon emissions target of 30% below their reference indicator measured in carbon intensity (tCO2/ M USD, converted in Euros, Scope 1 and 2, GHG Protocol).

A full description of the ESG integration process and positive screening , depending on the fund, can be found in Question 2.1.

### 1.5. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<ul style="list-style-type: none"> <li><input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility</li> <li><input checked="" type="checkbox"/> EFAMA RI WG</li> <li><input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance</li> <li><input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility</li> <li><input checked="" type="checkbox"/> National Asset Manager Association (RI Group)</li> <li><input checked="" type="checkbox"/> PRI - Principles For Responsible Investment</li> <li><input type="checkbox"/> SIFs - Sustainable Investment Fora</li> <li><input checked="" type="checkbox"/> Other <ul style="list-style-type: none"> <li>▪ AFG, France SRI working group</li> <li>▪ IA, UK SRI working group</li> <li>▪ ALFI, Luxembourg SRI Working group</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.)</li> <li><input type="checkbox"/> Climate Bond Initiative</li> <li><input type="checkbox"/> Green Bond Principles</li> <li><input checked="" type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change</li> <li><input type="checkbox"/> Montreal Carbon pledge</li> <li><input type="checkbox"/> Paris Pledge for Action</li> <li><input type="checkbox"/> Portfolio Decarbonization Coalition</li> <li><input type="checkbox"/> Other (please specify)</li> <li><input checked="" type="checkbox"/> Climate Action 100 +</li> <li><input checked="" type="checkbox"/> TCFD</li> <li><input checked="" type="checkbox"/> ShareAction Decarbonisation Initiative</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Access to Medicine Foundation</li> <li><input type="checkbox"/> Access to Nutrition Foundation</li> <li><input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh</li> <li><input type="checkbox"/> Other (please specify)</li> <li>UN Women’s Empowerment Initiative</li> <li><input checked="" type="checkbox"/> Tobacco Finance Free pledge</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> ICGN – International Corporate Governance Network</li> <li><input type="checkbox"/> Other (please specify)</li> <li><input checked="" type="checkbox"/> Share Action</li> <li><input checked="" type="checkbox"/> Workforce Disclosure Initiative (WDI)</li> </ul>

## 1.6. What is the total number of SRI assets under the company's management?

As a group, the assets under management implementing ESG criteria: 41.72 billion Euro \*

The assets under management offering a Socially Responsible approach: 37.03 billion Euro \*

\*Source: Carmignac, as of 31<sup>st</sup> December 2021

## 2. General information about the SRI fund(s) that come under the scope of the Code

### 2.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

At Carmignac, we believe that ESG incorporation is not only a "green tag", or a "nice to have". Indeed, we believe that an asset manager's number one fiduciary duty to its investors is to mitigate as much risk as it can identify. This very resolutely includes risks associated with poor governance, shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges. ESG implementation can be, and often has been, a driver of long-term performance as it goes hand in hand with sustainability. Asset managers, like us at Carmignac, managing the savings of investors, often their future pension, have to see long term and not short term. As such, companies that decide to favour short term success at the cost of higher ESG risks (or any other higher risk) may encounter difficulties in making profitable investments over the long term.

### 2.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The Portfolio Managers and Analysts are responsible for ESG analysis. In addition, the ESG analyst takes an active role in ESG assessment as well as in the engagements necessary following on from ESG risk identification, controversies or affiliation related collective engagements. During the due diligence directly with Corporations as part of the investment rationale, ESG risk and opportunities are identified and discussed. External ESG data sources are aggregated as discussed on our START platform from the following data providers: Trucost, TR Refinitiv, MSCI and ISS.

At least 90% of companies in our funds have an ESG analysis.

### 2.3. What ESG criteria are taken into account by the fund(s)?

Depending on the geographic region and sector, ESG criteria may vary. The START System incorporates 31 ESG indicators that compose the companies scoring sorted in percentiles within the same peer groups. However here are the most common elements that the Portfolio Managers and Analysts assess in the investment rationale:

- **Environment:** The scope of Carmignac's interest includes the impact of companies on the environment and their ability to propose services and products which adapt to environmental

challenges and particularly climate change. Environmental issues the investment team considers and renders transparent could include companies’ treatment of carbon emissions, pollution, waste, and water usage.

- **Social:** Carmignac focuses on monitoring the impact of companies with all their stakeholders (suppliers, employees, consumers) across the value chain and the increasing public expectations of social responsibility. Social issues the firm considers could include all types of employment abuses, staff turnover metrics, diversity, workplace health and safety, income distribution, and product safety.
- **Governance:** Carmignac focuses on the enhanced value created by companies that encourage governance ethics. Governance issues the firm considers could include any tendency towards uses of bribery and corruption, government’s involvement and impact on management, board independence, executive compensation, and anticompetitive practices.

In addition to 30+ ESG indicators of company data that can be monitored on the Carmignac proprietary ESG system START, the Funds under the scope of this Transparency Code track the progress of 5 specific E, S, G and Human Rights indicators, a set of quantifiable data points established as performance measures. They seek to compare and manage the evolution of these indicators against the reference index and across companies. They also serve to drive further research and corporate engagement.

Environmental	Social	Governance
Carbon Emissions –Direct & First Tier Indirect (tonnes CO2e)	% Employee Satisfaction	% Audit Committee Independence
Carbon Intensity- Direct & First Tier Indirect (tonnes CO2e/USD mn)	Employee Turnover	Compensation Committee Independence
Flaring of Natural Gas	Female Managers	Nomination Committee Involvement
Total Energy Use/Revenues	Average Employee Training Hours	Long Term Objective-Linked Executive Compensation
Renewable Energy Use Ratio	Lost Time Due to Injury Rate	Independent Board Members
Energy Use Total	Employee Fatalities	Average Board Tenure
Total Waste / Revenues	Chief Executive Salary Gap	% Board Gender Diversity
Waste Recycled /Total Waste	% Gender Pay Gap	Highest Remuneration Package
Accidental Spills	% Customer Satisfaction	Board Size
Water Use / Revenues		Sustainability Compensation Incentives
Water Recycled		
Fresh Water Withdrawal Total		

## **2.4. What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>4</sup>**

Carmignac has made climate awareness a formal component of its investment process, joining the efforts undertaken as part of the Cop21 initiatives and adhering to Energy Transition Rule No 173 of the Monetary and Financial Code of the French government (L533-22-1 du Code Monétaire et Financier), replaced by the new Article 29 law.

Through a diversified investment policy that is not constrained by its benchmarks, our Funds underweight sectors with high carbon emissions, particularly coal industry and utilities. Besides, investing in sustainable technologies is also a key priority for our Funds.

Carmignac Portfolio Grande Europe, Carmignac Euro-Entrepreneurs and Carmignac Portfolio Patrimoine Europe have committed to target 30% minimum lower carbon intensity than their reference benchmark as measured by tCO<sub>2</sub>/ M USD (Scope 1 and 2, GHG Protocol). Secondly, the portfolio manager of Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe screens companies that are providing a positive solution to climate change and natural capital (water, land etc resources) as will be described later.

## **2.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?**

ESG analysis and criteria are directly considered in the definition of the Fund's investable universe. The investment universe of Carmignac Portfolio Grande Europe and the equity universe of Carmignac Portfolio Patrimoine Europe in scope comprises mainly equities of the European Union but also OECD countries outside of it. This represents a list of ~1200 names.

### Negative Screening

The funds' universe is refined by the application of Negative Screening within the front office portfolio management system called CMGR, which is reviewed quarterly and prevents investments in companies that are involved in the following sectors and activities:

#### **1) Carmignac firm-wide exclusion list:**

- Controversial weapon manufacturers which make products that do not comply with treaties or legal bans\*
- Tobacco producers. Wholesale distributors and suppliers with revenues over 5% from such products
- Thermal coal miners with over 10% revenues or 20 million tonnes from extraction

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<sup>4</sup>Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

- Power generators that produce more CO<sub>2</sub>/kWh than the defined threshold\*\* or do not publish their CO<sub>2</sub> emissions despite having coal power plants
- Adult entertainment and pornography producers and distributors with over 2% revenues from such product
- International Global Norms violations including OECD Business Principle, ILO Principles and UNGC Principles.

#### Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe exclusion list:

##### **Energy Exclusions**

- Thermal coal producing companies with more than 10% sales directly derived from coal extraction
- Unconventional energy (1) companies deriving more than 1% of total production from unconventional energy sources\*
- Conventional oil energy production (2) companies are limited to 3% of the portfolio assets\*
- Power generation companies must not exceed 408 gCO<sub>2</sub>/kWh carbon intensity or if data is not available cannot exceed:
  - Gas-fired – 30% production or revenue
  - Coal-fired – 10% production or revenue
  - Nuclear-fired – 30% production or revenue

\*Only for the equity portfolios and equity part of Carmignac Portfolio Emerging Patrimoine

##### **Ethical exclusions**

- Conventional Weapons including components companies (10% revenue hurdles)\*
- All Tobacco producers. Wholesale distributors and suppliers 5% revenue threshold
- Adult Entertainment companies (2% revenue hurdle)
- Gambling companies (2% revenue hurdle)
- Norms based (3) exclusion including UN Global Compact violations human rights, labour rights, environment, and corruption
- Alcohol products (10% revenue hurdle)

*\* Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label (1) Conventional energy extraction sources: oil and gas. Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling. Conventional energy extraction sources: oil and gas (2) Power generation companies may be deemed investable if they i) have a SBTi target set at well below 2° or 1.5° C, or ii) generate >50% of revenues from renewable energy power source, or iii) dedicate > 50% capex to renewable energy power source. (3) Companies that do not comply with: The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; The Belgian Loi Mahoux, the ban on uranium weapons; The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons. 1980 Convention on certain conventional weapons concerning non detectable fragments, mines, incendiary weapons, blinding laser weapons. Exclusion lists are updated on a quarterly basis*

*Source : Carmignac, January 2022*

#### Positive Screening

We also want to emphasize companies that contribute positively to either the environment or the society and we use a combined matrix to do so. This matrix is based on MSCI ESG Ratings and the United Nations Sustainable Developments Goals.

MSCI ESG<sup>5</sup> Ratings assess companies relative to their sector on a AAA-CCC basis, AAA being the best. Based on this, we systematically exclude CCC rated companies from our universe.

<sup>5</sup> MSCI ESG Ratings is a proprietary methodology from MSCI. To arrive at a final rating (from AAA the best to CCC the worst) the weighted averages of the 37 Key Issue Scores covering 10 different themes (4 for Environment / 4 for Social / 2 for Governance) are aggregated and companies' scores are normalized relatively to their industries. These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers. Carmignac is conscious that by monitoring 37 Key Issue Score the methodology cannot follow all the sustainable aspects from the development of companies but Carmignac ensures that this is the most appropriate one. Moreover, by defining a rating relatively to industry peers, the rating cannot

Additionally, companies having an overall MSCI rating of B or BB are also excluded, unless the company’s business activities are aligned to one of the 9 UN SDGs we have selected for our Outcomes Framework. Out of the 17 UN SDGs, we have selected 9 we believe are more appropriate for this purpose, namely: (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities (12) Responsible Consumption and Production.

In practice, negative (exclusions) and positive (relative and absolute) screenings are applied to our universe of investable stocks. These work all together so to make sure the Fund meets our Carmignac’s rule-based Outcomes Framework: the “50/50 rule”; a minimum of 50% of the funds AUM must be invested in companies with >50% revenues from goods and services positively aligned with at least 1 of 9 targeted UN SDGs. The negative and positive ESG assessment reduces the universe to approximately 900 names.

Financial Screen

After the ESG assessment is undertaken, the universe is further reduced by excluding companies with a market value below €1 billion and a financial score inferior to the median score of the universe. The financial score is calculated based on our selection of financial ratios such as cash flow return on investment, operating margins and reinvestment rate. This financial screen aims at identifying companies with the most attractive long-term growth prospects. The investable universe is thereby reduced to a list of approximately 350 names.

Summary:

SRI Screening: In Line With Our Long-Term Horizon



**Carmignac Portfolio Grande Europe**



\* Initial investment universe: Western Europe, Eastern Europe & Turkey with ideally no in IOR ART Cos, exceptions exist. The list of investable companies is reviewed on a quarterly basis. Portfolio composition may vary overtime. Source: Carmignac, December 2021

be taken as the objective / inherent assessment of the Company approach in regards of sustainability. <sup>2</sup>The limit defined is rebased in % of the portfolio that has a MSCI ESG rating. For issuers, for which MSCI ESG does not issue any rating, the MSCI ESG Rating from the group the issuer belongs to is used.



## Carmignac Portfolio Patrimoine Europe

### Corporate bond investable universe reduction

The investable universe is constructed using a composite of several corporate bond indexes which reflect the possible investment universe of the fund as follows:

Investment Universe (around 3500 single issuers): ICE BofA Global Corporate Index, ICE BofA Global Non-Financial High Yield Index, ICE BofA Emerging Markets Corporate Plus Index. All non-rated issuers are excluded from the investable universe unless our proprietary analysis confirms sufficient enough transparency for the companies to be ESG assessed and reincluded. The starting investable universe of the composite benchmarks is thus around 2500 issuers. We apply the firm and fund level exclusions as stated above reducing the universe by around 2200 issuers. The next step of exclusion poor ESG scored issuers is in two parts:

- 1) All CCC and B MSCI rated companies are excluded unless the proprietary analysis score in START\* is A, B or C for the issuer which reduces the universe to around 1950 issuers.
- 2) All issuers with MSCI E and S scores below 1.4/10 are excluded unless the proprietary analysis score in START is A, B or C for the issuer which reduces the investment universe to around 1880 issuers.

\*START scoring system rating A-E, where A is the highest ESG score.

Summary:

## A Corporate Debt Investment Process in Line with our Long-Term Growth Focus



## Sovereign bond ESG integration

With the aid of a proprietary Sovereign Sustainability rating the management team seek to identify Environmental, Social and Governance risks and opportunities. The following indicators are examined through the use of globally recognised impact monitors such as the IMF's fiscal monitor, the World Justices' Project Rule of law, Reporters Without Borders World Press Freedom index.

#	Criteria	Sources	Weights
<b>Environmental</b>			
1	CO <sub>2</sub> emissions per capita	Our World In Data – Oxford University	20%
2	Share of Renewables in total installed capacity	BNEF (Bloomberg New Energy Finance)	20%
3	Share of Coal in total installed capacity	BNEF (Bloomberg New Energy Finance)	20%
4	Ambient PM2.5 (fine particulates)	Institute for Health Metrics and Evaluation	20%
5	Ratification of Paris Accords	United Nations Framework Convention on Climate Change	Malus of 0.2 if not ratified
6	Environmentally controlled solid waste treatment	World bank report "What a waste 2.0". Data from United Nations Statistics, OECD, and regional and national reports	20%/3
7	Health years lost due to unsafe sanitation	Institute for Health Metrics and Evaluation	20%/3
8	Health years lost due to unsafe water	Institute for Health Metrics and Evaluation	20%/3
<b>Social</b>			
9	Life expectancy at birth of both sexes	World Bank	20%
10	GINI – income coefficient	World Bank	20%
11	Education (PISA & Litteracy rate)	PISA (Reading, Maths, Science) – OECD Litteracy Rate – World Bank	20%
12	GDP Per Capita PPP	IMF	20%
13	HDI	United Nations - Development Programme	20%
<b>Governance</b>			
14	Ease of Doing Business	World Bank	20%
15	Fiscal Position (deficit as % GDP)	IMF	20%
16	Debt as Years of Revenue	Gross Debt to GDP and Revenue to GDP – IMF	20%
17	Current Account Position	Current Account to GDP – IMF	20%
18	Economic freedom	The Heritage Foundation	20%

## Methodology

- a. Universe of 105 countries across DM and EM covering all our sovereign investments
- b. 18 E, S & G criteria selected according to UNPRI guidelines, market relevancy, firm's values and industry standards
- c. Quantitative model based on both spot levels and historic data to capture current ESG risks as well as dynamic trends
- d. Scoring between 1 (bad) & 5 (good), with a fully used range to get the highest dispersion
  1. For any criteria, countries are ranked all together both on spot data and recent evolution/trends. These two ranking are then converted into a rating between 1 (bottom) & 5 (top)
  2. The dynamic rating is overweighed for EM countries (75%), and underweighted for DM countries (25%)
  3. For any E, S & G pillar, sub-criteria ratings are then averaged to get a pillar scoring
  4. While the management team is aiming at having a transparent and thus relatively simple index, a qualitative bonus/malus can be added to capture risks/improvement that are not reflected within the data (recent event, new policy...)
  5. The overall ESG score is then composed of the equally weighted average of the three components E, S, and G
  6. Fund's score is then aggregated as the weighted average of the country score and the exposure of the positions

Countries with a score of 2.5 or below are omitted from the investment universe. The portfolio seeks to have an overall portfolio sovereign ESG country score for each ESG pillar at least on average at or above the reference indicator ECAS BBG ticker, BoA All maturity all Euro government bond index (ECAS BBG ticker). The ESG sovereign scoring system is maintained and developed by the Fixed income analysts and is updated 6 monthly.

### **Carmignac Euro-Entrepreneurs**

Carmignac Euro-Entrepreneurs invests explicitly in companies with strong corporate governance as is explained in the fund prospectus and applies the same fundamental and proprietary analysis aided by the ESG platform START and compares the portfolio ESG performance using MSCI ESG ratings, as the other funds in this Transparency Code. It also shares the same exclusion list as stated above (not including Alcohol exclusion).

The fund universe of around 1500 stocks is filtered first for Carmignac firm and fund exclusions reducing the universe to around 1450 stocks. The universe is then screened using MSCI Governance ratings , excluding companies that are not showing strong governance scores. This could be due to a combination of poor results such as low board independence, a large pay gap, or other more qualitative assessments of accounting practices and anti-fraud measures. This screening is backed up by the proprietary analysis that is done by the investment team which identifies companies with high standard corporate governance and entrepreneurship as strong drivers to value creation and sustainability . Secondly, the universe of companies is screened for carbon emissions measured in carbon intensity (tCO2/ % MUSD revenues) , which can be monitored in the portfolio management interface GPM and is also available through START as well as S&P Trucost portal. Companies with higher carbon emissions than the average of the fund's larger universe of 1500 companies are excluded. Only companies that prove to have environmental policies that are noted in our ESG analysis in START can be reintroduced into the investable universe. We envisage that this would only affect 1-5 companies per year. After this screening the investment universe is reduced to around 1200 companies, after which the proprietary analysis identifies for companies in non-macro related sectors, tangible value drivers creating an investment universe of around 300 companies for a portfolio of around 30-50 stocks.

### **2.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?**

The investment team allocates a rating through the proprietary START system at outset of investment and are updated on an annual basis or when necessary as new data or information needs to be complemented. MSCI ESG Ratings are our public and portfolio guidelines reference for the portfolio. Ratings by MSCI are updated annually or as these ratings updates occur. The overall ESG rating both proprietary and MSCI are monitored through the GPM front office portfolio interface real time as well as in the START system.

## **Controversies**

Controversies are managed through our formal engagement framework. From January 2021, by adopting a new and comprehensive engagement policy, Carmignac has committed to a quarterly engagement program targeting specific actions within the possibility of 5 different types of engagements including controversy management:

1. ESG risk related engagement
2. Thematic engagement
3. Impact engagement
4. Controversial behaviour engagement
5. Proxy voting decision engagement

### **1. ESG Risk-related engagement**

The proprietary rating and research framework START combines aggregated raw ESG data from companies which allows the analyst to systematically identify poor E, S or G related scores and risks. A good starting point for engagement would be if the score of E, S or G is below average ie D or E rating. A company dialogue would be initiated concerning the issues which have contributed to the low score(s) and the objective of the engagement would be to understand the specific ESG risk and engage to drive material improvement in the companies' ESG profile.

### **2. Thematic Engagement**

This is a proactive approach centred on material sustainability themes that have the most potential to create value for shareholders, taking into consideration the views and concerns of our clients. We breakdown a selection of themes within the three pillars of 'ESG', depending on what is most material within the company's business sector. The materiality or relevance of the E, S or G issue is determined by our investment team members given their specialist knowledge of the sector and company. Thematic Engagement can take place over up to three years.

### **3. Impact Engagement**

We seek to understand and work with companies on their business model progression to identify their intentionality, how they intend to create additionality and lastly measure their outcome to create overall societal and environmental value.

When relevant, we align our impact engagement themes to the United Nations 17 Sustainable Development Goals (SDGs). Impact Engagement can extend to a five-year period.

### **4. Controversial Behaviours Engagement**

Enhanced engagement which focuses on companies that severely and structurally breach principles of the United National Global Compact (UNGC) and/or OECD Guidelines for Multinational Enterprises. Controversial Behaviours engagement is aimed at eliminating a company's breach of the UNGC and/or OECD Guidelines for Multinational Enterprises and installing proper management systems to prevent such a breach from recurring.

If engagement is unsuccessful, the company is considered for exclusion. Enhanced engagement cases are selected quarterly. Engagement focus can differ between various investment exposures. For example, engagements for credit portfolios are likely to focus on downside ESG risks, whereas engagements for equity portfolios are more likely to focus on both ESG risks and opportunities, as well as minority shareholders' rights. We allow for a maximum of three years of engagement with a company in this program.

## 5. Proxy Voting Decisions Engagement

This refers to conference calls or in-person meetings conducted before and/or after an AGM. The purpose of such engagement is to inform and discuss proxy voting decisions with the company. While many voting decisions are taken based on internal and external research without the need for dialogue with management, in some circumstances it is important to interact with the Board to gain a more detailed understanding of the rationale behind the items included for votes. These conversations can help shed light on Board member candidates, remuneration policies, Board effectiveness and the company's reaction to specific ESG resolutions. Cases for proxy voting engagements are usually identified based on financial exposure, seriousness of the concern and complexity of the item up for vote.

### Escalation

For each company identified for engagement, we define a challenging but realistic threshold of objectives that we expect to be met at the end of the engagement timeframe. If the expected outcome set has been met, we close the engagement case successfully. We record our engagement outcome on 3 levels of progress: Positive, Neutral & Negative. We escalate the intensity of an engagement activity over time depending on the nature of the challenges each company faces and the attitude of the board towards our dialogue. Generally, our engagement activity becomes more active where we believe engagement will lead to an increase in or prevent/limit a decrease in the value of a company over the long term.

### Reporting

Transparency to our clients and society is a key priority of Carmignac. We share our engagement outcomes and progress publicly including our voting records and rationale.

The outcomes of our thematic engagements are updated annually on our website and in our annual reports as well as being reflected in the UNPRI reporting. Lastly particular case studies will be communicated throughout the year on an adhoc basis. This helps our clients understand the activities that Carmignac has taken on their behalf as part of our fiduciary duty.

For further information please refer to Carmignac's Shareholder Engagement policy on the Responsible Investment website.

## 3. Investment process

### 3.1. How are the results of the ESG research integrated into portfolio construction?

ESG research has a direct impact in portfolio construction. As discussed in the answer to question 2.5, we use ESG criteria along with the financial criteria in order to identify companies with the most attractive long-term prospects. In addition to further reducing the list of companies in the investable universe in both the equity portfolios and the corporate bond portfolios, the companies ESG assessment will also influence the weighting of holdings in the portfolio.

For the Socially Responsible funds, ESG scores are an indication of risk and opportunity. ESG research has a direct impact in portfolio construction. The investment universe is also filtered based on financial criteria such as free cash flow yields, return on investment and leverage ratios. Then a negative screening is applied, excluding controversial sectors, such as controversial arms, global norms-based restrictions, UN or EU company or country sanction lists, tobacco, coal producers, gambling companies and alcohol producers (only for Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe).

Carmignac Portfolio Grande Europe and the equity portion of Carmignac Portfolio Patrimoine Europe, as part of the positive screening, seek to invest in companies making a deemed positive contribution to the 9 Sustainable Development Goals. A mapping is constructed by sorting raw company revenue data. An investment is deemed aligned if over 50% of investee company's revenues from goods and services are generated from business activities which contribute to one of the 9 (out of 17) specific UN Sustainable Development Goals ("SDGs") that have been determined as pertinent to the Sub-Fund's sustainable objectives : (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, SDG Clean and Affordable Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production. For further information on the SDGs please refer to <https://sdgs.un.org/goals>. For further information on responsible investment, please refer to Carmignac Responsible Investment website.

For Carmignac Portfolio Patrimoine Europe, Corporate bond holdings are analysed primarily using the START platform of aggregated data with the proprietary analysis most significantly done by the ESG analysts. It is the portfolio managers responsibility to invest in the holdings after review of the ESG analysis.

For Carmignac Euro-Entrepreneurs, as previously stated, carbon emissions screening using S&P Trucost data, and best in universe Governance screening using MSCI ratings form the investment universe and contribute to the decision making of portfolio construction.

The monitoring of both MSCI ESG ratings and our active use of the proprietary ESG system START allows the best possible coverage and analysis for ESG risks in our European market investment universe for both equities and bonds. This ensures that a satisfactory level of ESG ratings are monitored regularly and are maintained in the fund as is reported on a monthly basis (published ESG Monthly summary factsheets and quarterly Sustainable Reporting).

### **3.2. How are criteria specific to climate change integrated into portfolio construction?<sup>6</sup>**

All funds under the scope of this Transparency Code have proven to have very low level of fossil fuel involvement and specifically target a carbon intensity of 30% below their reference indicator as measured by tCO<sub>2</sub>/ M USD (Scope 1 and 2, GHG Protocol).

The funds do not replicate any low carbon index members or sectors given their very non-benchmarked nature. In the portfolios, Energy and Materials' sector companies usually don't pass our financial criteria assessment which focuses on companies' capacity to high sustainable profitability coupled with reinvestment in their future growth. Secondly, the portfolio management team also applies additional screening in order to minimise exposure to fossil fuels. Coal producers' companies with more than 10% sales directly derived from coal extraction are excluded from the investment universe. Non-conventional oil companies deriving more than 1% of total production are also excluded. All oil-based conventional energy companies are also excluded.

Power generators that produce more CO2/kWh than the defined Paris Alignment threshold as mentioned in 1.4, or do not publish their CO2 emissions despite having coal power plants, are excluded as well. These rules cover both equity and corporate bond asset classes for the funds under the scope in this Transparency Code.

As mentioned in Question 2.5, the Carmignac Euro-Entrepreneurs fund screens out companies with higher carbon emissions than the average of the fund's larger universe of 1500 companies (around 160-170 tCO2/ mUSD) . Only companies that prove to have environmental policies and targets in place within a short time frame documented by ESG analysis in our proprietary START platform can be reintroduced into the investable universe.

### Carbon footprint Carmignac Portfolio Grande Europe

	Weighted Average Carbon Intensity <sup>1</sup>	Total Carbon Emissions <sup>2</sup>	Availability of Carbon Data <sup>3</sup>	Fossil Fuel % Revenues <sup>4</sup>
<b>Carmignac P. Grande Europe</b>	<b>33.9</b>	<b>4,042.3</b>	<b>90.2%</b>	<b>0.08%</b>
Stoxx 600	169.1	107,131	97.7%	0.77%
Difference in % between Fund and reference indicator	-80%	-96.2%	N/A	-89.6%

1. Tonnes of CO2 equivalent per million euros of revenues (rebased to 100%)

2. Total tonnes of CO2 equivalent (calculated as % assets, and not rebased to 100%)

3. Excluding cash and securities not in scope: government bonds and derivative instruments

4. Weighted average % fossil fuel revenues for each company in the portfolio

Source: S&P Trucost data as of 31/12/2021

## Carbon footprint Carmignac Portfolio Patrimoine Europe

	Weighted Average Carbon Intensity <sup>1</sup>	Total Carbon Emissions <sup>2</sup>	Availability of Carbon Data <sup>3</sup>	Fossil Fuel % Revenues
<b>Carmignac P. Patrimoine Europe</b>	<b>33.6</b>	<b>1,726.6</b>	<b>91.3%</b>	<b>0.03%</b>
Stoxx 600	169.1	42,380.9	97.7%	0.77%
Fund % difference vs. reference indicator	-80.1%	-95.9%	N/A	-95.8%

1. Tonnes of CO2 equivalent per million euros of revenues (rebased to 100%)
2. Total tonnes of CO2 equivalent (calculated as % assets, and not rebased to 100%)
3. Excluding cash and securities not in scope: government bonds and derivative instruments
4. Weighted average % fossil fuel revenues for each company in the portfolio

Source: S&P Trucost data as of 31/12/2021

## Carbon footprint Carmignac Euro Entrepreneur

	Weighted Average Carbon Intensity <sup>1</sup>	Total Carbon Emissions <sup>2</sup>	Availability of Carbon Data <sup>3</sup>	Fossil Fuel % Revenues
<b>Carmignac Euro Entrepreneur</b>	<b>63.5</b>	<b>12,016.9</b>	<b>83.8%</b>	<b>0.00%</b>
Stoxx 200 Small	143.4	25,996.7	96.8%	1.15%
Fund % difference vs. reference indicator	-55.7%	-53.8%	N/A	-100%

1. Tonnes of CO2 equivalent per million euros of revenues (rebased to 100%)
2. Total tonnes of CO2 equivalent (calculated as % assets, and not rebased to 100%)
3. Excluding cash and securities not in scope: government bonds and derivative instruments
4. Weighted average % fossil fuel revenues for each company in the portfolio

Source: S&P Trucost data as of 31/12/2021



Methodology: to calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO<sub>2</sub>e /USD mn revenues converted to Euros, Scope 1 and 2 GHG Protocol, S&P Trucost) are weighted according to their portfolio weightings (adjusted for holdings for which carbon emissions are not available), and then summed.

S&P Trucost methodology: Trucost uses company disclosed emissions where available. In the instance it is not available, they use their proprietary EEIO model. The model uses the revenue breakdown of the company by industry sector to estimate the carbon emissions. For further information, please visit: [www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf](http://www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf). Although S&P Trucost does report Scope 3 emissions where available, such emissions are commonly considered to be poorly defined and inconsistently calculated by companies. As a result, we have chosen not to include them in our portfolio emission calculations.

### **3.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?<sup>7</sup>**

All equity holdings or corporate issuers are subject to ESG analysis using the START platform, and as for portfolio guidelines, MSCI ratings are used. The START platform has the capacity to aggregate raw company scores for over 8000 issuers. Should there be no coverage which can happen on rare occasions in newly listed companies or non-listed corporate issuers, a START proprietary rating is given.

All sovereign issuers are rated through the proprietary sovereign rating system which assesses 105 countries across DM and EM covering all our sovereign investments using 18 E, S & G criteria selected according to UNPRI guidelines, market relevancy, firm's values, and industry standards. Please see the section on ESG methodology.

### **3.4. Has the ESG evaluation or investment process changed in the last 12 months?**

Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe were upgraded from Article 8 to Article 9 (SFDR)<sup>8</sup> in January 2022. As part of its commitment to Responsible Investment, the Strategy seeks to invest more than 50% of assets in companies that derive more than 50% of revenue from activities which align positively with one of the following 9 (out of 17) UN SDGs: (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities (12) Responsible Consumption and Production. It also seeks to archive a Carbon intensity 30% lower than benchmark.

### **3.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?**

As mentioned above, Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe, as part of the positive screening, seek to invest in companies making a deemed positive contribution to the 9 Sustainable Development Goals. A mapping is constructed by sorting raw company revenue data.

<sup>7</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

<sup>8</sup> Sustainable Finance Disclosure Regulation : <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32019R2088>

An investment is deemed aligned if over 50% of investee company's revenues from goods and services are generated from business activities which contribute to one of the 9 (out of 17) specific UN Sustainable Development Goals ("SDGs") that have been determined as pertinent to the Sub-Fund's sustainable objectives : (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, SDG Clean and Affordable Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production. For further information on the SDGs please refer to <https://sdgs.un.org/goals>. For further information on responsible investment, please refer to Carmignac Responsible Investment website.

### **3.6. Does (do) the fund(s) engage in securities lending activities?**

Our Socially Responsible funds rarely offer securities lending. The holdings are recalled so as to exercise voting rights.

### **3.7. Does (do) the fund(s) use derivative instruments?**

The funds only use equity derivatives for efficient portfolio management. The derivatives are subject to UCITS leverage limits and internal risk controls. Short selling of single stocks is not practiced in the funds. The balanced fund Carmignac Portfolio Patrimoine Europe is a flexible fund with a minimum of 50% fixed income instruments. Equity investments can be hedged through sector or general market index futures hedging. Fixed income general indices can also be used. These index futures are not assessed for ESG risk.

### **3.8. Does (do) the fund(s) invest in mutual funds?**

The Socially Responsible funds do not normally invest in other mutual funds other than the Carmignac Court Term money market fund for liquidity purposes. This fund's management is delegated to the money market fund, BNP ISR Mois, which is a SRI labelled fund and categorised Article 8 in accordance with the SFDR EU Regulation 2019/2088.

## **4. ESG controls**

### **4.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?<sup>9</sup>**

An operational framework is in place to manage and monitor sustainability risks. This framework allows us to monitor the overall compliance with ESG limits laid down in our prospectuses and controlling that the investment strategy is consistent with the SFDR regulation SFDR and SRI labels' specifications. Through the above-mentioned ESG methodologies communicated and handled by the Responsible Investment team, sector exclusions, universe reductions and coverage thresholds for ESG analysis are achieved.

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<sup>9</sup> Reference to Article 173 of the French TECV Act

ESG rules and guidelines are monitored by the Investment Management and the Responsible Investment team as a first level of control through the START (within Mackey RMS) and the Global Portfolio Monitor (GPM) day to day research and portfolio management tools. The Risk Management team acts as a second level of control and ensures that the applied strategy complies with the various constraints (regulatory, statutory and internal), using the software Bloomberg Compliance Manager tool (CMGR). This tool configuration defined by Risk Management, allows a close monitoring of sustainability risks in the investment process by setting appropriate limits that reflect consistency between fund's commitment and the implemented strategy. Most of controls are done post-trade on a weekly or monthly basis, the target being pre-trade control on a daily basis. The overall framework is periodically reviewed by the Compliance and Internal Control department in the conduct of the Compliance Monitoring Program.

## 5. Impact measures and ESG reporting

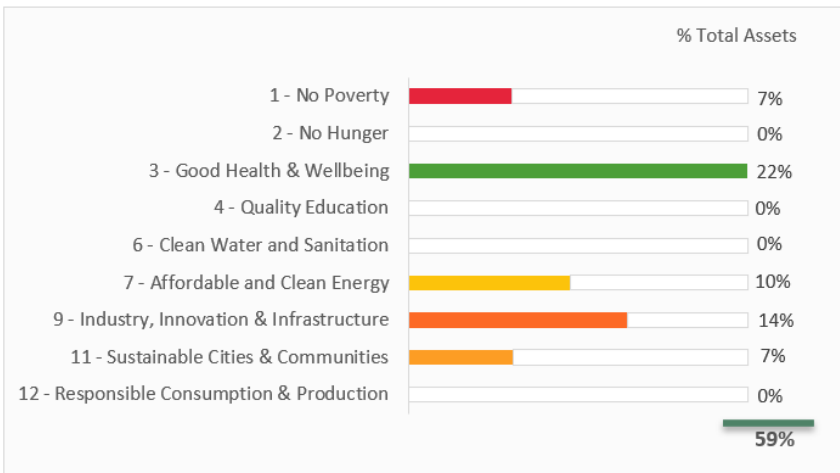
### 5.1. How is the ESG quality of the fund(s) assessed?

Carmignac assess the ESG ratings of its SRI funds on a monthly basis. The ratings of the portfolio drawn from MSCI ESG ratings are compared against the Fund's benchmark. The distribution of weightings, the top holdings ratings and the holdings active weights are also given. This report is automated and published inside the financial factsheet, in all languages.

Frequent reviews are made by the ESG analysts of the portfolio ratings compared to the proprietary START and MSCI ESG ratings. This enables discussion and discrepancies to be discussed. Since October 2020, the yearly carbon reports have been reported monthly, showing tCO2/M USD revenue against the benchmark.

In terms of positive outcomes reporting, in the SRI Guidelines of our Article 9 Equity funds, including Carmignac Emergents and its SICAV equivalent Carmignac Portfolio Emergents, we provide with the UN SDG alignment.

#### Carmignac Portfolio Grande Europe's UN SDG alignment as of 31/12/2021



Outcomes calculation methodology:

Our proprietary Outcomes Framework maps business activities to nine of the 17 Sustainable Development Goals (SDGs). We deem these nine SDGs as 'investable', which means that companies our funds can invest in are able to support progress towards these goals, through their products and services. The investable SDGs identified by Carmignac are: SDG 1: No Poverty.; SDG 2: Zero Hunger; SDG 3: Good Health and Well-being; SDG 4: Quality Education; SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 9: Industry, Innovation and Infrastructure; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production.

Aligned companies are identified through company revenue data. To do this, we have created a proprietary business activity classification system that we have mapped to the SDGs. This system uses raw company revenue data from FactSet to identify which companies operate in these business activities and are therefore aligned with the SDGs.

In order to be considered SDG-aligned according to our Framework, a company must derive at least 50% of its revenues from business activities that have a positive contribution to at least one of the nine SDGs listed above. Once a company exceeds this 50% threshold, we consider the company to be 'aligned' and consider a fund's entire economic exposure to that company as such when calculating fund-level alignment. Companies owned by a fund may not have a sufficient proportion of revenues coming from business activities that are positively 'aligned' to the SDGs, so a fund's aggregate alignment across the investable SDGs may not total 100%.

## **5.2. What ESG indicators are used by the fund(s)?**

In addition to 30+ ESG indicators of company data that can be monitored on the Carmignac proprietary ESG system START, the funds tracks the progress of 5 specific E, S, G and Human Rights indicators for the fund, a set of quantifiable data points established as performance measures. They seek to compare and manage the evolution of these indicators against the reference index and across companies. They also serve to drive further research and corporate engagement.

The ESG and HR indicators are also published on a yearly basis, this enables a monitoring of specific ESG, and Human rights indicators compared to the fund benchmark. This report is established by the Responsible investment team , who sources the ESD data from MSCI and S&P Trucost.

These reports are available here:

For Carmignac Portfolio Grande Europe: [https://www.carmignac.co.uk/en\\_GB/funds/carmignac-portfolio-grande-europe/w-gbp-acc/documents-and-reports](https://www.carmignac.co.uk/en_GB/funds/carmignac-portfolio-grande-europe/w-gbp-acc/documents-and-reports)

For Carmignac Portfolio Patrimoine Europe : [https://www.carmignac.co.uk/en\\_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports](https://www.carmignac.co.uk/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports)

For Carmignac Euro Entrepreneurs: [https://www.carmignac.lu/en\\_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports](https://www.carmignac.lu/en_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports)

In compliance with the French SRI Label, Carmignac Emergents and Carmignac Portfolio Emergents are committed to maintain a level of carbon emissions 30% lower than the reference indicator, with a data coverage above 90% and Human Rights controversies lower than the benchmark, with a data coverage above 70%. This is illustrated in the table below:

		E – Carbon Emissions	S – Number of Product Safety Controversies	G – Board Independence	Human Rights – Number of Supply Chain Controversies	Human Rights – Number of Controversies
	<i>Fund Coverage</i>	87.3%	89.5%	89.5%	89.5%	92.5%
	<i>Reference Indicator Coverage</i>	97.3%	99.5%	99.7%	99.7%	99.7%
<b>Carmignac Grande Europe</b>	Sep-2021	45.31 tCO2e/M€ revenue	3	78.8%	0	0
	Sep-2020	39.41 tCO2e/M€ revenue	1	91%	1	0
<b>STOXX 600</b>	Sep-2021	170.21 tCO2e/M€ revenue	19	83.4%	10	3
	Sep-2020	222.07 tCO2e/M€ revenue	12	97%	6	3

\*ESG-related issues are not static and no single ESG indicator is enough to judge all ESG-related risks, as their relative materiality varies between companies and across all regions, this measurement is a manner to monitor key indicators across our funds and investee companies.

### 5.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Carmignac’s mainstream ESG approach and the SRI Funds are identified on Carmignac’s SRI web page: [https://www.carmignac.lu/en\\_GB/responsible-investment/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)

Carmignac’s mainstream ESG approach and the SRI Funds plus ESG thematic funds are identified on Carmignac’s Responsible Investment web page: [https://www.carmignac.lu/en\\_GB/responsible-investment/template-hub-sri-thematic-funds-4526](https://www.carmignac.lu/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526)

Moreover, on each of these Funds’ web page, you will find the following documents related to RI:

- The Monthly ESG summary factsheet
- SRI Guidelines
- The Sustainability Disclosure document (RTS recommended 2 pager)
- The Annual ESG and HR indicator report

These documents are oriented for professional investors.

The annual reports of the Fund contain a full commentary on ESG issues and its ESG assessment.

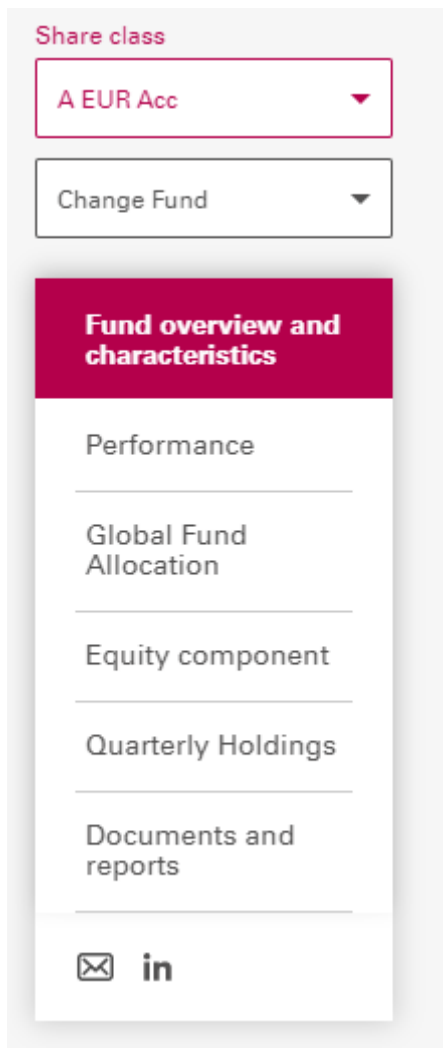
- The results of the Funds (see 5.1.) studied for emissions are also thoroughly discussed in the respective Funds’ annual reports and in our SRI webpage:

[https://www.carmignac.lu/en\\_GB/responsible-investment/template-hub-policies-reports-4528](https://www.carmignac.lu/en_GB/responsible-investment/template-hub-policies-reports-4528)

- Carbon emissions per Million USD invested, total carbon emissions and carbon intensity are detailed. In the annual report of 2020, the Fund carbon emission reference will be Carbon intensity to allow comparison across asset classes together with fossil fuel revenues.

**5.4 Please list all public media and documents used to inform investors about the SRI approach to the fund and include URLs. This should include a link to the detailed, no more than 6 months old, list of holdings of the fund(s).**

- Prospectus available on the Fund's web page
- Semi-annual and annual reports available on the Fund's web page
- KIID available on the Fund's web page
- Detailed positions composing the Fund available in the quarterly reports



Fund's web page for all other reports :

Carmignac Portfolio Grande Europe

[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-grande-europe/a-eur-acc/documents-and-reports](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grande-europe/a-eur-acc/documents-and-reports)

Carmignac Euro-Entrepreneurs















[https://www.carmignac.lu/en\\_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports](https://www.carmignac.lu/en_GB/funds/carmignac-euro-entrepreneurs/a-eur-acc/documents-and-reports)

Carmignac Portfolio Patrimoine Europe

[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports)

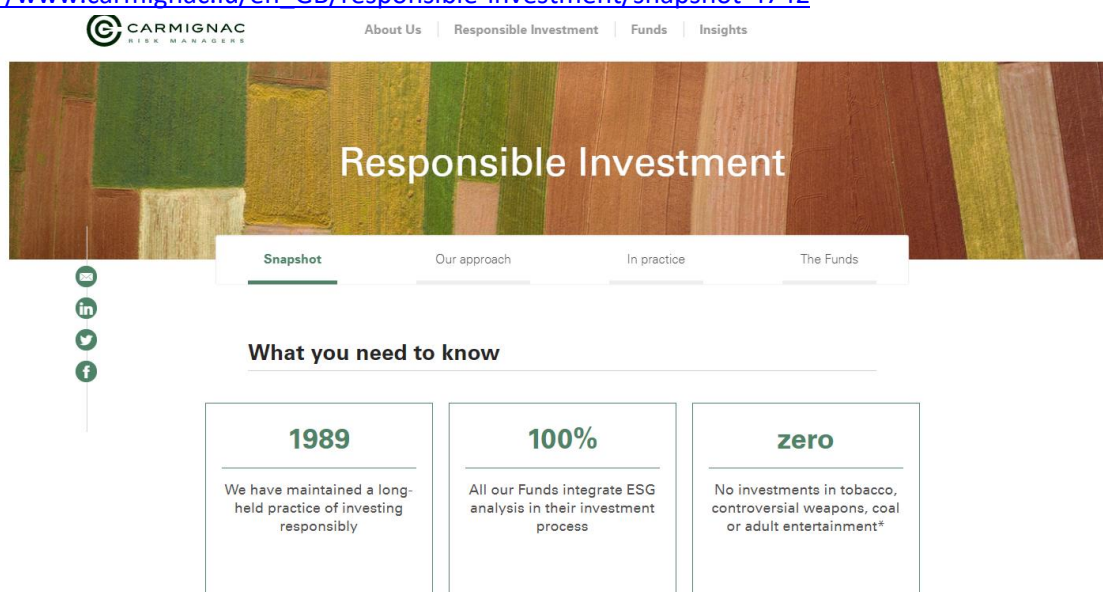
## Latest documents and reports

Please use the menu below to select which reports you want to view / download

<b>Weekly Report PRO</b> PDF - Carmignac Portfolio Grande Europe		<b>Monthly Factsheet (including ESG data)</b> PDF - Carmignac Portfolio Grande Europe	
<b>Product Sheet</b> PDF - Carmignac Portfolio Grande Europe		<b>KIID</b> PDF - Carmignac Portfolio Grande Europe	
<b>Prospectus</b> PDF - Carmignac Portfolio Grande Europe		<b>Semi-annual report</b> PDF - Carmignac Portfolio Grande Europe	
<b>Annual Report</b> PDF - Carmignac Portfolio Grande Europe		<b>SICAV articles</b> PDF - Carmignac Portfolio Grande Europe	
<b>Notice to shareholders</b> PDF - Carmignac Portfolio Grande Europe		<b>SRI Flyer</b> PDF - Carmignac Portfolio Grande Europe	
<b>ESG and HR indicators</b> PDF - Carmignac Portfolio Grande Europe		<b>Sustainability Quarterly Report</b> PDF - Carmignac Portfolio Grande Europe	
<b>SRI Guidelines</b> PDF - Carmignac Portfolio Grande Europe		<b>Fund Sustainability-related disclosure</b> PDF - Carmignac Portfolio Grande Europe	

## Responsible Investment Website

[https://www.carmignac.lu/en\\_GB/responsible-investment/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)



**CARMIGNAC**  
RISK MANAGERS

About Us | Responsible Investment | Funds | Insights

# Responsible Investment

Snapshot | Our approach | In practice | The Funds

**What you need to know**

- 1989**  
We have maintained a long-held practice of investing responsibly
- 100%**  
All our Funds integrate ESG analysis in their investment process
- zero**  
No investments in tobacco, controversial weapons, coal or adult entertainment\*

## GLOSSARY

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ESG integration	Assess E, S and G risks and document them as part of investment rationale, engage with companies on ESG topics
Norms based screening	Respect globally recognised exclusions from EU or UN sanction lists
Exclusions	Key hard exclusions are controversial weapons, tobacco, coal (10% revenue limit) mining companies, and adult entertainment
Active voting policy	High level of voting participation (target 100%)
Carbon emissions analytics	Full report on carbon footprint, carbon intensity, % fossil fuel revenues, vs benchmark
ESG analytics	Full assessment on E, S and G factors, scoring vs benchmark
Targeted voting policy 100%	Funds voting participation is close to 100%,
Full SFDR disclosure in prospectus	Fund category in accordance with the Sustainable Finance Disclosure Regulation 2019/2088, Article 8 or 9.
SRI label	Recognised SRI label certification and yearly audit by a government approved auditor
Low carbon approach	Carbon Intensity (CO2/ % M Eur revenues at minimum 30% below reference indicator), S&P Trucost data, GHG Protocol , Scope 1&2
Extended exclusions	Additional exclusion lists such as for example, conventional weapons, high carbon emitting sectors
Best in universe	Best ESG practice irrespective of sector
Best efforts	Companies with improving ESG policies
Best in class	Best ESG practice within each sector
Green bond	Participate in sovereign or corporate Green bond issues
Positive impact	intention to generate a measurable social and environmental impact alongside a financial return
Thematic approach	Funds with environment or social sustainability themes often i.e. environmental n Positive Impact funds

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**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