

## TRANSPARENCY CODE

Carmignac Investissement, Carmignac Portfolio Investissement, Carmignac Investissement Latitude, Portfolio Grandchildren and Carmignac Portfolio Family Governed adopt a  
Socially Responsible Investment (SRI) approach  
and are categorised as Article 8 funds according to the SFDR  
EU 2019/2088

## 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.

This is our second statement of commitment for the Carmignac Portfolio Family Governed and Grandchildren fund and the first statement of Commitment for Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude and covers the period 30/06/2021 - 30/06/2022.

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.

David Older, Mark Denham and Obe Ejikeme 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 CSRI Transparency Code.

**30/06/2021**

Name of the Carmignac Investissement, Carmignac Portfolio Investissement, Carmignac Investissement Latitude, Carmignac fund(s): Portfolio Grandchildren and Carmignac Portfolio Family Governed funds					
Dominant / preferred SRI strategy	Asset class	Exclusions standards and norms	Fund capital as at 30/06/2021	Other 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"/> <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 type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<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 checked="" type="checkbox"/> Gambling (excluding all 3 Investissement funds) <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 (excluding all 3 Investissement funds) <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)	Carmignac Investissement: €4123.61 Million  Carmignac Portfolio Investissement €314.23 Million  Carmignac Investissement Latitude €191.65 Million  Carmignac Portfolio Grandchildren: €69.59 Million  Carmignac Portfolio Family Governed: €26.72 Million	<input checked="" type="checkbox"/> French SRI label * <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"/> Belgian Quality * Standards label  (Carmignac Investissement and Carmignac Portfolio Investissement and Carmignac Latitude are not currently accredited with a sustainability label)	KIID, Prospectus Weekly, quarterly and annual reports Monthly factsheet (including ESG data) Can be found at : <b>Carmignac Investissement</b> <a href="https://www.carmignac.fr/en_GB/funds/carmignac-investissement/a-eur-acc/documents-and-reports">https://www.carmignac.fr/en_GB/funds/carmignac-investissement/a-eur-acc/documents-and-reports</a> <b>Carmignac Portfolio Investissement</b> <a href="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</a> <b>Carmignac Investissement Latitude</b> <a href="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</a> <b>Carmignac Portfolio Grandchildren</b> <a href="https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/documents-and-reports">https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/documents-and-reports</a> <b>Carmignac Portfolio Family Governed</b> <a href="https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/documents-and-reports">https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/documents-and-reports</a>

## TABLE OF CONTENTS

<b>1. GENERAL INFORMATION ABOUT THE FUND MANAGEMENT COMPANY .....</b>	<b>3</b>
1.1 NAME OF THE FUND MANAGEMENT COMPANY THAT MANAGES THE APPLICANT FUND(S) .....	3
1.2 WHAT ARE THE COMPANY’S TRACK RECORD AND PRINCIPLES WHEN IT COMES TO INTEGRATING SRI INTO ITS PROCESSES?3	3
1.3 HOW DOES THE COMPANY FORMALIZE ITS SUSTAINABLE INVESTMENT PROCESS? .....	4
1.4 HOW ARE ESG RISKS AND OPPORTUNITIES – INCLUDING THOSE LINKED TO CLIMATE CHANGE – UNDERSTOOD/TAKEN INTO ACCOUNT BY COMPANY? .....	5
1.5 IS THE COMPANY INVOLVED IN ANY RI INITIATIVES? .....	9
1.6 WHAT IS THE TOTAL NUMBER OF SRI ASSETS UNDER THE COMPANY’S MANAGEMENT? .....	9
<b>2. GENERAL INFORMATION ABOUT THE SRI FUND(S) .....</b>	<b>9</b>
2.1 WHAT ARE THE FUNDS AIMING TO ACHIEVE BY INTEGRATING ESG FACTORS?.....	9
2.2 INVESTMENT UNIVERSE OF THE FUND(S)? .....	10
2.3 WHAT ESG CRITERIA ARE TAKEN INTO ACCOUNT BY THE FUND(S)? .....	11
2.4 WHAT PRINCIPLES AND CRITERIA LINKED TO CLIMATE CHANGE ARE TAKEN INTO ACCOUNT IN THE FUND(S)? .....	11
2.5 WHAT IS THE ESG ANALYSIS AND EVALUATION METHODOLOGY OF THE FUND MANAGER/FUND MANAGEMENT COMPANY .....	14
2.6 HOW OFTEN IS THE ESG EVALUATION OF THE ISSUERS REVIEWED? HOW ARE ANY CONTROVERSIES MANAGED? .....	20
<b>3. INVESTMENT PROCESS .....</b>	<b>21</b>
3.1 HOW ARE THE RESULTS OF THE ESG RESEARCH INTEGRATED INTO PORTFOLIO CONSTRUCTION? .....	21
3.2 HOW ARE CRITERIA SPECIFIC TO CLIMATE CHANGE INTEGRATED INTO PORTFOLIO CONSTRUCTION? .....	21
3.3 HOW ARE THE ISSUERS THAT ARE PRESENT IN THE PORTFOLIO, BUT NOT SUBJECT TO ESG ANALYSIS EVALUATED? .....	21
3.4 HAS THE ESG EVALUATION OR INVESTMENT PROCESS CHANGED IN THE LAST 12 MONTHS? .....	22
3.5 IS A PART OF THE FUND(S) INVESTED IN ENTITIES PURSUING STRONG SOCIAL GOALS/SOCIAL ENTERPRISES?.....	22
3.6 DOES (DO) THE FUND(S) ENGAGE IN SECURITIES LENDING ACTIVITIES? .....	22
3.7 DOES (DO) THE FUND(S) USE DERIVATIVE INSTRUMENTS? .....	22
3.8 DOES (DO) THE FUND(S) INVEST IN MUTUAL FUNDS? .....	22
<b>4. ESG CONTROLS .....</b>	<b>23</b>
<b>5. IMPACT MEASURES AND ESG REPORTING .....</b>	<b>24</b>
5.1 HOW IS THE ESG QUALITY OF THE FUND(S) ASSESSED? .....	24
5.2 WHAT ESG INDICATORS ARE USED BY THE FUND(S)? .....	24
5.3 WHAT COMMUNICATION RESOURCES ARE USED TO PROVIDE INVESTORS WITH INFORMATION ABOUT THE SRI MANAGEMENT OF THE FUND(S)?.....	25
5.4 PLEASE LIST ALL PUBLIC MEDIA AND DOCUMENTS USED TO INFORM INVESTORS ABOUT THE SRI APPROACH TO THE FUND, AND INCLUDE URLS .....	27

## 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 Investissement, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed 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 (FCP), Carmignac Investissement and Carmignac Investissement Latitude 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. Amongst its ethical values in respect to society and to the environment, Carmignac has for decades excluded tobacco producers and coal miners from the investment universe of the most part of its fund range.

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 all of its Fund range.

[https://www.carmignac.lu/en\\_GB/about-us/socially-responsible-investment-sri-3450](https://www.carmignac.lu/en_GB/about-us/socially-responsible-investment-sri-3450)

### 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

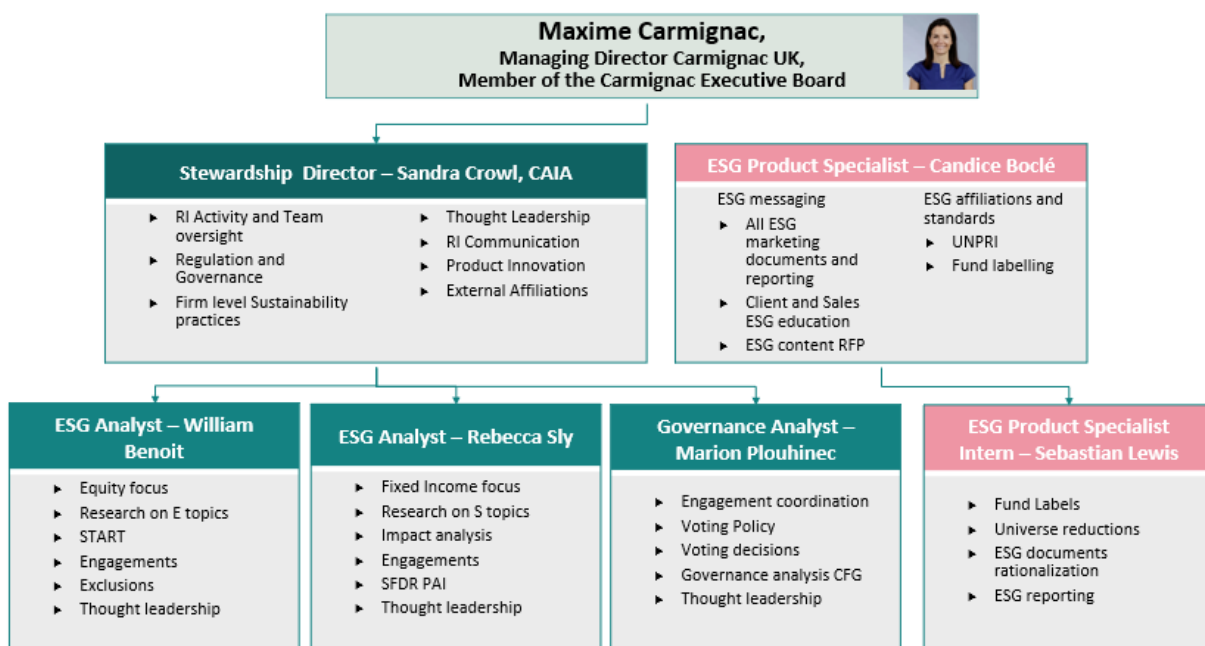
Which can be found at [https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

These policies are implemented across the whole fund range.

#### *Our Responsible Investment resources*

Carmignac has a dedicated Responsible Investment team to support the 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)

#### RI Team:



#### **1.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?<sup>1</sup>**

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

As of 30/06/2021 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\* that enables us to systematically integrate ESG research into the investment process.

This system aggregates information: carbon emissions data, raw company ESG data, external ratings, impact statistics and a controversies data sources. The portfolio managers and analysts' proprietary analysis 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.

Climate emissions are monitored and measured for each equity fund annually. Since October 2020, our funds carbon emissions are 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 that produce 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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\*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.

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

- 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 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)



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**SRI Funds Article 8 Funds in accordance with SFDR 2019/2088**

- **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 Emerging Patrimoine (Emerging Markets – Mixed)**  
<https://www.carmignac.fr/en/carmignac-portfolio-emerging-patrimoine-a-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 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 Investissement**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-investissement/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-investissement/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Investissement**  
[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**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-investissement-latitude/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-investissement-latitude/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Sécurité**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-securite/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-securite/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Patrimoine**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-patrimoine/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-patrimoine/a-eur-acc/fund-overview-and-characteristics)
- **Carmignac Portfolio Flexible Bond**  
[https://www.carmignac.fr/en\\_GB/funds/carmignac-portfolio-flexible-bond/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.fr/en_GB/funds/carmignac-portfolio-flexible-bond/a-eur-acc/fund-overview-and-characteristics)

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## ESG Thematic Funds

### Article 8 Fund in accordance with SFDR 2019/2088

- **Carmignac Portfolio Family Governed**  
[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics)

### Article 9 Funds in accordance with SFDR 2019/2088

- **Carmignac Portfolio Green Gold**  
[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 International Equity Funds Carmignac Investissement Carmignac Portfolio Investissement, Carmignac Investissement Latitude, Carmignac Portfolio Grandchildren and Carmignac Portfolio Family Governed 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 (tCO<sub>2</sub>/ 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
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input checked="" type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input checked="" type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input type="checkbox"/> SIFs - Sustainable Investment Fora <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>	<input type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Climate Action 100 + <input checked="" type="checkbox"/> TCFD	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input type="checkbox"/> Other (please specify)  UN Women's Empowerment Initiative <input checked="" type="checkbox"/> Tobacco Finance Free pledge	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Share Action

### 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: 41.31 billion Euro \*  
 The assets under management offering a Socially Responsible approach: 34.41 billion Euro \*

\*Source: Carmignac, as of July 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 risks as it can identify. This very resolutely includes risks associated with poor governance, shareholder underrepresentation, 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 think 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.

**For Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude**, the Funds invest in international equities using a fundamentally-driven approach via a selection of preferred themes (new consumer, digital economy, advanced healthcare, climate change). The funds invest in secular growth companies involved in these particular sustainable thematics through a best-in-universe approach. A negative screening is applied to prevent investments in companies identified as operating in controversial sectors such as tobacco, thermal coal extraction, controversial weapons, as well as poor ESG scored companies. The fund employs a low carbon approach.

**For Carmignac Portfolio Grandchildren**, the Fund invests in international equities using a fundamentally driven investment approach. The bottom-up analysis, implemented through a financial filter and scoring process, identifies companies with the best long-term growth prospects, as demonstrated by their high, sustainable profitability, ideally combined with internal or external reinvestment. Stock selection is also done through two important complementary filters.

A negative screening is applied to prevent investment in companies identified as operating in controversial sectors such as tobacco, thermal coal extraction, controversial weapons and unconventional energy. There is a specific exclusion policy on conventional energy and electricity generation. A positive screening is also applied to select companies which have significant and measurable positive contribution to society or the environment.

**For Carmignac Portfolio Family Governed**, the Fund invests in companies with a family or founder control above 10% ownership. We implement a proprietary Governance analysis to identify the companies with superior governance by analysing board independence, management committee composition, skills and experience, treatment of minority shareholders and remuneration policies. Moreover, corporate behaviour is studied to ascertain accounting, anticorruption, tax and corporate culture policies. In this way we hope to reduce some risks of family-owned companies which do not have the same long-term objectives as their shareholders.

## **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 analysts take an active role in ESG assessment, as well as in the engagements necessary following on from ESG risks identification, controversies or affiliation-related collective engagements. During the due diligence directly with Corporations as part of the investment rationale, ESG risks and opportunities are identified and discussed. External ESG data sources are aggregated as discussed on our START platform from the following data providers: Trucost, Refinitiv, MSCI and ISS.

Investment analysts as well as the Equity 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.

At least 90% of companies in our Fund 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 offer 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, work place 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 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.

### 2.4. What principles and criteria linked to climate change are taken into account in the fund(s)?<sup>2</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). 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 key priority for our Funds.

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<sup>2</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>

Carmignac Investissement, Carmignac Portfolio Investissement, Carmignac Investissement Latitude, Carmignac Portfolio Grandchildren and Carmignac Portfolio Family Governed 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) from October 2020.

This data is available on the portfolio managers front office portfolio sytème and also in the RMS Makey START interface. Secondly, the portfolio manager screens companies that are providing a positive solution to climate change and natural capital (water, land etc resources) as will be described later.

### Carbon intensity of Carmignac Investissement, Carmignac Investissement Latitude and Carmignac Portfolio Investissement

	Weighted Average Carbon Intensity <sup>1</sup>	Availability of Carbon Data <sup>3</sup>	Fossil Fuel % Revenues
<b>Carmignac Investissement</b>	<b>57.6</b>	<b>95.1%</b>	<b>0.02%</b>
MSCI ACWI	199.9	98.9%	1.77%
Fund % difference vs. reference indicator	-71.2%	N/A	-98.7%

1. Tonnes of CO<sub>2</sub> equivalent per million euros of revenues

2. Total tonnes of CO<sub>2</sub> equivalent

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

Source: Trucost as of 31/12/2020

### Carbon intensity of Carmignac Portfolio Grandchildren

	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 Portfolio Grandchildren</b>	<b>29.8</b>	<b>4735</b>	<b>100%</b>	<b>0.05%</b>
MSCI World	172.3	21456	99.0%	1.68%
Fund % difference vs. reference indicator	- 82.7%	-77.9%	N/A	-96.8%

1. Tonnes of CO<sub>2</sub> equivalent per million euros of revenues

2. Total tonnes of CO<sub>2</sub> equivalent

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

Source: Trucost as of 31/12/2020

## Carbon intensity of Carmignac Portfolio Family Governed

	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 Portfolio Family Governed</b>	<b>90.1</b>	<b>3837.8</b>	<b>100%</b>	<b>0.0%</b>
MSCI ACWI	199.9	97922.0	98.9%	1.77%
Fund % difference vs. reference indicator	-55.0%	-96.1%	N/A	-100%

1. Tonnes of CO2 equivalent per million euros of revenues

2. Total tonnes of CO2 equivalent

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

Source: Trucost as of 31/12/2020

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, 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.

### 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.)?

Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude ESG analysis and criteria are directly taken into account in the definition of the Fund's investable universe. The equity investment universe in scope is comprised of stocks listed on international exchanges, which represents a list of approximately 2980 names (MSCI ACWI). The investment universe is systematically and automatically reduced due to the firm level hard exclusions as noted below. The Exclusion list called the CMGR watchlist is reviewed quarterly by the Responsible Investment team and monitored by the Compliance team.

### 1) Carmignac exclusion list:

- Controversial weapon manufacturers that produce 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
- Power generators that produce more CO<sub>2</sub>/kWh than the defined threshold\*\*
- 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

\*Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) 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); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.

\*\*In line with the 2 ° C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO<sub>2</sub> data not available  
Please refer to Carmignac's exclusion policy for further detail: [https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

### 2) Low ESG scored companies are excluded

As previously stated Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude exclude companies that are not managing their ESG related risks which are reflected in MSCI CCC or B scores.

In addition, should a Environmental or Social pillar score be below 1.4/10 the fund would also exclude these companies from the investment universe. This is subject to a periodic monitoring process..

Our teams carry out detailed financial and ESG assessments of targeted companies in order to assign them with our own ESG rating, implemented through our proprietary ESG system START . Should the START proprietary score for a company that has been excluded due to the aforementioned MSCI criteria for exclusion be A, B or C, the fund can include the company in the investment universe.

In summary, the Proprietary START score will sometimes lead us to invest in a company with an otherwise non-investable MSCI rating; conversely, it will sometimes prevent us from investing in a company with a MSCI rating >B. These scores both proprietary START and MSCI overall and pillar scores can be monitored real time through the portfolio management system by the investment team and ESG analysts, at a single issuer or aggregated portfolio level. This information is also under each security in START interface.

Monitoring: both proprietary START and MSCI overall and pillar scores can be monitored real time through the portfolio management system by the investment team and ESG analysts, at a single issuer or aggregated portfolio level. This information is also available for security in START interface.



The funds' investable universe is hence reduced from 2980 companies to around 2340 companies. The minimum 20% universe reduction is maintained at all times in this manner.

### Carmignac Portfolio Grandchildren fund

ESG analysis and criteria are directly taken into account in the definition of the Fund's investable universe. The equity investment universe in scope is comprised of stocks listed on international exchanges, with a float adjusted market capitalisation of at least €100 million and a minimum liquidity hurdle. This represents a list of approximately 1600 names. This list of stocks is then 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 the financial ratios of reinvestment rate and operating margins. This financial screen aims at identifying companies with the best long-term growth prospects. The investable universe is thereby reduced to a list of approximately 730 names.

It should be noted that there is a small proportion of names in the Fund that do not score well on the financial criteria but meet the spirit of what those criteria are trying to find.

After the financial screen, an ESG assessment is undertaken to help identifying companies with the best long-term growth prospects. Indeed, we believe that substantial risks pertaining to ESG can undermine their long-term prospects. Hence, we use MSCI ESG ratings to assess companies' ESG risk profiles relative to their sector and systematically exclude CCC-rated companies. MSCI rates companies on a AAA-CCC basis (AAA being the best). In addition, companies with a BB rating or below will be excluded unless they can justify having a positive impact on society or the environment according to the United Nations Sustainable Development Goals (SDGs). Indeed, we believe that satisfying the specific categories we identified from the SDGs is consistent with best long-term prospects. Therefore, independent of the relative screen implemented through MSCI ESG rating, we also use an absolute approach in assessing companies impact with regards to SDGs.

The specific categories derived from the SDGs that we have chosen to focus on are the following:

Category	Areas to consider	Examples
<b>Basic needs</b>	Nutrition	Sustenance, sustainable nutrition, health and wellness
	Treating illness	Drugs/treatments, information provision
	Preventing illness	Exercise, diagnostics, drugs/treatments, information, responsible advertising
	Happiness	Satisfying non-destructive wants as well as needs, mental wellbeing, human rights
<b>Empowerment</b>	Availability infrastructure	Buildings, civil infrastructure, telecom, internet
	Affordability product/service	Food, travel, transportation, finance
	Education	Information provision to customers (ingredients, safety, responsible marketing)
	Safety and security	Security/protection real and cyber, product safety, health and safety
<b>Climate change</b>	Energy efficiency	Measured use of energy and saving energy
	Alternative energy	Activity in non-fossil fuel energy
	Fossil fuel	Minimal/reduced activity in fossil fuel
	Carbon emissions	Avoid high carbon emissions

<b>Natural capital</b>	Usage of all-natural resources	Water, land, natural resources, food security, consumption, animal welfare
	Waste management	Production, usage, waste products, clean up
	Efficiency production/consumption	Productivity, IT, digitisation, cyber security

Companies are rated neutral, positive or negative based on this SDGs criteria assessment. Companies with a negative rating are excluded from the investable universe. Moreover, we exclude from the investable universe the 2 levels of exclusions lists: The first exclusion list is adopted across all our fund range for equities and corporate credit.

### 3) Carmignac exclusion list:

- Controversial weapon manufacturers that produce 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
- Power generators that produce more CO<sub>2</sub>/kWh than the defined threshold\*\*
- 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

\*Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) 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); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.

\*\*In line with the 2 ° C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO<sub>2</sub> data not available Please refer to Carmignac's exclusion policy for further detail: [https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

### 4) Carmignac Portfolio Granchildren Fund exclusion list\*:

#### Energy Exclusion policy

- **Thermal coal** producing companies with more than 10% sales directly derived from coal extraction
- **Unconventional energy**<sup>(1)</sup> companies deriving more than 1% of total production from unconventional energy sources
- **Conventional oil energy production**<sup>(2)</sup> companies are excluded
- **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

#### Ethical Exclusion policy

- **All Controversial weapon** companies<sup>3</sup>
- **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** exclusion including UN Global Compact violations human rights, labour rights, environment and corruption

\*Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label  
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.  
(2) Conventional energy extraction sources: oil and gas  
(3) Companies that do not comply with: 1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3. The Belgian Loi Mahoux, the ban on uranium weapons; 4. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5. 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); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons I.  
Exclusion lists are updated on a quarterly basis  
Source : Carmignac, October 2020

The exclusions derived from ESG criteria ( relative and absolute) further reduce the investable universe from approximately 730 stocks after the financial screening to approximately 560 names after screening on ESG criteria.

The Exclusion list called the CMGR watchlist is reviewed quarterly. The equity portfolio manager is responsible for a detailed ESG analysis and can consult the MSCI ESG company research database or other sources as a complement to his proprietary research. The European equity analyst and the Responsible Investment Team also undertake ESG analysis. For each analysis, an investable status is determined and documented in the Mackey RMS. Next to the ESG analysis, the relative MSCI ESG rating assessment and the Absolute sustainability assessment of the Sustainable Development Goals objectives are noted.

The Portfolio Manager or analyst updates the progress the company is making towards the Environmental or Social goals identified by the portfolio manager responsible for a detailed ESG analysis and can consult the MSCI ESG company research database or other sources as a complement to his proprietary research. The European equity analyst and the Responsible Investment Team also undertake ESG analysis. For each analysis, an investable status is determined and documented in the Mackey RMS. Next to the ESG analysis, the relative MSCI ESG rating assessment and the Absolute assessment of the Sustainable Development Goals objectives are noted. The Portfolio Manager or analyst updates the progress the company is making towards the Environmental or Social goals identified by the portfolio manager.

For example, 30/16/2021 for the company Orsted:

company	Orsted
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MSCI Rating	AAA
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SRI Impact	Score	Rationale	Quantifiable Metrics / Measures
basic needs	0		
empowerment	0		
climate change	1	as a leading offshore wind farm developer the company contributes to more renewable energy in the mix of production	- Total installed wind capacity (offshore) (GW): 3.6, 3.9, 5.6 (FY16, 17, 18); stated target is to install 15GW by 2025 (up from 11-12GW in FY17) - # of offshore wind farms owned: 21, 23, 26 (FY16, 17, 18) - # of bioenergy & thermal power plants owned: 11, 10 (FY16 & 17, 18)
natural capital	0		
Total	1		
Absolute rating	Positive		

Investable	Y
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### Carmignac Portfolio Family Governed Fund

A proprietary universe of global companies that have more than 10% ownership from family or founder is established through financial datasets by the portfolio manager reducing the starting global universe from 3000 companies to around 450 companies. A liquidity criteria is applied further reducing the universe down to around 230 companies. Then, the same financial analysis and screening as the Grandchildren fund as mentioned above is undertaken where the reinvestment rate and operating margins are assessed and scored which reduces the universe to around 180 stocks.

At this stage, a screening based on MSCI ESG Governance scores is used to identify the Governance best-in-class companies. The company and fund level energy and ethical exclusions as well as the exclusions of MSCI CCC companies are applied.

These ESG and particularly Governance exclusions criteria reduce the universe to around 180 stocks. The Governance filter, a hallmark of this fund's strategy, aims to reduce the 'worst-in-class' governance risks (MSCI rated Governances Laggards) thereby avoiding family owned companies which have not put in place strong and independent corporate governance practices.

It should be noted that while MSCI Governance scores are used as a filter, there may be a few cases where, after proprietary due diligence, we assess that the corporate governance practices are superior than what the MSCI Governance score would suggest and enter the company into the investment universe. It is during this phase that the Responsible Investment team performs a thorough investigation into the Governance by analysing the corporate governance and corporate behaviour. The team also ensures minimum Environmental and Social safeguards. The portfolio manager then decides within this universe which company enters the portfolio through a last analysis of each company's long-term growth potential.

## Firm and Fund level Exclusion

### **Carmignac exclusion list:**

- Controversial weapon manufacturers that produce 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
- Power generators that produce more CO<sub>2</sub>/kWh than the defined threshold\*\*
- 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 Principle

\*Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) 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); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.

\*\*In line with the 2 ° C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO<sub>2</sub> data not available  
Please refer to Carmignac's exclusion policy for further detail: [https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

### **Carmignac Portfolio Family Governed exclusion list\*:**

#### **Energy Exclusion policy**

- **Thermal coal** producing companies with more than 10% sales directly derived from coal extraction
- **Unconventional energy** <sup>(1)</sup> companies deriving more than 1% of total production from unconventional energy sources
- **Conventional oil energy production** <sup>(2)</sup> companies are excluded
- **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

#### **Ethical Exclusion policy:**

- **All Controversial weapon** companies<sup>3</sup>
- **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** exclusion including UN Global Compact violations human rights, labour rights, environment and corruption

\*Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label  
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.  
(2) Conventional energy extraction sources: oil and gas

(3) Companies that do not comply with: 1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3. The Belgian Loi Mahoux, the ban on uranium weapons; 4. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5. 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); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons I .  
Source : Carmignac, October 2020

The Exclusion list called the CMGR watchlist is reviewed quarterly. The equity portfolio manager is responsible for a detailed ESG analysis and can consult the MSCI ESG company research database or other sources as a complement to his proprietary research. The European equity analyst and the Responsible Investment Team also undertake ESG analysis. For each analysis, an investable status is determined and documented in the Mackey RMS database.

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

MSCI ESG Ratings are our public and portfolio guidelines references for the portfolio. The equity investment team allocates a rating through the START system. Ratings by MSCI are updated annually. The ratings of the portfolio are updated for these ratings as they occur. The overall ESG rating (MSCI and START) of the portfolio is monitored real time through the portfolio management system and the RMS Mackey START interface.

For Carmignac Portfolio Grandchildren, we also monitor on an ongoing basis our assessment of the positive impact of companies with regard to SDGs. Particular comments alongside the ESG assessment and Absolute sustainability assessment are made on the measurable indicators for each company leading to a positive contribution to the specific SDGs the fund targets (basic needs, empowerment, climate change, natural capital).

Engagements occur directly with companies regarding E, S or G issues and are subject to a specific reporting via email or summary in the front office database (Mackey RMS). For companies we invest in, there are regular discussions and follow-up of topics during meetings with the companies. When controversies occur, fund managers and equity analysts are responsible for the engagement and follow-up with their respective companies.

The Responsible Investment Team can also assist fund managers to engage with a company on a specific topic or controversy. These are documented and visible to all investment staff in the front office database (Mackey RMS) and are collated in the specific ESG engagement tool.

## **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 best long-term prospects. In addition to further reducing the list of companies in the investable universe, the companies' ESG assessments will also influence the weighting of holdings in the portfolio.

Both relative ratings from MSCI ESG for the funds under scope in this Transparency Code and absolute assessment on Sustainable Development Goals (SDGs) criteria (only for the Carmignac Portfolio Grandchildren fund) can have a positive or negative impact on the sizing of equity positions. In addition, Carmignac Portfolio Grandchildren and Carmignac Portfolio Family Governed employ MSCI fund score portfolio composition: a minimum 40% of the Fund is invested in companies rated A or above by MSCI ESG and a maximum 30% of fund is invested in companies rated below BB by MSCI ESG. There are no CCC companies. As discussed in Question 2.5 the Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude\_funds employ a universe reduction based on excluding poor ESG scored companies where CCC and B companies are excluded and where companies with a score of below 1.4/10 for the environmental and social pillars are also excluded.

### **3.2. How are criteria specific to climate change integrated into portfolio construction?<sup>3</sup>**

Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude, Carmignac Portfolio Grandchildren and Carmignac Portfolio Family Governed have proven to have very low level of fossil fuel involvement and specifically targets a carbon intensity of 30% below their reference indicator as measured by tCO<sub>2</sub>/ M USD (Scope 1 and 2, GHG Protocol) from October 2020. While the funds have successfully beaten this target, in no way does the funds replicate any low carbon index members or sectors given their very non benchmarked nature. In the portfolios, energy and material companies usually don't pass our financial criteria assessment which focuses on companies' capacity to generate superior and 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 as per our Exclusion list.

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.

### **3.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?<sup>4</sup>**

MSCI ESG Ratings is our external rating agency reference for company ratings. The equity investment team also allocates a rating through the START system Ratings by MSCI are updated annually. The ratings of the portfolio are updated for these ratings as they occur. The overall portfolio is monitored frequently for assessment of average ratings and can be followed real time on the portfolio management portfolio tool as well as in the RMS Mackey START Interface.

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<sup>4</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?**

Our proprietary rating system START launched in July 2020 allows a comparative to MSCI ratings, with a broad coverage and aggregated data set and what we believe to be a superior peer group comparing: Capitalisations, Region - EM or DM, and 90 industry groups with 31 ESG indicators if there is coverage.

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

In Carmignac Investissement, Carmignac Portfolio Investissement and Carmignac Investissement Latitude, investments are made in secular growth companies investing in particular sustainable thematics such as sustainable consumer themes, and advanced healthcare. In the Carmignac Portfolio Grandchildren fund, equity investments are also sought in view of the company's capacity to positively contribute to society. These positive contributions are assessed against criteria adapted from the SDGs specific to each company as described in the answer to question 2.5. While investment opportunities vary and the component of companies having an impact on society is not subject to a specific quantitative target, this criterion will remain an important investment goal and is noted in each investment rationale and updated annually.

In the Carmignac Portfolio Family Governed fund, given the objective of the fund is to invest in companies with strong corporate governance the main factor for defining the investment universe, the investment manager assures a minimum standard where the investment does not create harm to societal concerns.

**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 uses equity derivatives for efficient portfolio construction. The derivatives are subject to UCITS leverage limits and internal risk controls. Short selling of single stocks is not practiced in the funds.

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

The funds under scope of this Transparency Code can invest up to 10% in other mutual funds.



## 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>5</sup>

There are 2 levels of control:

- **First level control:** The ESG Committee led by the Stewardship Director and Responsible Investment Team, ensures the daily support to the Investment team and includes such responsibilities as oversight on appropriate screening and documentation for controversies, external ESG research provider accountability, active voting and engagement framework adherence, maintenance and control of controversial sector exclusion lists, ESG consultant services assessment, investor and statutory communication. The portfolio management team as mentioned monitor certain portfolio guidelines such as the 20% universe reduction criteria, the ESG ratings,
- **Second level control:** As the ESG thematic is fully integrated to the Pluri -annual Compliance Monitoring Program, the Compliance and Internal Control Department operate a second level of control and perform periodic reviews on the ESG activity to ensure our statutory, regulatory and commitments as UNPRI signatories are met. Moreover, the Compliance department takes an active role in ensuring company exclusions are adhered to. Excluded companies, sectors, and countries are predefined in our order management system to prevent transactions which compose part of our filtering process.

Thanks to the compliance module in Bloomberg (CMGR), lists are set at a pre-trade level in Bloomberg AIM, the trading tool and any transaction is automatically blocked. The exclusions list exhaustiveness is reviewed quarterly by the Stewardship Director, Responsible Investment Team and the Compliance department. Ad-hoc reviews are also be done at the discretion of the Responsible investment team.

## 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 analyst of the portfolio ratings compared to the proprietary START and MSCI ESG ratings. This enables discussion about potential discrepancies.

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<sup>5</sup> Reference to Article 173 of the French TECV Act

From October 2020 on, the yearly carbon reports have become monthly, showing tCO<sub>2</sub>/M USD revenue against the benchmark. Fossil fuel % revenues are displayed in the SRI Guidelines - weighted for each holding - alongside the tCO<sub>2</sub>/ M USD reviews vs the benchmark and the 70% benchmark level to highlight that the 30% target has been met.

From March 2021, a quarterly Sustainability report is now available which compares ESG indicator performance versus the reference indicator, Environmental and Social harm and good and the alignment with the UN Sustainable Development Goals as measured by business activity % revenue involvement.

Lastly, 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 ESG data from MSCI and S&P Trucost.

## **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 ESG data from MSCI and S&P Trucost.

These reports are available here:

For Carmignac Investissement: [https://www.carmignac.co.uk/en\\_GB/funds/carmignac-investissement/a-eur-acc/documents-and-reports](https://www.carmignac.co.uk/en_GB/funds/carmignac-investissement/a-eur-acc/documents-and-reports)

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

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

For Carmignac Portfolio Family Governed:

[https://www.carmignac.co.uk/en\\_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/documents-and-reports](https://www.carmignac.co.uk/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/documents-and-reports)

### 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)

Moreover, on each of these Funds' web page, you will find documents related to SRI:

- The Quarterly Sustainability Report which details ESG indicator performance against the fund benchmark, the funds alignment to SDGs and the assessment of environmental and social good and harm against the funds benchmark
- The Monthly ESG summary factsheet

These documents are oriented for retail investors. The annual reports of the Fund contains 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/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)
- 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

Carmignac's mainstream ESG approach, its specific Socially Responsible Funds and its low carbon approach to Carmignac Portfolio Family Governand and Carmignac Portfolio Grandchildren are identified on the Carmignac Socially Responsible website: [https://www.carmignac.co.uk/en\\_GB/responsible-investment/template-hub-sri-thematic-funds-4526](https://www.carmignac.co.uk/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526)

## Funds pages

Share class

A EUR Acc

Change Fund

- Fund overview and characteristics
- Performance
- Global Fund Allocation
- Bond component
- Equity component
- Quarterly Holdings**
- Documents and reports

✉ in

## 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

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

Funds' web pages:

- [https://www.carmignac.lu/en\\_GB/funds/carmignac-investissement/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-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](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-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)
- [https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics)
- [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)
- Web page dedicated to Responsible Investment : [https://www.carmignac.lu/en\\_GB/responsible-investment/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)
- Prospectus available on the Funds' web pages
- Semi-annual and annual reports available on the Funds' web pages
- KIID available on the Funds' web pages
- ESG and Human Rights indicator document available on the Funds' web pages (excluding Carmignac Investissement, Portfolio Investissement and Investissement Latitude)
- Detailed positions composing the Funds available in the quarterly reports

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**GLOSSARY**

ESG integration Norms based screening	Assess E, S and G risks and document them as part of investment rationale, engage with companies on ESG topics
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€ 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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