

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 CHINA NEW ECONOMY **Legal entity identifier:** 549300ZHAA65D6UFNK67

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="checkbox"/> Yes		<input type="checkbox"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> No	
<input type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy 	<input type="checkbox"/> 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 % of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective 		
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: ___%	<input checked="" type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments		

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



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-efforts approaches to invest in a sustainable manner: 1) ESG integration, 2) Negative screening, 3) Active Stewardship and 4) Carbon intensity reduction target to promote Environment and Social characteristics, 5) Monitoring of Principal Adverse Impacts. Secondly, it contributes positively to the environment through investments leading to climate change mitigation and adaptation.

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

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

● **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 at least 90% of issuers.

2) 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: Extended activity or stricter exclusion criteria cover oil and gas extraction, weapons, and gambling related sectors. Companies with an MSCI rating below 2 (rating from "0" to "10") on environmental or social pillars or having an overall MSCI rating of "CCC" (rating from "CCC" to "AAA") are a priori excluded of the Sub-Fund's investment universe. Companies rated "C" or above on the START (rating from "E" to "A") are reintegrated into the Sub-Fund's investment universe after an ad-hoc analysis which may involve an engagement with the company with the company.

3) 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.

4) Carbon emissions reduction targets: The Sub-Fund aims to contribute to China's carbon neutrality goal for 2060 and is committed to reducing the Sub-Fund's carbon intensity by 5% per year, (base rate 530.2 tCo2e/€mm revenues as of 31.12.2021).

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).

● **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?**

While the Sub-Fund does not have a minimum percentage of sustainable investments it can make sustainable investments that seek environmental benefits such as climate change mitigation and adaptation, through investments in equities with low carbon emissions or solutions, and/or carbon reduction targets .

- ***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:

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.

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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? Details:

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. The screening process bases the identification of controversies on the OECD Business Guidelines and UN Global compact principles and is commonly called norms-based screening, integrating a restrictive screening monitored and measured through Carmignac’s proprietary ESG system START. A company controversy scoring and research is applied using data extracted from ISS ESG 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 14 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).

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.

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. The performance of these indicators will be disclosed in annual reports.

No



What investment strategy does this financial product follow?

The Sub-Fund's investment strategy is to invest in equities issued by companies or issuers having their registered office or exercising a predominant part of their activity in Greater China including Mainland China, Hong Kong, Macao, Taiwan and Singapore ("Greater China"). The reference to the Chinese "New Economy" reflects the manager's desire to invest in a privileged manner in sectors of the Greater China economy not explicitly linked to the purely export industry component of the economy or traditional raw materials. This involves in particular, and without being limited to, investments in companies present in sectors linked to consumption, low-carbon energy, technological innovation and phenomena of urbanization and rising standard of living.

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. The initial universe represents listed Greater Chinese equities of around 6000-6500 stocks. The investment universe and the Sub-Fund is reviewed periodically to maintain alignment for universe reduction purposes. The investment universe and the Sub-Fund is reviewed periodically to maintain alignment for universe reduction purposes.

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.

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Active stewardship: ESG-related company engagements contributing to better awareness or improvement in companies sustainability policies are measured by following indicators: (a) level of

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

active engagement and voting policies, (b) number of engagements, (c) rate of voting and (d) participation at shareholder and bondholder meetings.

The Sub-Fund aims to contribute to China's carbon neutrality goal for 2060 and is committed to reducing the Sub-Fund's carbon intensity by 5% per year, (base rate 530.2 tCo2e/€mm revenues as of 31.12.2021).

● ***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:

- Equity investment universe is actively reduced by at least 20%;
- ESG analysis applied to at least 90% of issuers; and
- Carbon intensity reduction by 5% per year, to contribute to China's carbon neutrality goal for 2060 (base rate 530.2 tCo2e/€m revenues as of 31.12.2021).

● ***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 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 its 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:

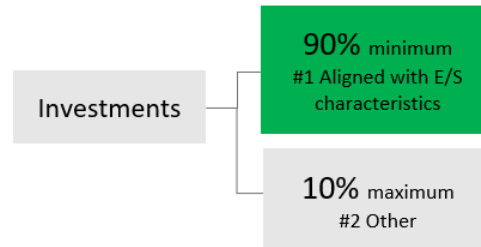
- Publish a global tax policy that outlines the company's approach to responsible tax;
- Report on tax governance and risk management processes; and
- Report on a country-by-country basis (CBCR)

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

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?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

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.

The #2 Other investments (in addition to cash and derivatives which may be used for hedging purposes, if applicable) are equity investments which are not classified as promoting environmental and social characteristics. 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 and 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 use of derivatives does not contribute to attaining the environmental and/or social characteristics of the Sub-Fund.

To the extent that the Sub-Fund uses single issuer derivative instruments, the firm-wide exclusions are applied. In addition, the Sub-Fund applies compensation calculation (netting of a long position with an equivalent issuer short positions using derivatives) for the purpose of illustrating the ESG rating of the portfolio, carbon emissions and for measuring adverse impacts.



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 Taxonomy¹⁷?

Yes :

In fossil gas In nuclear energy

No

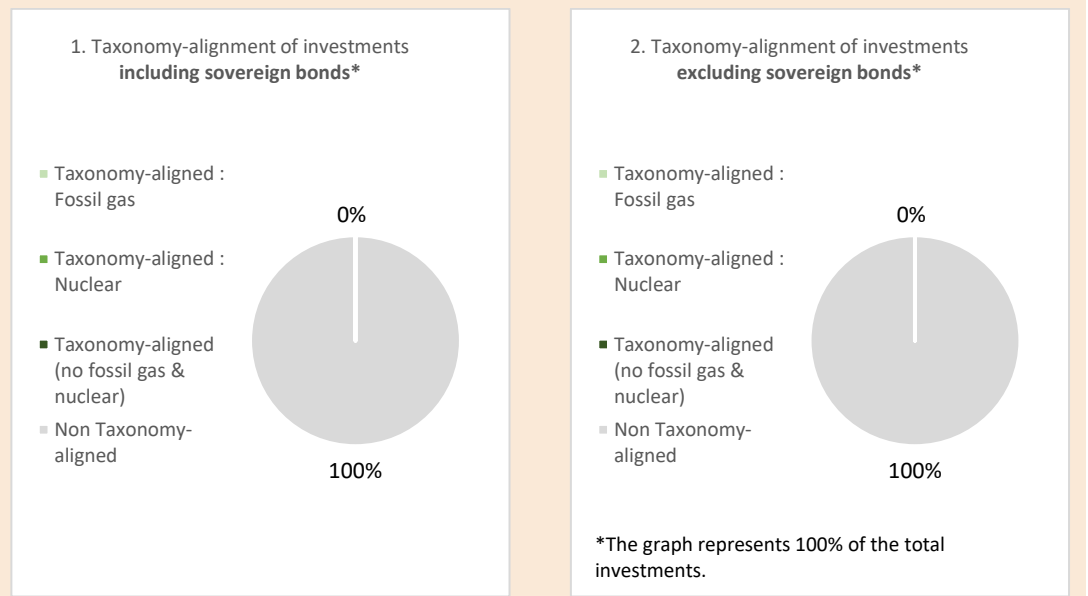
Taxonomy-aligned activities are expressed as a share of:

- **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.

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?**

N/A

¹⁷ 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?

N/A



What is the minimum share of socially sustainable investments?

N/A



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 (and cash equivalent), as well as derivatives (used either for hedging purposes) are also included under “#2 Other”.

100% of equity assets 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?**

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

N/A



Where can I find more product specific information online?

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

https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-china-new-economy/f-eur-acc/fund-overview-and-characteristics