



# TRANSPARENCY CODE – EUROPE

JUNE 2024

# TRANSPARENCY CODE

**Funds covered** : Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe

## 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 European SRI Transparency Code.

## Compliance with the transparency code

Mark Denham and Jacques Hirsch, 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.

**31/05/2024**

Name of the fund(s): Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe					
Dominant / preferred SRI strategy	Asset class	Exclusions standards and norms	Fund capital as at 31/05/2024	Labels	Links to relevant documents
<input type="checkbox"/> Best-in-Class Investment section <input checked="" type="checkbox"/> Engagement & Voting <input checked="" type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <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 type="checkbox"/> Sustainability-Themed	<p><b>Passively managed</b></p> <input type="checkbox"/> Passive investing-core benchmark: specify the index tracking <input type="checkbox"/> Passive investing-ESG/SRI benchmark: specify the index tracking	<input checked="" type="checkbox"/> Controversial weapons <input 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 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) <input type="checkbox"/> 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)	<p>Carmignac Portfolio Grande Europe: <b>€885million</b></p> <p>Carmignac Portfolio Patrimoine Europe : <b>€493 million</b></p>	<input checked="" type="checkbox"/> French SRI label (Carmignac Portfolio Grande Europe, 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)	<ul style="list-style-type: none"> <li>• KIID, Prospectus</li> <li>• Weekly, quarterly, and annual reports</li> <li>• Monthly factsheet (Including ESG data)</li> </ul> <p>Can be found at :</p> <p><b>Carmignac Portfolio Grande Europe:</b>  <a href="https://www.carmignac.fr/PL/CGE_3_FR_en.pdf?source=web_sitf">https://www.carmignac.fr/PL/CGE_3_FR_en.pdf?source=web_sitf</a></p> <p><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></p>

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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 French Mutual Funds (i.e. Fonds Commun de Placement), 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

**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

## 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.

## 1.3. HOW DOES THE COMPANY FORMALISE ITS SUSTAINABLE INVESTMENT PROCESS?

Carmignac formalises its Sustainable investment process through several policies:

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

Which can be found at [https://www.carmignac.fr/en\\_GB/sustainable-investment/policies-and-reports](https://www.carmignac.fr/en_GB/sustainable-investment/policies-and-reports)

These policies are implemented across the whole fund range.

### *Our Sustainable Investment resources*

Carmignac has a dedicated Sustainable Investment team headed by Lloyd McAllister. He reports to Maxime Carmignac, Chief executive officer of Carmignac UK Ltd, member of the executive board of Carmignac, who leads the sustainable investment philosophy and strategy at the corporate level and fund level innovation and ESG solutions. The role of the Head of Sustainable Investment 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 Sustainable Investment team is also supported by an experienced, dedicated ESG product specialist employed within our Product team. Our team organisation can be found below:

## THE SUSTAINABLE INVESTMENT TEAM

### LEADERSHIP



#### MAXIME CARMIGNAC

- Chief Executive Officer of Carmignac UK Ltd
- Member of the Carmignac Executive Board
- Chair of the Strategic Product Committee



#### LLOYD MCALLISTER

- Head of SI joined in December 2022
- Formerly Head of ESG Research at Newton IM
- Sustainability Consulting Manager at KPMG LLP
- 15 years of experience in ESG

### ESG ANALYSTS



#### WILLIAM BENOIT

- ESG Analyst
- Equity Focus / Environmental Topics
- 5 years of experience in ESG



#### CORMAC MCKENNA

- ESG Data Analyst
- Climate Topics
- 3 years of experience in ESG



#### MARION PLOUHINEC

- Senior ESG Analyst
- Fixed Income Focus / Governance Topics
- 9 years of experience in ESG



#### RITA WYSHELESKY

- Senior ESG Analyst
- Social Topics
- 4 years of experience in ESG
- 4 years of experience in Audit and consulting

### SUSTAINABLE INVESTMENT SPECIALISTS



#### IMANE KABBAJ

- Head of Sustainable Investment Specialists
- Focus on ESG Client Outreach/ESG Products/ESG Marketing
- 11 years of experience in ESG



#### RAPHAËLLE CIMON

- Sustainable Investment Specialist
- RFP/Labels/Universe Reductions
- 2 years of experience in ESG



#### MARGAUX VILON

- Sustainable Investment Specialist
- ESG Documentation/Client Requests
- 1 year of experience in ESG

## 1.4. HOW ARE ESG RISKS AND OPPORTUNITIES – INCLUDING THOSE LINKED TO CLIMATE CHANGE – UNDERSTOOD/TAKEN INTO ACCOUNT BY THE BY COMPANY?<sup>1</sup>

### Mainstream ESG approach

As of 31/05/2024, about 90% of our assets under management promote environmental or social characteristics or have a sustainable objective.

In July 2020, Carmignac launched a firm-wide proprietary ESG research system called START<sup>2</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 source (ISS ESG). 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 Verity 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 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.

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<sup>1</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

<sup>2</sup> The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardization and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralized system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

A negative screening is applied, according to the following parameters. These firm-wide 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 significant ESG risks.

- Controversial weapon manufacturers whose products do not comply with treaties or legal bans,
- Tobacco producers are excluded and wholesale distributors and suppliers with revenues over 5% from such products are excluded as well,
- Thermal coal miners with over 10% revenues or 20 million tonnes from extraction,
- Power generators that produce more CO<sub>2</sub>/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 issuer. 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 risks-related
2. Thematic
3. Impact
4. Controversial behaviour
5. Proxy voting decision

These engagements are recorded internally (within START). Important engagements are documented in the funds' annual report. In addition, a Stewardship Report<sup>3</sup> is published on our website annually, as well as quarterly engagement case studies.

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<sup>3</sup> [https://carmidoc.carmignac.com/SWR\\_UK\\_en.pdf](https://carmidoc.carmignac.com/SWR_UK_en.pdf)



## Funds with a Socially Responsible approach and ESG Thematic 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.fr/en\\_GB/sustainable-investment/overview](https://www.carmignac.fr/en_GB/sustainable-investment/overview)

### Article 8 Funds in accordance with SFDR 2019/2088 as of 31<sup>st</sup> May 2024

- **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 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 Sécurité (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 Sécurité (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)
- **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 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)
- **Carmignac Court Terme**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-court-terme/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-court-terme/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Crédit 2027**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-credit-2027/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-credit-2027/a-eur-acc/fund-overview-and-characteristics)

- **Carmignac Portfolio Merger Arbitrage**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-merger-arbitrage/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-merger-arbitrage/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Merger Arbitrage Plus**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-merger-arbitrage-plus/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-merger-arbitrage-plus/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Emerging Discovery**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-portfolio-emerging-discovery/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-portfolio-emerging-discovery/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Climate Transition (ESG Thematic Fund – Global Markets – Equities)**  
[https://www.carmignac.co.uk/en\\_GB/funds/carmignac-portfolio-climate-transition/w-gbp-acc/fund-overview-and-characteristics](https://www.carmignac.co.uk/en_GB/funds/carmignac-portfolio-climate-transition/w-gbp-acc/fund-overview-and-characteristics)

#### Article 9 Funds in accordance with SFDR 2019/2088 as of 31<sup>st</sup> May 2024

- **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 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 Human Xperience (ESG Thematic Fund – Global Markets – Equities)**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-human-xperience/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-human-xperience/a-eur-acc/fund-overview-and-characteristics)

The European Equity Funds Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe 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 the outset of an 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. Carmignac Portfolio Grande Europe and Carmignac Patrimoine Europe respectively seek to achieve a carbon emissions target of 50% and 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 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><input type="checkbox"/> AFG, France SRI working group</li> <li><input type="checkbox"/> IA, UK SRI working group</li> <li><input type="checkbox"/> 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 type="checkbox"/> Workforce Disclosure Initiative (WDI)</li> </ul>

## **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.

Engaging with companies is also central to the philosophy of the fund in order to maximize our influence and share best practices. In 2023, we engaged with 6 companies at Carmignac Portfolio Grande Europe level, and 9 companies at Carmignac Portfolio Patrimoine Europe level, with 60 companies at Carmignac level, within an investable universe of approximately 1200 European companies listed with over 1 billion EUR market capitalization.

### **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: TR Refinitiv, MSCI and ISS.

Fixed Income analysts as well as the Portfolio Managers and ESG analysts also respect the requirements of ESG assessment for each issuer. Relevant ESG risks and opportunities are evaluated and documented within the investment rationale and on our ESG system START, during issuer roadshows, should it be relevant after reporting season.

MSCI ESG research can be used as an addition to proprietary research if necessary. Corporate bond selection respects the firm-wide exclusions across the mainstream funds and wider exclusions within the Socially Responsible funds where applicable. When a controversy occurs during the investment, mainstream analysts, Portfolio Managers and the ESG analysts engage directly with the management of the issuer to determine, either, a resolution to the controversy or an exit from the investment.

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 30+ 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 and Carmignac Portfolio Patrimoine Europe have respectively committed to target 50% and 30% minimum lower carbon intensity than the reference benchmark as measured by tCO2/ 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.

To calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO2e /USD mn revenues converted to Euros, Scope 1 and 2 GHG Protocol, MSCI) are weighted according to their

<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>

portfolio weightings (adjusted for holdings for which carbon emissions are not available), and then summed.

**MSCI methodology:** MSCI uses company disclosed emissions where available. In the instance these are not available, they use their proprietary model to estimate emissions. The model has three distinct modules, production model (used for power-generating utilities), company-specific intensity model (used for companies that have reported carbon emissions data in the past but not for all years), & industry segment-specific intensity model (used for companies that have not reported any carbon emissions data in the past). For further information, please visit MSCI's latest "Climate Change Metrics Methodology" document.

## 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,
- High Polluting 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 UN Global Compact Principles (violations human rights, labour rights, environment, and corruption).



For more information, please refer to our Exclusion Policy available on our Sustainable Investment webpage<sup>5</sup>.

## **Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe's extended exclusion lists**

### **Carmignac Portfolio Grande Europe specific exclusions:**

- Extended activity or stricter exclusion criteria cover oil and gas,
- weapons,
- gambling,
- alcohol,
- power generation
- thermal coal mining.
- Companies with a MSCI ESG rating of CCC are excluded.
- Companies with a Co2 intensity greater than 500 tCO2/mEUR revenue are excluded.
- The universe is further reduced by the number of companies deemed not aligned according to our SDG alignment assessment, as described below.

### **Carmignac Patrimoine Europe specific exclusions :**

- Extended activity or stricter exclusion criteria cover oil and gas,
- weapons,
- gambling,
- alcohol,
- power generation,
- thermal coal mining.
- Fixed income portfolio positions with an MSCI rating below 2 (rating from "0" to "10") on environmental or social pillars or having an overall MSCI rating of "CCC" or "B" (rating from "CCC" to "AAA") are a priori excluded. Companies rated "C" or above on START (rating from "E" to "A") are reintegrated into the Sub's Fund's investment universe after an ad-hoc analysis which may involve an engagement with the company.
- Equity portfolio positions with an MSCI ESG rating of "CCC" (rating from "CCC" to "AAA") are excluded.
- Companies with Co2 intensity greater than 500 tCO2/mEUR revenue are also excluded. Companies having an overall MSCI rating of "B" or "BB" (rating from "CCC" to "AAA") are a priori excluded but are reintegrated into the Sub-Fund's investment universe if they are aligned according to our SDG alignment assessment, as described below.

## **Positive Screening**

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<sup>5</sup> [https://carmidoc.carmignac.com/SRIEXP\\_UK\\_en.pdf](https://carmidoc.carmignac.com/SRIEXP_UK_en.pdf)

Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe respectively invest a minimum of 80% and 10% of its assets in shares of companies that are considered aligned with the sustainable development goals.

Alignment is defined for each investment / (investee) company by meeting at least one of the following three thresholds:

- a) Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine 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; or
- b) Capital expenditure:** the company invests at least 30% of its capital expenditure in business activities that are related to one of the following nine 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; or
- c) Operations:**
  - i. the company achieves an “aligned” status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An “aligned” status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a “misaligned” status for operational alignment for any SDG. A company is considered “misaligned” when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

## 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 700 names for Carmignac Portfolio Grande Europe and 2700 names for Carmignac Portfolio Patrimoine Europe

## 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.

## ESG CRITERIA AND SOURCES

Our E, S and G factors at a glance, with sources and weights:

#	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 particules)	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 fully used range to get the highest dispersion
- e. 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)
- f. The dynamic rating is overweighed for EM countries (75%), and underweighted for DM countries (25%)
- g. For any E, S & G pillar, sub-criteria ratings are then averaged to get a pillar scoring
- h. 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/improvements that are not reflected within the data (recent event, new policy...)
- i. The overall ESG score is then composed of the equally weighted average of the three components E, S, and G
- j. 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.

## **2.6. HOW OFTEN IS THE ESG EVALUATION OF THE ISSUER REVIEWED? HOW ARE ANY CONTROVERSIES MANAGED?**

The investment team allocates a rating through the proprietary START system at the outset of an 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 or 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-risks- related
2. Thematic
3. Impact
4. Controversial behaviour
5. Proxy voting decision

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

- a. 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 i.e. D or E rating.
- b. 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**

- a. This is a proactive approach centered 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.
- b. 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**

- a. 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.
- b. 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**

- a. 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.
- b. 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**

- a. 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.

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 some sectors, such as controversial weapons, global norms-based restrictions, UN or EU company or country sanction lists, tobacco, coal producers, gambling companies and alcohol producers.

Carmignac Portfolio Grande Europe, as part of its positive screening, seek to invest more than 80% of its net assets in companies making a deemed positive contribution to the Sustainable Development Goals.

Alignment is defined for each investment / (investee) company by meeting at least one of the following three thresholds:

- a) Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine 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; or
- b) Capital expenditure:** the company invests at least 30% of its capital expenditure in business activities that are related to one of the following nine 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; or
- c) Operations:**
  - i. the company achieves an “aligned” status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An “aligned” status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a “misaligned” status for operational alignment for any SDG. A company is considered “misaligned” when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

For further information on the SDGs please refer to <https://sdgs.un.org/goals>. For further information on sustainable investment, please refer to Carmignac Sustainable 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. We have set a minimum sustainable investments at 10% of the portfolio, which means that more than 10% needs to be invested in companies that are considered aligned with the SDGs according to the definition of alignment above.

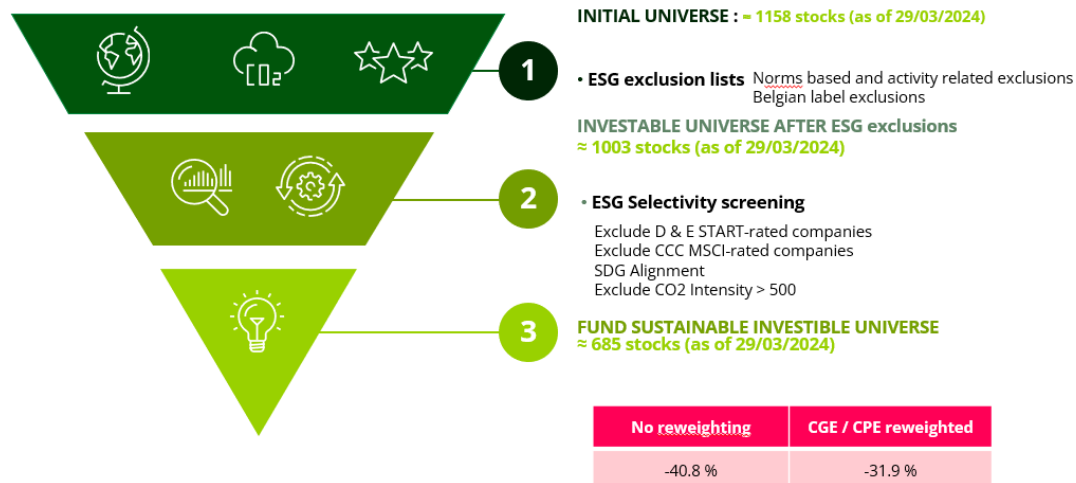
The monitoring of both MSCI ESG ratings and our active use of the proprietary ESG system START allows the best possible coverage and analysis for ESG risks in our European market investment universe for both equities and bonds. This ensures that a satisfactory level of ESG ratings is monitored regularly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

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

See below the universe reduction processes for the European Equity funds (Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe, based on their initial universe (1200 listed European stocks with over 1 billion EUR market capitalization) as of 29/03/2024:

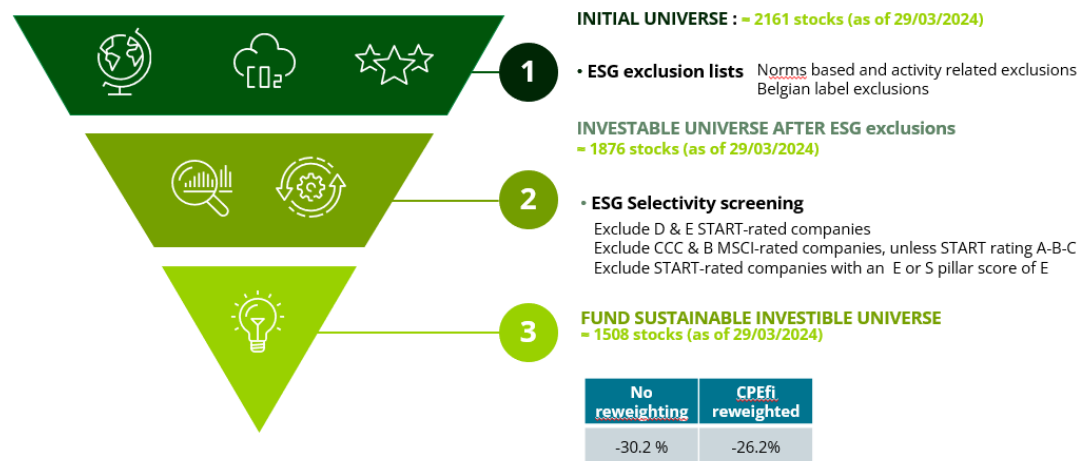
# EUROPEAN EQUITY UNIVERSE – CGE - CPE

Exclusion of 31.9% of investment universe based on ESG and SDG eligibility criteria



# GLOBAL FIXED INCOME UNIVERSE REDUCTION - CPE

Exclusion of 26.2% of investment universe based on ESG and SDG eligibility criteria



## 3.2. HOW ARE CRITERIA SPECIFIC TO CLIMATE CHANGE INTEGRATED INTO PORTFOLIO CONSTRUCTION?

Carmignac Portfolio Grande Europe and Carmignac Portfolio Patrimoine Europe have very low level of fossil fuel involvement and Carmignac Portfolio Grande Europe and Carmignac Patrimoine Europe specifically target a carbon intensity of 50% and 30% below the 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 (or 20 million tonnes from 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 CO<sub>2</sub>/kWh than the defined Paris Alignment threshold are excluded as well. These rules cover both equity and corporate bond asset classes for the funds under the scope in this Transparency Code.

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

### **3.3. HOW ARE THE ISSUERS THAT ARE PRESENT IN THE PORTFOLIO, BUT NOT SUBJECT TO ESG ANALYSIS EVALUATED (NOT INCLUDING MUTUAL FUNDS)?<sup>6</sup>**

All equity holdings or corporate issuers are subject to analysis using the START platform. 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.

We commit to a minimum of 90% of ESG analysis coverage.

The remaining portion of the portfolio (outside the minimum proportion of 90%) may also promote environmental and social characteristics but are not systematically covered by ESG analysis.

Such assets may include unlisted securities or securities that have been subject to an initial public offering, the ESG analysis of which may be carried out after the acquisition of said financial instrument.

In addition, 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.

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<sup>6</sup> Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

### 3.4. HAS THE ESG EVALUATION OR INVESTMENT PROCESS CHANGED IN THE LAST 12 MONTHS?

Carmignac has enhanced its SDG framework to include the operations of an investee company. Alignment with Carmignac's SDG framework is defined for each investment / (investee) company by meeting at least one of the following three thresholds:

- a) Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine 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; or
- b) Capital expenditure:** the company invests at least 30% of its capital expenditure in business activities that are related to one of the following nine 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; or
- c) Operations:**
  - i. the company achieves an "aligned" status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An "aligned" status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a "misaligned" status for operational alignment for any SDG. A company is considered "misaligned" when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

For further information on the SDGs please refer to <https://sdgs.un.org/goals>. For further information on sustainable investment, please refer to Carmignac Sustainable Investment website.

It also seeks to archive a Carbon intensity 50% lower than benchmark.

As for Carmignac Portfolio Patrimoine Europe, a minimum of 10% of companies aligned positively to these SDGs has been set as of 1st of June 2022.

### 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 Sustainable Development Goals. A mapping is constructed by sorting raw company revenue data.

Alignment is defined for each investment / (investee) company by meeting at least one of the following three thresholds:

- a) Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine 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; or
- b) Capital expenditure:** the company invests at least 30% of its capital expenditure in business activities that are related to one of the following nine 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; or
- c) Operations:**
  - i. the company achieves an “aligned” status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An “aligned” status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a “misaligned” status for operational alignment for any SDG. A company is considered “misaligned” when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

For further information on the SDGs please refer to <https://sdgs.un.org/goals>. For further information on sustainable investment, please refer to Carmignac Sustainable 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 an 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>7</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 Sustainable Investment team, sector exclusions, universe reductions and coverage thresholds for ESG analysis are achieved.

ESG rules and guidelines are monitored by the Investment Management and the Sustainable Investment team as a first level of control through the START (within Verity) 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.

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<sup>7</sup> Reference to Article 173 of the French TECV Act

# 5. IMPACT MEASURES AND ESG REPORTING

## 5.1. HOW IS THE ESG QUALITY OF THE FUND(S) ASSESSED?

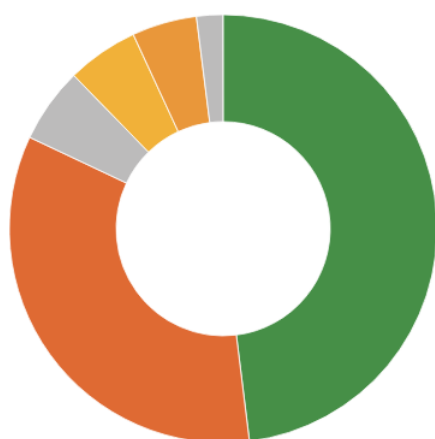
Carmignac assesses the ESG ratings of its SRI funds on a monthly basis. The ratings of the portfolio drawn from MSCI ESG ratings are compared against the Fund's benchmark. The distribution of weightings, the top holdings ratings and the holdings active weights are also given. This monthly report is automated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

### Carmignac Portfolio Grande Europe's UN SDG alignment as of 31/05/2024

#### Alignment with the UN Sustainable Development Goals (% of Net Assets)

Data as of: 31 May 2024.



#### Assets Aligned with SDGs 98.0 %

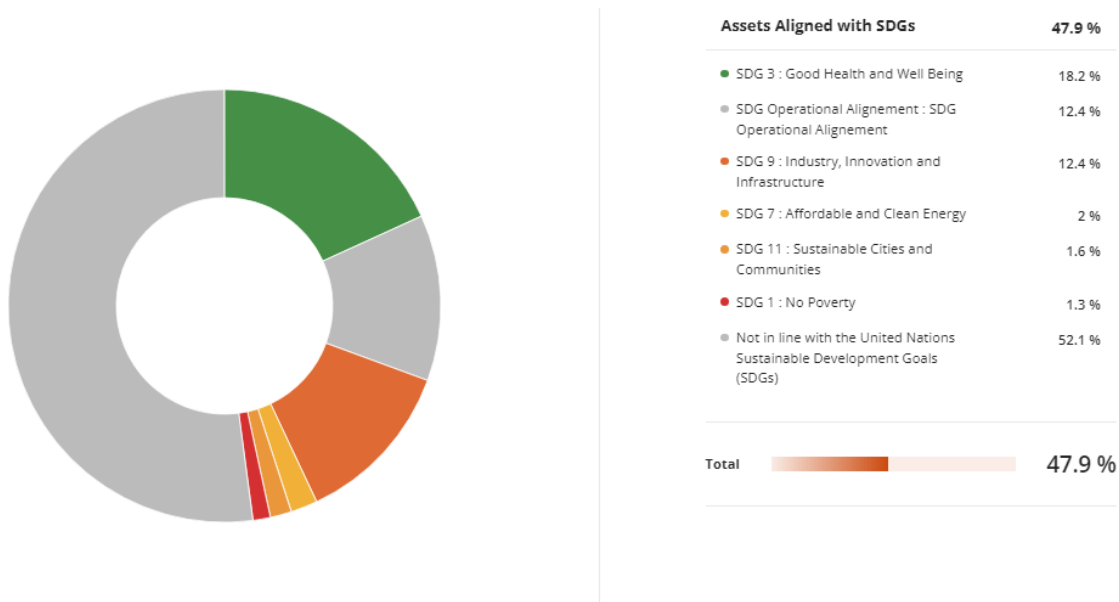
SDG 3 : Good Health and Well Being	48.1 %
SDG 9 : Industry, Innovation and Infrastructure	34 %
SDG Operational Alignment : SDG Operational Alignment	5.7 %
SDG 7 : Affordable and Clean Energy	5.4 %
SDG 11 : Sustainable Cities and Communities	4.9 %
Not in line with the United Nations Sustainable Development Goals (SDGs)	2 %

Total 98.0 %

## Carmignac Portfolio Patrimoine Europe's UN SDG alignment as of 31/05/2024

### Alignment with the UN Sustainable Development Goals (% of Net Assets)

Data as of: 31 May 2024.



## 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 track 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. Following the evolution of the requirements from the French SRI Label, we are committed to maintain a coverage above 70% for the carbon intensity and 90% for the Human Rights Controversies, while outperforming the benchmark on these two particularly relevant indicators, in line with our investment philosophy.

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 Sustainable investment team, who sources the ESD data from MSCI.

The reports can be found here:

- **For Carmignac Portfolio Grande Europe:**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-portfolio-grande-europe/a-eur-acc/documents-and-reports](https://www.carmignac.fr/en_GB/funds/carmignac-portfolio-grande-europe/a-eur-acc/documents-and-reports)

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

**Carmignac Portfolio Grande Europe, as of 29/12/2023:**

		E – Carbon Emissions	E – Carbon Emissions Carbon intensity	S – Number of Product Safety Controversies	G – Board Independence	Human Rights – Number of Supply Chain Controversies	Human Rights – Number of Controversies (UN GC)
<b>Fund Coverage</b>		99.36%	100%	100%	100%	100%	100%
<b>Reference Indicator Coverage</b>		99.17%	99.90%	99.36%	99.36%	99.36%	99.93%
Carmignac Portfolio Grande Europe	Dec-2023	94.53 (TCO2)	19.82 tCO2e/M€ revenue	3 (0.086**)	84.34%	3 (0.086**)	0
STOXX 600	Dec-2023	631.55 (TCO2)	94.34 tCO2e/M€ revenue	21 (0.035**)	83.61%	15 (0.025**)	1 (0.0017**)

**Carmignac Portfolio Patrimoine Europe, as of 31/05/2024:**

		E – Carbon Emissions Carbon footprint	E – Carbon Emissions Carbon intensity (tCO2 / Revenue MEUR)	S – Number of Product Safety Controversies	G – Board Independence
<b>Fund Coverage</b>		88.17%	88.17%	89.71%	89.71%
<b>Reference Indicator Coverage</b>		99.77%	99.77%	99.74%	99.95%
Carmignac Portfolio Patrimoine Europe	May-2024	87.67 (as of March 2024)	29.70 tCO2e/M€ revenue	1 (0.015**)	82.80%
STOXX 600	May-2024	567.41 (as of March 2024)	101.14 tCO2e/M€ revenue	22 (0.037**)	83.56%

		Human Rights – Number of Supply Chain Controversies	Human Rights – Number of Controversies (UN GC)
<b>Fund Coverage</b>		<b>89.71%</b>	<b>91.34%</b>
<b>Reference Indicator Coverage</b>		<b>98.92%</b>	<b>100%</b>
<b>Carmignac Portfolio Patrimoine Europe</b>	<b>May-2024</b>	2 (0.029**)	0 (0.00**)
<b>STOXX 600</b>	<b>May-2024</b>	37 (0.063**)	1 (0.002**)

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

\*Only the equity book is measured for absolute carbon emission, all fixed income assets are out of scope

\*\*Ratio of controversies to number of companies within the fund or reference indicator

### 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.co.uk/en\\_GB/sustainable-investment/overview](https://www.carmignac.co.uk/en_GB/sustainable-investment/overview)

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.co.uk/en\\_GB/sustainable-investment/policies-and-reports](https://www.carmignac.co.uk/en_GB/sustainable-investment/policies-and-reports)

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

- The Sustainability Disclosure document (RTS recommended 2 pager)
- The Monthly ESG summary factsheet
- 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:
- 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**  
Equity strategies

Luxembourg SICAV sub-fund  
ISIN LU0099161993

Share class  
A EUR Acc

Change Fund

Fund overview and characteristics

Performance

Global Fund Allocation

Equity component

Quarterly Holdings

**Documents and reports**

### Latest documents and reports

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

Fund Sustainability-related disclosure PDF - Carmignac Portfolio Grande Europe	↓	Voting Report PDF - Carmignac Portfolio Grande Europe	↓
Performance Scenario PRO PDF - Carmignac Portfolio Grande Europe	↓	Weekly Report PRO PDF - Carmignac Portfolio Grande Europe	↓
Monthly Factsheet (including ESG data) PDF - Carmignac Portfolio Grande Europe	↓	Product Sheet PDF - Carmignac Portfolio Grande Europe	↓
KID PDF - Carmignac Portfolio Grande Europe	↓	Prospectus PDF - Carmignac Portfolio Grande Europe	↓
Semi-annual report PDF - Carmignac Portfolio Grande Europe	↓	Annual Report PDF - Carmignac Portfolio Grande Europe	↓
SICAV articles PDF - Carmignac Portfolio Grande Europe	↓	Notice to shareholders PDF - Carmignac Portfolio Grande Europe	↓
ESG and HR indicators PDF - Carmignac Portfolio Grande Europe	↓	SFDR Pre-contractual disclosures PDF - Carmignac Portfolio Grande Europe	↓
PAI Fund Report PDF - Carmignac Portfolio Grande Europe	↓		

### 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 Portfolio Patrimoine Europe

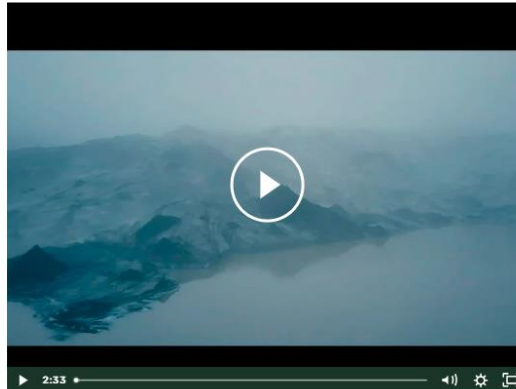
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/documents-and-reports)

### Sustainable Investment Website

[https://www.carmignac.co.uk/en\\_GB/sustainable-investment/overview](https://www.carmignac.co.uk/en_GB/sustainable-investment/overview)

# SUSTAINABLE INVESTING: OUR CONVICTION

Our mission is to create value for our clients and positive outcomes for the society and the environment by embedding Environmental, Social and Governance (ESG) considerations into our investment process and by using our voice as an active owner.



## OUR COMMITMENT

It is part of our fiduciary duty to manage ESG risks and opportunities across all asset classes when investing on behalf of our clients and in their interest.

## OUR THREE CORE ESG THEMES

**CLIMATE.  
EMPOWERMENT.  
LEADERSHIP.**

## GLOSSARY

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 50% below reference indicator), MSCI 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 and Positive Impact funds

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Past performances do not indicate future performance.

In the United Kingdom, the Carmignac 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.

**CARMIGNAC GESTION** 24, place Vendôme - F-75001 Paris - Tél : (+33) 01 42 86 53 35

Investment management company approved by the AMF - Public limited company with share capital of € 13,500,000 - RCS Paris B 349 501 676

**CARMIGNAC GESTION Luxembourg** - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1

Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF Public limited company with share capital of € 23,000,000 - RCS Luxembourg B 67 549