

## ANNEX II

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: CARMIGNAC PORTFOLIO EMERGING PATRIMOINE Legal entity identifier: 5493009DHKYYWDKLT418

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_\_%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective**: \_\_\_\_%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10 % of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this 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) Positive screening applying a UN SDG alignment approach, 4) Active Stewardship to promote Environment and Social characteristics, 5) Monitoring of Principal Adverse Impacts.

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



**What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

This Sub-Fund uses the following sustainability indicators to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund :



**1) 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), which includes internal and external ESG ratings, is applied to more than 90% of issuers.

START is a systemised platform aggregating multiple sources of raw ESG data for our proprietary scoring systems for companies and also our Sovereign ESG model, Controversy analysis and SDG alignment. START rates companies from “E” to “A”, that grid below details the correspondence between the START numeric scores and START ratings:

Lower limit		START rating		Higher limit
8	≤	A	≤	10
6	≤	B	<	8
4	≤	C	<	6
2	≤	D	<	4
0	≤	E	<	2

**2) The amount the universe is reduced by :** the investment universe of the Sub-Fund for the purposes of universe reduction is composed, for equities, of 3,000 listed Emerging market stocks with over 1 billion euro market capitalisation and, for corporate bonds, of the ICE BofA Emerging Markets Corporate Bond index (excluding sovereign and quasi-sovereign issuers). This universe is reduced by a minimum of 20% through the application of the filters described below.

**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) Sub-Fund specific:** Extended activity or stricter exclusion criteria cover oil and gas, weapons, gambling, alcohol, power generation, thermal coal mining, companies involved in factory farming, palm oil and companies on the People for the Ethical Treatment of Animals ("PETA") list. In addition, corporate bonds with an overall START rating of “D” or “E” (rating from “E” to “A”) are excluded of the Sub-Fund’s investment universe. Companies having a START rating of E (rating from “E” to “A”) on environmental or social pillars are excluded of the Sub-Fund’s investment universe. Companies having an overall MSCI rating of “CCC” or “B” (rating from “C” to “AAA”) are a priori excluded of the Sub-Fund’s investment universe. Companies rated “CCC” or “B” on the overall MSCI rating (from “E” to “A”) can reintegrate into the Sub-Fund’s investment universe if START rating is C or above.

The equity universe is further reduced by the number of companies deemed not aligned according to our SDG alignment assessment, as described above.

The universe reduction process and the starting universe only applies to corporate debt excluding sovereign issuers and quasi sovereign issues.

**3) Positive screening (Sustainable Investments):** the Sub-Fund makes sustainable investments whereby a minimum of 10% of the Sub-Fund’s net assets are invested in shares of companies that are considered aligned with relevant United Nations Sustainable Development Goals. The minimum levels of sustainable investments with environmental and social objectives are respectively 1% and 3% of the Sub-Fund’s net assets.

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

- a) **Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine SDGs (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9)

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

- Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or
- b) **Capital expenditure:** the company invest at least 30% of their capital expenditure in business activities that are related to one of the following nine SDGs (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or
- c) **Operations:**
- i. the company achieves an “aligned” status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An “aligned” status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a “misaligned” status for operational alignment for any SDG. A company is considered “misaligned” when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

These thresholds represent a significant intentionality of the investee company in regards to the contributing activity to the SDGs. For further information on the United Nations Sustainable Development Goals, please refer to <https://sdgs.un.org/goals>.

Further information on the methodologies:

Firstly, in order to determine which investee companies are aligned to the SDGs for Products and Services and Capital expenditure, we have identified a robust business classification system and mapped 1700 different business activities. In addition, we have used the SDG Compass, a resource created by GRI, the UN Global Compact and the World Business Council for Sustainable Development to identify business activities which contributed to each SDG. Furthermore, we created Carmignac 'investable themes' based upon the business activities. Based on these themes, we have filtered through each business activity in the classification system, aligning the appropriate business activities with Carmignac's 'investable themes' and using the SDG targets to verify suitability. This was reviewed by members of the Sustainable Investment (SI) and Investment team.

Secondly, in order to determine which investee companies are aligned to the SDGs for Operations, we use an external scoring methodology to create an indicative operational alignment screen. Each investee company is assessed on each of the 17 SDGs and their performance is rated from -10 to +10 for each SDG. To calculate this score, for each SDG, there are (1) Positive indicators linked to evidence of policies, initiatives and targets with specific KPIs which result in positive additions to the scores, (2) Negative indicators, linked to controversies or adverse impacts which results in negative subtractions to the score and (3) Performance indicators which assess trajectory of performance which can be additive or negative for the score. The above three assessments are aggregated into a final score for each SDG between the aforementioned -10 to + 10 range. This means that each company has 17 scores, one for each SDG, between -10 and +10.

The entire range scale is divided into five result categories as follows:

- >5.0: Strongly Aligned
- Score between 2.0 and 5.0, inclusive: Aligned
- Score less than 2.0 but higher than (-2.0): Neutral
- Score equal to or less than (-2.0) but higher than (-10): Misaligned
- Score equal to (-10): Strongly Misaligned

Once the threshold for alignment for the Products and Services, Capital expenditure or Operational is met, the full weight of the holding is considered aligned.

**4) Active stewardship:** ESG-related company engagements contributing to better awareness or 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.

**5) Principal adverse impacts:** Furthermore, this Sub-Fund is committed to applying 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). Sovereign bond issuers are monitored for Social violations and GHG intensity indicators.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Sub-Fund makes sustainable investments whereby a minimum of 10% of the Sub-Fund's net assets, are invested in shares of companies that are aligned with relevant United Nations Sustainable Development Goals (SDGs). The minimum levels of sustainable investments with environmental and social objectives are respectively 1% and 3% of the Sub-Fund's net assets.

As mentioned above, alignment is defined for each investment / investee company by meeting at least one of the following three thresholds:

- a) **Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine SDGs (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or
- b) **Capital expenditure:** the company invest at least 30% of their capital expenditure in business activities that are related to one of the following nine SDGs (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or
- c) **Operations:**
  - i. the company achieves an "aligned" status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An "aligned" status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a "misaligned" status for operational alignment for any SDG. A company is considered "misaligned" when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

These thresholds represent a significant intentionality of the company in regards to the contributing activity. For further information on the United Nations Sustainable Development Goals, please refer to <https://sdgs.un.org/goals>.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

We use the following mechanisms to ensure our sustainable investments do not cause significant harm to any environmental or social sustainable investment objective:

**1) Universe reduction process (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) Sub-Fund specific:** Extended activity or stricter exclusion criteria cover oil and gas, weapons, gambling, alcohol, power generation, thermal coal mining, companies involved in factory farming, palm oil and companies on the People for the Ethical Treatment of Animals ("PETA") list. In addition, corporate bonds with an overall START rating of "D" or "E" (rating from "E" to "A") are excluded of the Sub-Fund's investment universe. Companies having a START rating of E (rating from "E" to "A") on environmental or social pillars are excluded of the Sub-Fund's investment universe. Companies having an overall MSCI rating of "CCC" or "B" (rating from "C" to "AAA") are a priori excluded of the Sub-Fund's investment universe. Companies rated "CCC" or "B" on the overall MSCI rating (from "E" to "A") can reintegrate into the Sub-Fund's investment universe if START rating is C or above. The equity universe is further reduced by the number of companies deemed not aligned according to our SDG alignment assessment, as described above.

**2) Active stewardship:** ESG-related company engagements contributing to better awareness or 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.

*How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Principal Adverse Indicators are monitored on a quarterly basis. Outlier adverse impacts are identified for degree of severity. After discussion with the investment team an action plan is established including a timeline for execution. Company dialogue is usually the preferred course of action to influence the company's mitigation of adverse impacts, in which case the company engagement is included in the quarterly engagement plan according to the Carmignac Shareholder Engagement policy. Disinvestment may be considered with a predetermined exit strategy within the confines of this aforementioned policy.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

Carmignac applies a controversy screening process on OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights for all its investments across all Sub-Funds.

Carmignac acts in accordance with the United Nations Global Compact (UNGC) principles, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organisation for Economic Co-operation and Development (OECD) guidelines for multinational

enterprises to assess companies' norms, including but not limited to human rights abuses, labour laws and standard climate related practices.

This Sub-Fund applies a controversy screening process for all of its investments. This process aims to exclude from the investment universe companies that have committed significant controversies against the environment, human rights and international labour laws. The screening process bases its controversy identification on the OECD Business Guidelines and UN Global compact principles and is commonly called Norms-based screening, integrating a strict flagging system monitored and measured through Carmignac's proprietary ESG system START. A company controversy scoring and research is applied using data extracted from ISS Ethix as the research data base.



### Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes

Carmignac has committed to apply the SFDR level II 2019/2088 Regulatory Technical Standards (RTS) annex 1 whereby 16 mandatory and 2 optional environmental and social indicators (chosen 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). In addition sovereign bond issuers are monitored for Social violations and GHG intensity indicators. To mitigate the adverse impacts if detected, further assessment is performed to identify an engagement strategy or potential divestment from the company as is outlined under the Carmignac Engagement policy and Principal Adverse Impact policy.

Please find in our PAI Policy the Table 1 (Annex 1, SFDR Level II), the statement on principal adverse impacts of investment decisions on sustainability factors. This info will be disclosed in annual reports.

☐ No

### What investment strategy does this financial product follow?



This Sub-Fund invests mainly in equities and debt securities of emerging markets or those issued by companies/issuers that have their registered office or carry out the bulk of their business in emerging markets).

The Sub-Fund makes sustainable investments whereby a minimum of 10% of the Sub-Fund's net assets are invested in shares of companies that are considered aligned with relevant United Nations Sustainable Development Goals ("the SDGs"). The minimum levels of sustainable investments with environmental and social objectives are respectively 1% and 3% of the Sub-Fund's net assets.

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

- a) **Products and services:** the company derives at least 50% of its revenue from goods and services that are related to one of the following nine SDGs: (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.



- b) **Capital expenditure:** the company invests at least 30% of its capital expenditure in business activities that are related to one of the following nine SDGs (1) No Poverty, (2) No Hunger, (3) Good Health and Well Being, (4) Quality Education, (6) Clean Water, (7) Affordable and Clean Energy, (9) Industry, Innovation and Infrastructure, (11) Sustainable Cities and Communities, (12) Responsible Consumption and Production; or
- c) **Operations:**
  - i. the company achieves an “aligned” status for operational alignment for at least three (3) out of all seventeen (17) of the SDGs, based on the evidence provided by the investee company of available policies, practices and targets addressing such SDGs. An “aligned” status represents an operational alignment score of  $\geq 2$  (on a scale of -10 to +10) as determined by the external scoring provider; and
  - ii. the company does not achieve a “misaligned” status for operational alignment for any SDG. A company is considered “misaligned” when its score is  $\leq -2$  (on a scale of -10 to +10), as determined by the external scoring provider.

These thresholds represent a significant intentionality of the investee company in regards to the contributing activity to the SDGs. For further information on the United Nations Sustainable Development Goals, please refer to <https://sdgs.un.org/goals>.

In terms of ESG integration, 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). This applies to equity issuers. The Environmental, Social and Governance analysis (“Integrated ESG Analysis”) is incorporated in the investment process performed by the investment team using proprietary research and external research.

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 full process of the reduction of the investment universe is found in the corresponding Transparency Code on the Carmignac website.

**Universe reduction process:**

- 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) **Sub-Fund specific:** Extended activity or stricter exclusion criteria cover oil and gas, weapons, gambling, alcohol, power generation, thermal coal mining, palm oil, companies involved in factory farming, and companies on the People for the Ethical Treatment of Animals (“PETA”) list. In addition, corporate bonds with an overall START rating of “D” or “E” (rating from “E” to “A”) are excluded of the Sub-Fund’s investment universe. Companies having a START rating of E (rating from “E” to “A”) on environmental or social pillars are excluded of the Sub-Fund’s investment universe. Companies having an overall MSCI rating of “CCC” or “B” (rating from “C” to “AAA”) are a priori excluded of the Sub-Fund’s investment universe. Companies rated “CCC” or “B” on the overall MSCI rating (from “E” to “A”) can reintegrate into the Sub-Fund’s investment universe if START rating is C or above. The equity universe is further reduced by the number of companies deemed not aligned according to our SDG alignment assessment, as described above.

**Active stewardship:** ESG-related company engagements contributing to better awareness or 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.

**Portfolio climate targets:** The Sub-Fund has portfolio climate targets to reduce its greenhouse gas (“GHG”) emissions by 50% in 2030, 70% by 2040 and achieve net zero by 2050. To monitor these targets, the Sub-Fund uses an aggregation of financed emissions of each individual company in the Sub-Fund’s portfolio which are calculated by using the following formula:

(market value of the investment / enterprise value including cash) x  
(Scope 1 GHG emissions + Scope 2 GHG emissions).

The baseline year for the portfolio climate targets is 2018. This methodology maintained by the Sub-Fund may depend on governments setting the right regulatory incentives, consumer behaviour (i.e. preference for cleaner options) and technological innovation to provide affordable, scalable solutions to reduce the GHG emissions.

**What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics are :

- 10% of the Sub-Fund's net assets are invested in sustainable investments aligned positively with the United Nations Sustainable Development Goals (as outlined above);
- The minimum levels of sustainable investments with environmental and social objectives are respectively 1% and 3% of the Sub-Fund's net assets;
- The equity and corporate bond investment universe is actively reduced by at least 20%; and
- ESG analysis applied to at least 90% of issuers.

**What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The committed minimum rate of investment universe reduction for equity and corporate bonds is 20%.

**What is the policy to assess good governance practices of the investee companies?**

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 S 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 invest in to:

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

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

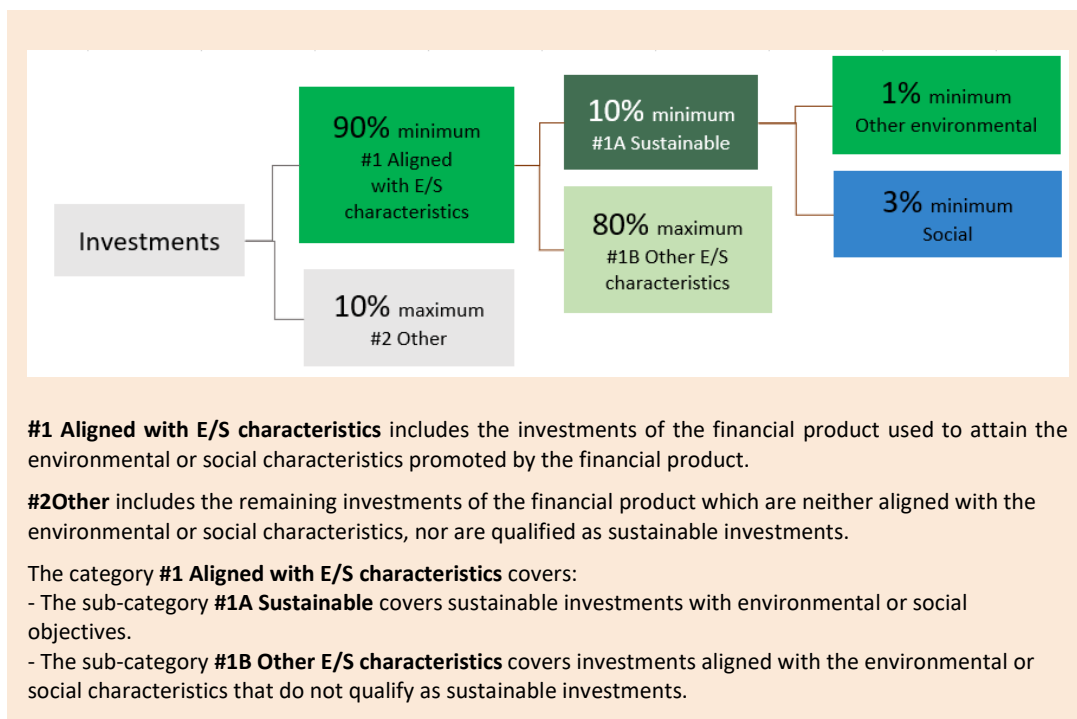
For sovereign issuers, the following governance criteria are assessed: ease of doing business, fiscal positioning, debt ratio as years of revenue position, current account position, economic freedom.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.





## What is the asset allocation planned for this financial product?



**Asset allocation** describes the share of investments in specific assets.

A minimum proportion of 90% of the investments of this Sub-Fund is used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy.

### Minimum Proportion of sustainable investments:

The Sub-Fund makes sustainable investments whereby a minimum of 10% of the Sub-Fund's net assets invested in shares of companies that are considered aligned with relevant United Nations Sustainable Development Goals ("the SDGs"). Outside the 50% minimum sustainable investments, investments may be made in companies that have less than 50% revenue alignment or no alignment with the one of the SDGs. The minimum levels of sustainable investments with environmental and social objectives are respectively 1% and 3% of the Sub-Fund's net assets.

The #2 Other investments (in addition to cash and certain derivatives which may be used for hedging purposes, if applicable) are equity, corporate bonds or sovereign bonds investments which are not classified as sustainable investment. They are investments made strictly in accordance with the Sub-Fund's investment strategy and have the purpose of implementing the Sub-Fund's investment strategy. All such investments are made subject to ESG analysis (including through our ESG proprietary sovereign model for sovereign bonds) and for equity and corporate bonds are subject to a screening of minimum safeguards to ensure that their business activities are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. These instruments are not used to achieve the environmental or social characteristics promoted by the Sub-Fund.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Sub-Fund does not use derivatives to attain the environmental or social characteristics it promotes, nor does it use derivatives to attain minimum levels of sustainable investments with environmental and social objectives.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

**Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>8</sup>?**

☐

Yes :

☐

In fossil gas

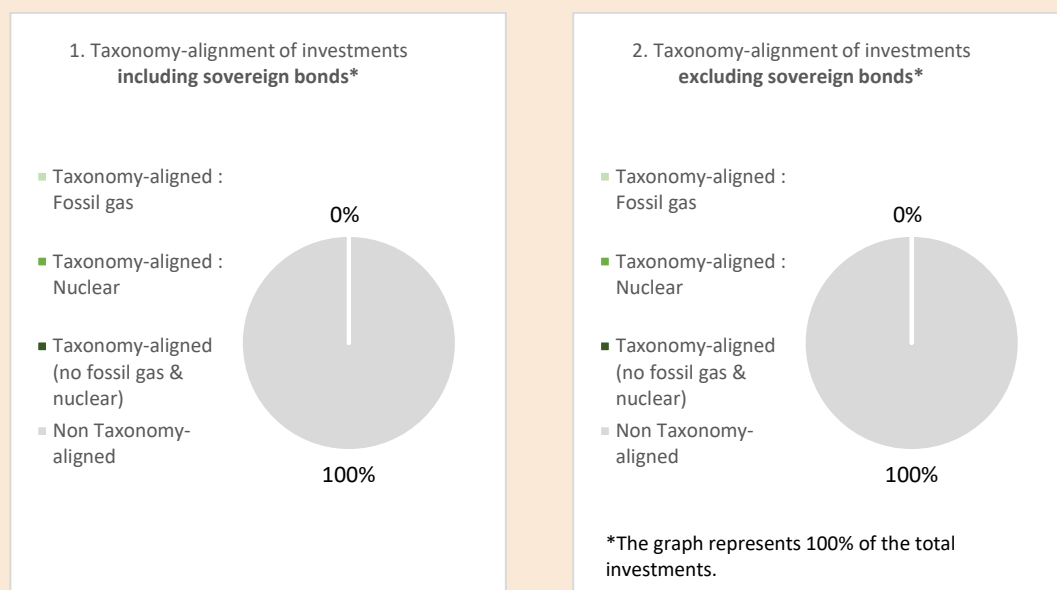
☐

In nuclear energy

☒

No

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



## What is the minimum share of investments in transitional and enabling activities?

As the Sub-fund does not have a minimum Taxonomy alignment there is no current minimum share of transitional and enabling activities.

<sup>8</sup> Fossil gas and / or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



### What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum level of sustainable investments with environmental objectives that are not aligned with the EU taxonomy is 1% of the Sub-Fund's net assets.



### What is the minimum share of socially sustainable investments?

The minimum level of sustainable investments with social objectives is 3% of the Sub-Fund's net assets.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The remaining portion of the portfolio (outside the minimum proportion of 90%) may also promote environmental and social characteristics but are not systematically covered by ESG analysis. Such assets may include unlisted securities or securities that have been subject to an initial public offering, the ESG analysis of which may be carried out after the acquisition of said financial instrument by the sub-fund, cash for liquidity management purposes and derivatives.

At issuer level (for equities and corporate bonds), all assets are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy (“norms-based”) screening. The investments are subject to a screening of minimum safeguards to ensure that their business activities are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Environmental, social and governance considerations are integrated in synthetic instruments through the derivatives framework detailed below. The approach will depend on the type of derivatives instrument used by the Sub-Fund: single name derivatives or index derivatives.

#### Single name derivatives

The Sub-Fund may enter into derivatives with a short exposure to a single underlying security (“single name”) only for hedging purposes, i.e. covering the long exposure on that same company or issuer. Net short positions, i.e. situations where the short exposure on the underlying company or issuer is greater than the long exposure of the Sub-Fund on that same company or issuer, are prohibited. The use of short derivatives for purposes other than hedging is prohibited.

Derivatives with a long exposure to a single underlying company or issuer are subject to the same ESG integration policy as physical long equity and/or corporate debt positions, as applicable. These instruments must satisfy the same ESG integration and criteria, as described in this annex.

#### Index derivatives

Index derivatives, whether with a long or short exposure, may go through additional checks to ensure they are suitable for the Sub-Fund, depending on their purpose.

- Hedging and efficient portfolio management purposes: index derivatives purchased for hedging purposes are not analysed for ESG purposes.
- Exposure purposes: an index derivatives may be purchased by the Sub-Fund for exposure to the extent it meets the following characteristics, if it is to be held for more than one month and less than twelve months:
  - Concentrated index (5 or less components in the underlying index): The index must not have any of its components in the Sub-Fund's exclusion list.

- Broad-based index (more than 5 components): the index must be composed in significant majority (>80% in exposure) of companies that are not in the Sub-Fund's exclusion list.

In addition, the weighted average ESG rating of the index must be above BBB (MSCI) or C (START), and the ESG coverage of the index (either MSCI or START) must be greater than 90%.

The reference indicator of the Sub-Fund remains out of scope of this index derivatives framework, and is not considered for ESG purposes.

The Sub-Fund applies compensation calculation (netting of a long position with an equivalent issuer short positions using derivatives) for the purpose of measuring adverse impacts.

100% of the sub-fund's assets (excluding cash and derivatives) apply negative sectorial and norms-based screens and exclusions ensuring minimum environment and social safeguards.

In addition, the do no significant harm, exclusionary process and adverse impacts are monitored for all the Sub-Funds' assets.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

N/A.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

N/A.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

N/A.

- ***How does the designated index differ from a relevant broad market index?***

N/A.

- ***Where can the methodology used for the calculation of the designated index be found?***

N/A.



**Where can I find more product specific information online?**

More product-specific information can be found on the website:

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

[https://www.carmignac.lu/en\\_GB/funds/carmignac-portfolio-emerging-patrimoine/a-eur-acc/fund-overview-and-characteristics](https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-emerging-patrimoine/a-eur-acc/fund-overview-and-characteristics)