



**CARMIGNAC**  
INVESTING IN YOUR INTEREST

# **SUSTAINABILITY-RELATED DISCLOSURES** **CARMIGNAC PORTFOLIO CLIMATE TRANSITION**

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

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

The Sub-Fund promotes environmental and social characteristics by applying best-in-universe and best-effort approaches to invest in a sustainable manner: 1) ESG integration, 2) Negative screening, 3) Minimums of sustainable investments with an environmental objective (30%) and minimum of taxonomy alignment (10%), 4) Active Stewardship to promote Environment and Social characteristics, 5) Monitoring of Principal Adverse Impacts.

The Sub-Fund makes sustainable investments whereby a minimum of 30% of the Sub-Fund's net assets are invested in shares of companies which:

- a) derive more than 10% of their revenues or capital expenditure towards eligible EU Taxonomy activities; or
- b) invest at least 10% of their capital expenditure performing efficient commodity extraction, key to industrial supply chains that contribute to mitigating climate change.

To qualify as a sustainable investment, if a company meets one of the above criteria but has a heavy emitting business model (defined as being in the top 25% of polluting firms within the benchmark MSCI ACWI using the metric tonnes of Scope 1, 2 and 3 per euro of enterprise value including cash), it needs to have a science-based GHG reduction target, defined as having a Science Based Greenhouse Gas Target approved by the Science Based Targets initiative.

In addition, the minimum proportion of Taxonomy aligned investments is 10% of the Sub-Fund's net assets. For the minimum Taxonomy alignment calculation, the Technical Annex also serves as reference. The 4-step process is followed according to this guidance:

1. Determine if a company has eligible turnover
2. Assess the eligible activity's substantial contribution,
3. Ensure that the companies activities as a whole do not cause significant harm against the Taxonomy environmental objectives,
4. Determine if minimum safeguards are undertaken and the company does not violate important business norms such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The investment universe is assessed for ESG risks and opportunities recorded in Carmignac proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory). The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Sub-Fund's investment universe is actively reduced by at least 20%.

**i) Firm-wide:** Negative screening and exclusions of unsustainable activities and practices are identified using an international norms and rules-based approach on the following: (a) controversies against the OECD business guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and UN Global compact principles, (b) controversial weapons, (c) thermal coal mining, (d) power generation companies, (e) tobacco, (f) adult entertainment.

**ii) Fund-specific:** Companies which do not:

- a) derive more than 10% of their revenues or capital expenditure towards eligible EU Taxonomy ("Taxonomy") activities; or
- b) invest at least 10% of their capital expenditure in companies performing efficient commodity extraction, key to industrial supply chains that contribute to mitigating climate change.

From an active stewardship perspective, environmental and social related company engagements are performed with an objective leading to improvement in companies' sustainability policies (active engagement and voting policies - number of engagements - level of attainment versus the 100% objective of participation at shareholder and bondholder meetings).



All the investments of the Sub-Fund are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy screening. Furthermore, this Sub-Fund is committed to considering Principal Adverse Impacts whereby 14 mandatory and 2 optional environmental and social indicators and if relevant 2 Sovereign-related PAIs, are as indicated in the Annex 1 of the SFDR Level II 2019/2088.

This Sub-Fund uses the following sustainability indicators to measure the attainment of the sustainable objective:

- Eligibility and alignment with the Taxonomy Standards
- The coverage rate of ESG analysis
- The amount the equity universe is reduced by (minimum 20%):
- Principal Adverse Impacts indicators
- Active stewardship voting participation rate

Further information regarding the methodology of monitoring the aforementioned indicators can be found in the document below.

The Investment team is ultimately responsible for the proprietary ESG assessment. The auto populated START score is determined by a proprietary formula comparing companies within 90 peer groups aggregated by capitalization, sector and region. An upgrade or downgrade of this score can be made during the proprietary analysis and commentary by the financial or ESG analyst. The START score statistics are monitored for bias, frequency, and coherence by the Sustainable Investment team.

All sectorial and controversy exclusions are hard exclusions. The Sustainable investment team have a separate reporting line to the CEO of Carmignac UK Ltd.

The Sub-Fund uses several data sources that are aggregated into the Carmignac proprietary ESG System START. The sources are FactSet for revenue data, corporate filings for CAPEX data, S&P Trucost for carbon emissions data, TR Refinitiv for raw company ESG data, MSCI and ISS ESG for controversial behaviours, UNGC and OECD Business and Human Rights Norms screening.

The Sub-Fund's sustainability risk may differ from the sustainability risk of the Reference indicator. In terms of methodology, the Taxonomy eligibility approach is just one framework that can be used to illustrate environmental outcomes; there are others that may yield to different results.

The attainment of the sustainable objective is ensured on a continuous basis through monitoring and controls and will be published monthly on the Sub-Fund's webpage

The Sub-Fund has not designated a reference benchmark for the purposes of showing the attainment of the sustainable investment objective.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

### **Environmental or Social Characteristics of The Financial Product**

The Sub-Fund promotes environmental and social characteristics by applying best-in-universe and best-effort approaches to invest in a sustainable manner: 1) ESG integration, 2) Negative screening, 3) Minimums of sustainable investments with an environmental objective (30%) and minimum of taxonomy alignment (10%), 4) Active Stewardship to promote Environment and Social characteristics, 5) Monitoring of Principal Adverse Impacts.

The Sub-Fund makes sustainable investments whereby a minimum of 30% of the Sub-Fund's net assets are invested in shares of companies which:

- a) derive more than 10% of their revenues or capital expenditure towards eligible EU Taxonomy activities; or
- b) invest at least 10% of their capital expenditure performing efficient commodity extraction, key to industrial supply chains that contribute to mitigating climate change.

To qualify as a sustainable investment, if a company meets one of the above criteria but has a heavy emitting business model (defined as being in the top 25% of polluting firms within the benchmark MSCI ACWI using the metric tonnes of Scope 1, 2 and 3 per euro of enterprise value including cash), it needs to have a science-based GHG reduction target, defined as having a Science Based Greenhouse Gas Target approved by the Science Based Targets initiative.

In addition, the minimum proportion of Taxonomy aligned investments is 10% of the Sub-Fund's net assets. For the minimum Taxonomy alignment calculation, the Technical Annex also serves as reference. The 4-step process is followed according to this guidance:

1. Determine if a company has eligible turnover
2. Assess the eligible activity's substantial contribution,
3. Ensure that the companies activities as a whole do not cause significant harm against the Taxonomy environmental objectives,
4. Determine if minimum safeguards are undertaken and the company does not violate important business norms such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Sub-Fund has not designated a reference benchmark for the purposes of attaining the environmental and/or social characteristics.

### Investment strategy

The Sub-Fund adopts a sustainable investment approach towards the environment and invests thematically in equities of companies that provide products or services that the Sub-fund manager believes are addressing climate change mitigation and adaptation. In pursuing this outcome, the strategy will invest in companies that provide low carbon solutions, enable emissions reductions, or undertake activities that contribute to a transition to net zero emissions by 2050, including companies involved in the more efficient extraction of commodities that are key to mitigating climate change.

The Sub-Fund makes sustainable investments whereby a minimum of 30% of the Sub-Fund's net assets are invested in shares of companies which:

- a) derive more than 10% of their revenues or capital expenditure towards eligible EU Taxonomy activities; or
- b) invest at least 10% of their capital expenditure performing efficient commodity extraction, key to industrial supply chains that contribute to mitigating climate change.

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1. Determine if a company has eligible turnover
2. Assess the eligible activity's substantial contribution,
3. Ensure that the companies activities as a whole do not cause significant harm against the Taxonomy environmental objectives,

4. Determine if minimum safeguards are undertaken and the company does not violate important business norms such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The investment universe is assessed for ESG risks and opportunities recorded in Carmignac proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory). The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Sub-Fund's investment universe is actively reduced by at least 20%. The Fund applies binding negative company-wide and Norms-based screening to exclude certain sectors and activities as described in the methodology section below.

From an active stewardship perspective, environmental and social related company engagements are performed with an objective leading to improvement in companies' sustainability policies (active engagement and voting policies - number of engagements, rate of voting participation - level of attainment 100% objective at shareholder and bondholder meetings).

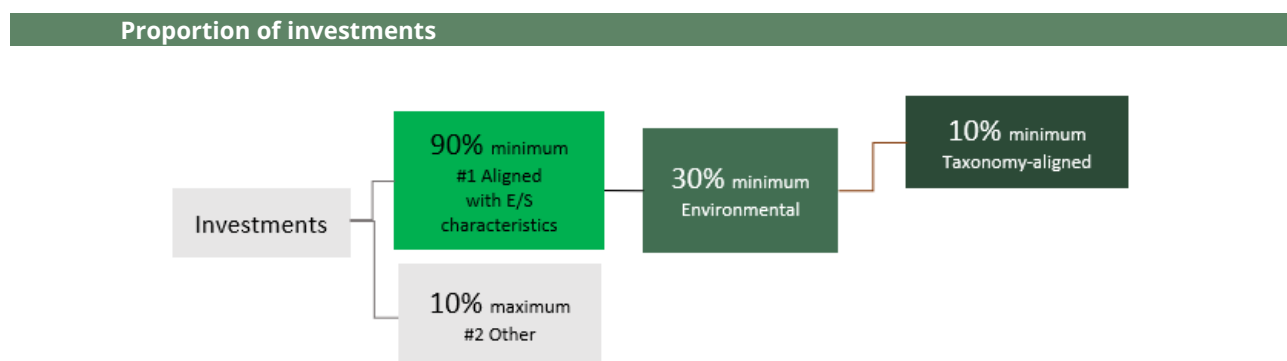
In order to assess good governance practices, the Sub-Fund applies Carmignac proprietary ESG research system START, which gathers key governance indicators automated for over 7000 companies, including 1) the percentage of Audit Committee Independence, Average Board Tenure, Board Gender Diversity, Board Size, Compensation Committee Independence as it relates to sound management structures, 2) Executive Compensation, Executive Sustainability Incentive, Highest Remuneration Package as it relates to remuneration of staff. Employee relations are covered within Carmignac Social indicators (namely through employee satisfaction, gender pay gap, turnover of employees) within START.

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

In addition, as signatory of the PRI, we Carmignac would expect from the companies it invests in to:

- o Publish a global tax policy that outlines the company's approach to responsible tax,
- o Report on tax governance and risk management processes; and
- o Report on a country-by-country basis (CBCR)

This is a consideration Carmignac increasingly integrates into its engagements with corporates and votes in support for more transparency via for example support for shareholder resolutions.



A proportion of 90% of this Sub-Fund's net assets is used to meet the sustainable objective.

The minimum levels of sustainable investments with environmental objectives is 30% of the Sub-Fund's net assets.

A minimum proportion of 10% of the Fund's net assets are invested in sustainable investments aligned with the Taxonomy regulation.

## Monitoring of sustainable investment objective

Several indicators are monitored to measure the attainment of each of the environmental or social characteristics promoted by the Sub-fund and partially the sustainable investments.

**Taxonomy eligibility:** To determine if a company contributes to an eligible environmental activity, the Taxonomy Report: Technical Annex is used which predefines sectorial NACE codes in scope. An investment universe of eligible companies is created containing around 450-500 companies. Once a company's activities are identified as satisfying the aforementioned sustainable objectives measured by the related revenue or CAPEX (>10%), the full weight of the company is considered as satisfying the sustainable objective. Examples include companies that provide low carbon solutions, enable emissions reductions, or undertake activities that contribute to a transition to net zero emissions by 2050, including companies involved in the more efficient extraction of commodities that are key to mitigating climate change, such as (but not limited to) copper, lithium, nickel, aluminium as vital inputs to electric vehicle batteries and renewable energy networks. Some of these commodity companies may not have activities that are currently identified as eligible to the EU Taxonomy Report, but are included in the definition of sustainable investments noted above.

**Minimum proportion of Taxonomy aligned investments** that contribute to the above-mentioned environmental objectives is 10% of the Sub-Fund's net assets. For the minimum Taxonomy alignment calculation, the Technical Annex also serves as reference. The 4-step process is followed according to this guidance:

1. Determine if a company has eligible turnover
2. Assess the eligible activity's substantial contribution,
3. Ensure that the companies activities as a whole do not cause significant harm against the Taxonomy environmental objectives, through monitoring of MSCI Taxonomy factor screeners
4. Determine if minimum safeguards are undertaken and the company does not violate important business norms such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

**The coverage rate of ESG analysis:** ESG integration through ESG scoring using Carmignac's proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory) is applied to at least 90% of issuers.

**The amount the equity universe is reduced by (minimum 20%):**

**i) Firm-wide:** Negative screening and exclusions of unsustainable activities and practices are identified using an international norms and rules-based approach on the following: (a) controversies against the OECD business guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work and UN Global compact principles, (b) controversial weapons, (c) thermal coal mining, (d) power generation companies, (e) tobacco, (f) adult entertainment.

**ii) Fund-specific:** Companies which do not:

- 1) derive more than 10% of their revenues or capital expenditure towards eligible EU Taxonomy ("Taxonomy") activities; or
- 2) invest at least 10% of their capital expenditure in companies performing efficient commodity extraction, key to industrial supply chains that contribute to mitigating climate change.

**Principal Adverse Impacts indicator monitoring** The Sub-Fund has applied the SFDR level II 2019/2088 Regulatory Technical Standards (RTS) annex 1 related to Principal Adverse Impacts whereby 14 mandatory and 2 optional environmental and social indicators (selected by the Sustainable Investment team for pertinence and coverage) will be monitored to show the impact of such sustainable investments against these indicators: Greenhouse gas emissions, Carbon footprint, GHG intensity (investee companies), Exposure to companies in fossil fuel sector, Non-renewable energy consumption and production, Energy consumption intensity per high-impact climate sector, Activities negatively affecting biodiversity-sensitive areas, Emissions to water, Hazardous waste ratio, Water usage and recycling (optional choice), Violations of UN Global Compact principles or OECD Guidelines for Multinational Enterprises, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises, Unadjusted gender pay gap, Board gender diversity, Exposure to controversial weapons, Excessive CEO pay ratio (optional choice).

**Active stewardship:** Environmental and social related company engagements leading to improvement in companies sustainability policies are measured by following indicators: (a) level of active engagement and voting policies, (b) number of engagements, (c) rate of voting and (d) participation at shareholder and bondholder meetings.

## Methodologies

**Taxonomy eligibility and efficient commodity identification methodology:** To determine if a company contributes to an eligible environmental activity, the Taxonomy Report: Technical Annex is used which predefines sectorial NACE codes in scope. An investment universe of eligible companies is created containing around 450-500 companies. Once a company's activities are identified as satisfying the aforementioned sustainable objectives measured by the related revenue or CAPEX (>10%), the full weight of the company is considered as satisfying the sustainable objective. Examples include companies that provide low carbon solutions, enable emissions reductions, or undertake activities that contribute to a transition to net zero emissions by 2050, including companies involved in the more efficient extraction of commodities that are key to mitigating climate change, such as (but not limited to) copper, lithium, nickel, aluminium as vital inputs to electric vehicle batteries and renewable energy networks. Some of these companies may not have activities that are currently identified as eligible to the EU Taxonomy Report, but are included in the definition of sustainable investments noted above.

**Taxonomy aligned calculation methodology** . For the minimum Taxonomy alignment calculation, the Technical Annex also serves as reference. The 4-step process is followed according to this guidance:

1. Determine if a company has eligible turnover
2. Assess the eligible activity's substantial contribution,
3. Ensure that the companies activities as a whole do not cause significant harm against the Taxonomy environmental objectives, through monitoring of MSCI Taxonomy factor screeners
4. Determine if minimum safeguards are undertaken and the company does not violate important business norms such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

**ESG analysis methodology.** The Carmignac's proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory) provides a platform that aggregates raw company ESG data of 31 ESG indicators, if available, across Environmental, Social and Governance pillars. Overall ESG scores for companies grouped by sector, capitalisation and region are computed. The investment team members are responsible for company proprietary ESG analysis and confirms the START score and analysis by a commentary of ESG risks and integrates these analyses into the investment decisions. The START platform is available on the Verity RMS internal database for investment research accessible to all investment staff.

**Negative screening and exclusions methodology.** Carmignac employs ESG related exclusions and specific extended Sub-Fund exclusions, as mentioned above, which are hard exclusions implemented into the compliance tool CMGR linked to the BBG Aim Portfolio Management Order system. Every quarter the Exclusion lists are reviewed by the Sustainable Investment team including the following updates: index reweighting, revised revenue data and revenue thresholds and new investments. The updated list is uploaded and monitored by the Risk Management team. For further information please refer to the Exclusion policy on the Carmignac Sustainable Policy and Reports web page

**Principal Adverse Indicator (PAI) Impact methodology.** Carmignac sources the Principle Adverse Impact indicators for all funds classified as Article 8 or 9 under the EU SFDR from the data provider MSCI ESG. Each indicator data point is sourced and averaged over 4 quarters before a yearly publication is made. The definitions for each of the 14 mandatory equity-related PAIs plus two optional, and if relevant 2 Sovereign-related PAIs, are as indicated in the Annex 1 of the SFDR Level II 2019/2088. Publication and full methodology will be published on the Carmignac Sustainable Investment website in 2023 in line with the aforementioned Disclosure requirements .

**Stewardship and engagement methodology.** The Sub-Fund exercises its votes to seek a 100% voting participation target through the proxy voting provider ISS. The Portfolio Manager has control of the voting choice and exercises

that right with the recommendation of the Sustainable Investment team. ESG and controversy related Engagements led by the Sustainable investment team are programmed each quarter, the outcomes of which, are documented in the Engagement tool within the Investment team Verity RMS database. For further information please refer to the Stewardship Report on the Carmignac Sustainable Policy and Reports web page.

## Data sources and processing

(a) **The data sources used to attain the sustainable investment objective of the financial product:** The Sub-Fund uses several data sources that are aggregated into the Carmignac proprietary ESG System START. The sources are FactSet for revenue data, corporate filings for CAPEX and Taxonomy related data, S&P Trucost for carbon emissions data, TR Refinitiv for raw company ESG data, MSCI and ISS ESG for controversial behaviors, UNGC and OECD Business and Human Rights Norms screening and MSCI Taxonomy factor screeners.

(b) **The measures taken to ensure data quality:** The Sustainable investment team includes ESG data experts who are in charge of automated checks such as identifying outliers in a data set, as well as verifying alternative data sources.

(c) **How data are processed:** The revenue data to monitor the Taxonomy-related eligibility is monitored through FactSet and mapped through the proprietary green investable universe. MSCI Taxonomy objective factor screens are used to determining if the company passes the Taxonomy regulation Do No Significant Harm.

(d) **The proportion of data that are estimated:** ESG START scoring and company revenue data is not estimated. PAIs data, contain an average of 36% estimations whereby all reported PAIs are aggregated for all Carmignac eligible funds as of June 2023. Carbon emissions data (Scope 1 and 2) are mainly based on fully disclosed company emissions declarations with few estimations. No Taxonomy alignment data is estimated.

## Limitations to methodologies and data

The Fund's sustainability risk may differ from the sustainability risk of the reference indicator. In terms of methodology, the Taxonomy eligibility approach is just one framework that can be used to illustrate environmental outcomes; there are others that may yield to different results. As investee companies produce further taxonomy related data and further EU legislation widens the taxonomy eligible universe, we anticipate the Sub-Fund's will be able to increase revenue and CAPEX thresholds.

## Due Diligence

Over 90% of the Sub-Funds' assets (listed equities, corporate and sovereign bonds where applicable) are assessed for ESG score and risks. Proprietary analysis is combined with the ESG scoring process of Carmignac's proprietary system START and the sovereign bond proprietary models (Global and Impact models) where applicable.

The investment team are ultimately responsible for the proprietary ESG assessment. The auto populated START score is determined by a proprietary formula comparing companies within 90 peer groups aggregated by capitalization, sector and region. An upgrade or downgrade of this score can be made during the proprietary analysis and commentary by the financial or ESG analyst. The START score statistics are monitored for bias, frequency, and coherence by the Sustainable Investment team. Periodically, both the sovereign and corporate START ESG proprietary scoring systems are back tested for potential improvement.

Regarding exclusions, on a quarterly basis the Carmignac company exclusion list and the fund specific exclusion lists if relevant are reviewed including the following updates: index reweighting, revised revenue data and impact on revenue thresholds, fund new holdings. These exclusions are entered via the compliance tool. All sectorial and controversy exclusions are hard exclusions. The Sustainable investment team have a separate reporting line to the CEO of Carmignac UK Ltd.



## Engagement policies

Carmignac operates active voting and engagement policies that reflect their environmental, social and governance themes. The voting participation target is 100% of all possible votes. An Engagement plan is established to identify engagements with companies in which we are invested that show poor management of ESG related risks, where Carmignac has identified a specific theme, or where a specific impact or investigation of a controversy is required.

Please refer to the engagement policy : [Policies and Reports](#)

- **Fund:** Carmignac Portfolio Climate Transition
- **Legal form:** Luxembourg SICAV sub-fund
- **Management:** Equity strategies
- **Fund inception date:** 10/03/2003
- **Reference indicator:** MSCI ACWI (USD) (Reinvested net dividends)
- **ISIN code (A EUR acc share class):** LU0164455502
- **Risk scale:** 6
- **Fund inception date:** 10/03/2003

## DISCLAIMER

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• **In Switzerland**, the Fund's respective prospectuses, KIDs and annual reports are available at [www.carmignac.ch](http://www.carmignac.ch), or through our representative in Switzerland, CACEIS (Switzerland) S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

• **In the United Kingdom**, the Funds' respective prospectuses, KIDs and annual reports are available at [www.carmignac.co.uk](http://www.carmignac.co.uk), or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This material was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd and is being distributed in the UK by Carmignac Gestion Luxembourg.

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