TRANSPARENCY CODE

Carmignac Portfolio Grande Europe adopts a Socially Responsible Investment (SRI) approach

October 2019

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Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of **Carmignac**. We have been involved in SRI since 2012 and welcome the European SRI Transparency Code.

This is our second statement of commitment and covers the period 31/10/2019- 31/10/2020. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.

Mark Denham is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. **Carmignac** meets the full recommendations of the European SRI Transparency Code.

31/10/2019

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Name of the fund(s): - Carmignac Portfolio Grande Europe					
Dominant / preferred SRI strategy	**Asset class**	**Exclusions standards and norms[1]**	**Fund capital as at 30/09/2019**	**Other labels**	**Links to relevant documents**
□ Best-in-Class Investment section ◘ Engagement & Voting ◘ ESG Integration ◘ Exclusions □ **Impact Investing** ◘Norms-Based Screening ✓ Leading to exclusions Leading to risk management analysis / engagement ◘ Sustainability-Themed	**Passively managed** □ Passive investing – core benchmark: specify the index tracking □ Passive investing – ESG/SRI benchmark: specify the index tracking **Actively managed** ◘ Shares in a euro area country ◘ Shares in an EU country □ International shares □ Bonds and other debt securities denominated in euro □ International bonds and other debt securities □ Monetary assets □ Short-term monetary assets □ Structured funds	◘ Controversial weapons □ Alcohol ◘ Tobacco ◘ Arms ◘ Nuclear power ◘ Human rights ◘ Labour rights ◘ Gambling ◘ Pornography □ Animal testing □ Conflict minerals □ Biodiversity □ Deforestation ◘ CO2 intensive (including coal) □ Genetic engineering ◘ Other (please specify) Non-conventional energy ◘ Global Compact ◘OECD Guidelines for MNCs ◘ ILO Conventions □ Other (please specify)	Carmignac Portfolio Grande Europe: €252.39 millions	◘French SRI label □ French TEEC label □ French CIES label □ Lux flag Label □ FNG Label □ Austrian Ecolabel □ Other (please specify)	**- KIID:** Carmignac Portfolio Grande Europe https://docs.publifund.com/kiid/LU0099161993/en_FR **- Prospectus** Carmignac Portfolio Grande Europe https://www.carmignac.fr/PL_CGE_3_FR_en.pdf **- Management report** Carmignac Portfolio Grande Europe https://www.carmignac.fr/AR_CGE_3_FR_en.pdf **- Financial and non-financial reporting** Carmignac Portfolio Grande Europe https://www.carmignac.fr/FLF_CGE_LU0099161993_FR_EN.pdf

[1] For Carmignac Portfolio Grande Europe

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1. General information about the fund management company

1.1. Name of the fund management company that manages the applicant fund(s)

For the sub-funds of the Luxembourg SICAV Carmignac Portfolio, thus Carmignac Portfolio Grande Europe, the management company is:

CARMIGNAC GESTION Luxembourg
City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1
Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF
Public limited company with share capital of € 23,000,000 - RC Luxembourg B 67 549

1.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Carmignac, empowered through its independence and transparency since 1989, has maintained a long-held practice of investing responsibly, aware of its corporate duty to its investors and stewardship as a leader in the European fund management industry. Amongst its ethical values in respect to society and environment, Carmignac has for decades excluded tobacco producers and coal miners from the investment universe of the most part of its fund range.

As Risk Managers, Carmignac seeks to mitigate as many risk factors as it can identify, this very resolutely includes risks associated with poor governance and shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges particularly in respect of fossil fuel reserves.

Since 2012, Carmignac, as a UNPRI signatory (United Nations Principles of Responsible Investment) and a French investment firm (under the French government's directive Grenelle II Law, art 224-238, 2010), has raised the level of its transparency regarding the application of Environment, Social and Governance (ESG) criteria in its investment process. Each UNPRI principle has been implemented across most of its Fund range.

https://www.carmignac.fr/en_GB/about-us/socially-responsible-investment-sri-1245

1.3. How does the company formalise its sustainable investment process?

Carmignac has a mainstream approach to integrating ESG criteria in its UCI regulated funds for 91%[2] of assets under management in bond and equity funds.

As documented in the Investment Internal Guidelines, Portfolio Managers and Analysts are directly responsible for the implementation and oversight of ESG criteria in their portfolio. A 10-member ESG Committee led by the Stewardship Manager and Sustainability Manager supports the investment team in important stages of the investment process: screening for controversies, external ESG research provider coordination, active voting and engagement framework, socially responsible certification,

[2]As of 30/09/2019, assets under management excluding funds of funds and mandates.

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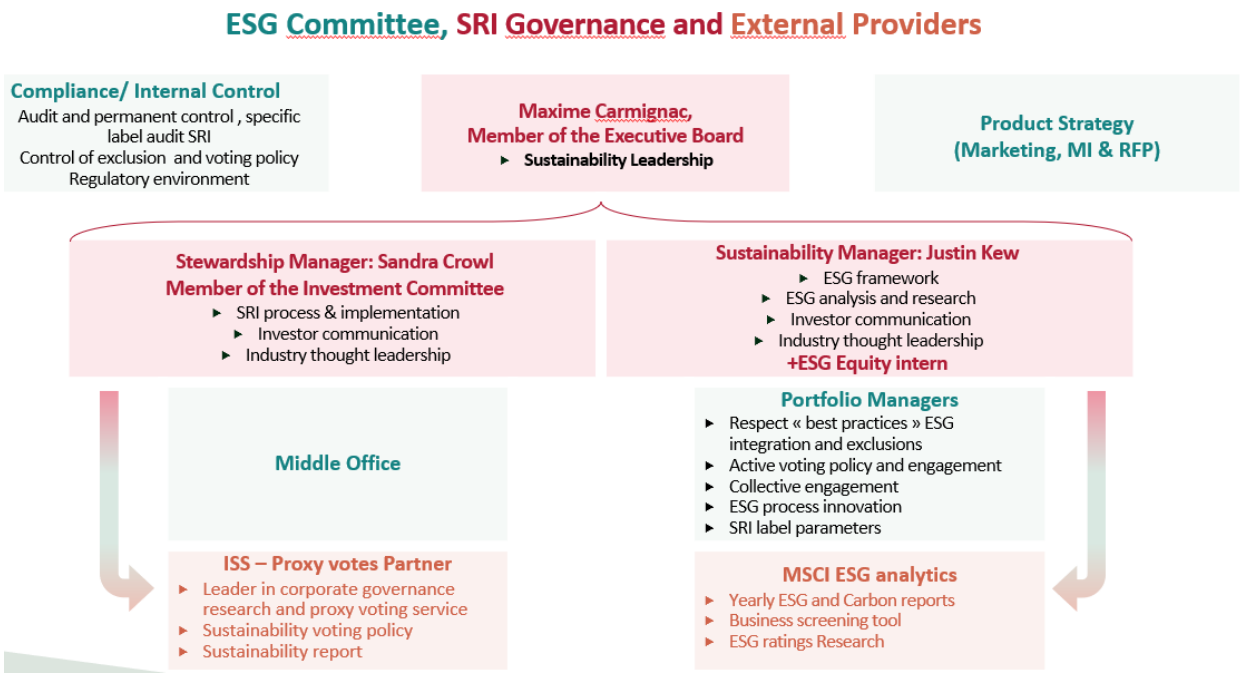
maintenance and control of controversed sector exclusion lists, ESG consultant services and investor communication.



https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245

Our ESG approach to our investment process is based on 4 stages:

- Understanding the investment universe. Incorporating and selecting best socially responsible practices. Portfolio managers can make use of an ex ante screening tool, MSCI Business Involvement Screening Research.

- Integration of ESG criteria assessment in the investment rationale and ongoing monitoring. Identifying risk factors and adopting responsible behaviour. Comply with a list of excluded companies either by our Norms based screening or values based negative screening and identify potential controversies in our investments and engage on these issues with companies.

- Committing to the long term. Promoting ESG practices within our investment professional peers and corporations, especially in our Voting Policy.

- Communicating to our investors. Publishing our ESG commentary in our funds 'annual reports and our voting policy report. MSCI ESG and carbon analytics reports.

Carmignac Sustainable 'SRI funds' offer
Carmignac also offers a range of funds that adopt a Socially Responsible approach noted in the funds' prospectuses. Negative screening, through Norms based, ethical and climate related exclusions, and

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positive social and environmental screening, active voting policy and low carbon emissions policies have been adopted within the strategies.

- **Carmignac Portfolio Grande Europe (European Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-portfolio-grande-europe-a-eur-acc

- **Carmignac Emergents (Emerging Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-emergents-a-eur-acc

- **Carmignac Portfolio Emergents (Emerging Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-portfolio-emergents-f-eur-acc

- **Carmignac Portfolio Emerging Patrimoine (Emerging Markets – Mixed)**
  https://www.carmignac.fr/en/carmignac-portfolio-emerging-patrimoine-a-eur-acc

- **Carmignac Portfolio Family Governed**
  https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics

- **Carmignac Portfolio Family Grandchildren**
  https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/fund-overview-and-characteristics

Carmignac Voting Policy

Our voting policy is part of our commitment to promote best practices in all companies. Also, we see an opportunity to address and highlight some short, medium, as well as, long term ESG related risk. For this purpose, we have a company goal of raising our voting participation to a target of 100% in 2020 all our funds including our 6 Socially Responsible Funds. To help us manage these targets, Carmignac has partnered with one of the most experienced governance advisors, ISS. Carmignac benefits from its comprehensive governance research and recommendations, while maintaining total control of its voting choices.

In addition, Carmignac has a sustainable voting policy in place with our voting proxy service provider. In this context, we vote automatically "for" sustainability or pro-environment, social or governance improvements and against environment, social or governance practices which are not best in class or compliant with our or industry standards. Should there be a reason for the Carmignac Investment team to vote against an ISS Sustainability recommendation, the decision is backed up by documentation and/or a direct company dialogue by the Carmignac investment team.

Carmignac full voting policy and annual voting report are published each year on its website.
https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245

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Carmignac Engagement Policy

Carmignac has committed to an active voting policy and engagement policy that has been integrated into the Investment Management Team's internal guidelines. Engagements may occur with the Management of the companies in which we invest:

1. Prior to investment, as part of the due diligence done to build the investment rationale
2. After controversies or during the investment period
3. At Annual General Meetings where sustainability preferences may be discussed and challenged.

These engagements are registered internally. Important engagements are documented in the funds' annual report. In addition, a summary Engagement Report is published on our website denoting type, region, and sector of Engagement.
https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245

1.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?[3]

Mainstream ESG approach

As of 30/09/2019, 91.6 % of our assets under management* take into account ESG criteria, represented in these 16 Funds: Carmignac Investissement, Carmignac Portfolio Investissement, Carmignac Portfolio Grande Europe, Carmignac Euro-Entrepreneurs, Carmignac Portfolio Euro-Entrepreneurs, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Commodities, Carmignac Patrimoine, Carmignac Portfolio Patrimoine, Carmignac Portfolio Emerging Patrimoine, Carmignac Portfolio Unconstrained Global Bond, Carmignac Sécurité and Carmignac Portfolio Sécurité, Carmignac Portfolio Grandchildren, Carmignac Family Governed.

Although funds invest in very different regions, sectors, asset classes, all share the same first layer of ESG consideration. Climate emissions are monitored and measured for each equity fund annually. In Dec 2018, the Carmignac equity funds (11.3 billion Euro) emitted 68% less carbon than the respective benchmarks.
Individual carbon reports can be found in the annual reports of each fund as well as on our specific SRI website.
https://www.carmignac.fr/en_GB/about-us/socially-responsible-investment-sri-1245

The investment universe is studied based on financial criteria, business model, long themes such as disruption, secular growth, and specific sustainable themes such as clean energy, financial inclusion and internet related changing consumer patterns.

[3] Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

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A negative screening is applied, excluding controversed sectors, such as all controversial arms, Global Norms based restrictions through our ISS screener, UN or EU company or country sanction lists, all tobacco producers and coal miners as well as coal fired electricity producers (25% of coal revenues).

This is complemented by more specific analysis, where the whole investment team, equity and bond selectors alike, are responsible for assessing ESG risks within an investment case and documenting it in our Mackey RMS front office data base tool. Asset manager's proprietary ESG research of the company, external ESG specialized research from MSCI ESG Ratings or specialized ESG broker research, are used to asses Environment, Social or Governance aspects. The Sustainability Manager also performs ESG analysis in coordination with the investment team. He intervenes more specifically with engagements related to potential ESG related risks. He also coordinates and operates the engagements necessary through our affiliations with associations such as Climate Action 100+. Finally, ESG risks must be continuously monitored and challenged. Should controversies occur, investment teams and the Sustainability Manager must review their investment case and document their decision (whether it is to reduce/exit a position, or to keep it). Once a decision has been made to disinvest, the portfolio manager has up to 3 months to liquidate the position, taking the liquidity conditions of the security in consideration.

As mentioned above, a controversy does not necessarily trigger a sell of the given position. Environmental accidents are never easy to predict but lessons can be learned, and companies can improve. That is why we believe that an ESG approach solely based on favouring ESG best in class, green sectors, etc., shows a good sign to corporates to behave better, but is not necessarily the only way. We, as investors, should of course reward the good student, but not systematically leave the bad student behind. As shareholders, we can influence and interact with companies, starting simply with participating in all shareholder votes, with a sustainability objective, with more than a short-term performance or dividend payment focus.

Funds with a Socially Responsible approach

The European equity fund Carmignac Portfolio Grande Europe is under the scope of this Transparency Code.

The ESG analysis follows the same principals as for the mainstream funds. ESG analysis allows the investment team to mitigate ESG related risks and to engage with companies should risks be identified. For the SRI funds, a further commitment is made to apply ESG ratings and minimum requirements of portfolio construction. Each company is analysed for ESG risks, comments of practices are made on outset of investments and are updated usually annually or when controversies occur. A dialogue with the company directly enables any questions regarding ESG related risks to be answered.

In addition to the carbon monitoring described for the mainstream funds this socially responsible fund's objective is to offer a low carbon portfolio which is monitored by comparing it to the MSCI Low Carbon index.

A full description of the ESG integration process and positive screening can be found in Chapter 3.5

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1.5. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
□ ECCR – Ecumenical Council for Corporate Responsibility ◘ EFAMA RI WG □ European Commission's High-Level Expert Group on Sustainable Finance □ ICCR – Interfaith Center on Corporate Responsibility ◘ National Asset Manager Association (RI Group) ◘ PRI - Principles For Responsible Investment □ SIFs - Sustainable Investment Fora ◘ Other ▪ AFG, France SRI working group ▪ IA, UK SRI working group ▪ ALFI, Luxembourg SRI Working group	□ CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) □ Climate Bond Initiative □ Green Bond Principles □ IIGCC – Institutional Investors Group on Climate Change □ Montreal Carbon pledge □ Paris Pledge for Action □ Portfolio Decarbonization Coalition ◘ Other (please specify) Climate Action 100 +	□ Access to Medicine Foundation □ Access to Nutrition Foundation □ Accord on Fire and Building Safety in Bangladesh ◘ Other (please specify) Modern Slavery Act Statement UN Women's Empowerment Initiative Tobacco Finance Free pledge	□ ICGN – International Corporate Governance Network □ Other (please specify)

1.6. What is the total number of SRI assets under the company's management?

Assets under management implementing ESG criteria: 30.5 billion Euro *
Assets under management offering a Socially Responsible approach: 1.4 billion Euro *

*Source: Carmignac, as of 30/09/2019

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2. General information about the SRI fund(s) that come under the scope of the Code

2.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

At Carmignac, we believe that ESG incorporation is not only a "green tag", or a "nice to have". Indeed, we believe that an asset manager's number one fiduciary duty to its investors is to mitigate as much risk as it can identify. This very resolutely includes risks associated with poor governance, shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges. ESG implementation can be, and often has been, a driver of long-term performance as it goes hand in hand with sustainability. Asset managers, like us at Carmignac, managing the savings of investors, often their future pension, have to see long term and not short term. As such, companies that decide to favour short term success at the cost of higher ESG risks (or any other higher risk) may encounter difficulties in making profitable investments over the long term.

2.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The Portfolio Managers and Analysts are responsible for ESG analysis. In addition, the Sustainability Manager takes an active role in ESG assessment as well as in the engagements necessary following on from ESG risk identification, controversies or affiliation related collective engagements. During the due diligence directly with Corporations as part of the investment rationale, ESG risk and opportunities are identified and discussed. In the Socially Responsible funds, the ESG risks are measured qualitatively and are added to the overall assessment and scoring of the investment case. The investment team also has access to MSCI ESG Ratings company level research and ratings which is useful analysis in comparing the teams' proprietary views, the peer group's ESG scoring and the in-depth leading analysis for E, S and G factors. The company's sustainability report, ISS Normative screening, the MSCI Business involvement screening are also consulted.

2.3. What ESG criteria are taken into account by the fund(s)?

Depending on the geographic region and sector, ESG criteria may vary. However here are the most common elements that the Portfolio Managers and Analysts assess in the investment rationale:

- Environment: The scope of Carmignac' s interest includes the impact of companies on the environment and their ability to propose services and products which adapt to environmental challenges and particularly climate change. Environmental issues the investment team considers and renders transparent could include companies' treatment of carbon emissions, pollution, waste, and water usage.

- Social: Carmignac focuses on monitoring the impact of companies with all their stakeholders (suppliers, employees, consumers) across the value chain and the increasing public expectations of social responsibility. Social issues the firm considers could include all types of employment abuses, staff turnover metrics, diversity, work place health and safety, income distribution, and product safety.

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- Governance: Carmignac focuses on the enhanced value created by companies that encourage governance ethics. Governance issues the firm considers could include any tendency towards uses of bribery and corruption, government's involvement and impact on management, board independence, executive compensation, and anticompetitive practices.

2.4. What principles and criteria linked to climate change are taken into account in the fund(s)?[4]

Carmignac has made climate awareness a formal component of its investment process, joining the efforts undertaken as part of the Cop21 initiatives and adhering to Energy Transition Rule No 173 of the Monetary and Financial Code of the French government (L533-22-1 du Code Monétaire et Financier). Through a diversified investment policy that is not constrained by its benchmarks, our Funds underweight sectors with high carbon emissions, particularly coal industry and utilities. Besides, investing in sustainable technologies is also key priority for our Funds.

At the end of 2018 €11.3bn (or 28% of AUM) were measured and monitored for carbon emissions, representing 7 funds: Carmignac Investissement, Carmignac Emergents, , Carmignac Euro-Entrepreneurs, Carmignac Portfolio Commodities, and Carmignac Portfolio Grande Europe, Carmignac Long/Short European Equities, Carmignac Patrimoine (equity portion only). Our Carbon footprint for these funds is on average 68% lower than their respective fund benchmarks. These funds are subject to a complete analysis and report by the MSCI Carbon Analytics team on an annual basis. Not only are carbon emissions calculated for each investment, and sector, but a granular attribution analysis is made as well as defining investments in clean tech solutions. Please see in **3.2.** how these criteria are integrated into our portfolio construction.

2.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

ESG analysis and criteria are directly taken into account in the definition of the Fund's investable universe. The equity investment universe in scope is comprised of stocks listed on European exchanges, with a float adjusted market capitalisation of at least €100 million and a minimum liquidity hurdle. This represents a list of approximately 1600 names.
This list of stocks is then reduced by excluding companies with a market value below €1 billion and a financial score inferior to the median score of the universe. The financial score is calculated based on our selection of financial ratios such as cash flow return on investment, operating margins and reinvestment rate. This financial screen aims at identifying companies with the best long-term growth prospects. The investable universe is thereby reduced to a list of approximately 560 names.
It should be noted that there is a small proportion of names in the Fund that do not score well on the financial criteria but meet the spirit of what those criteria are trying to find.
In parallel to this financial screen, an ESG assessment is undertaken to help identifying companies with best long-term growth prospects. Indeed, we believe that substantial risks pertaining to ESG undermine the "best long-term prospects" analysis. Hence, we use MSCI ESG ratings to assess companies' ESG risk

[4]Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697

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profiles relative to their sector and systematically exclude CCC rated companies. MSCI rates companies on a AAA-CCC basis (AAA being the best). In addition, companies with a BB rating or below will be excluded unless they can justify having a positive impact on society according to the United Nations sustainable development goals (SDGs). Indeed, we believe that satisfying the specific categories we identified from the SDGs is consistent with best long-term prospects. Therefore, independent of the relative screen implemented through MSCI ESG rating, we also use an absolute approach in assessing companies impact with regards to SDGs. The specific categories derived from the SDGs that we have chosen to focus on are the following:

Category	Areas to consider	Examples
Basic needs	Nutrition	Sustenance, sustainable nutrition, health and wellness
	Treating illness	Drugs/treatments, information provision
	Preventing illness	Exercise, diagnostics, drugs/treatments, information, responsible advertising
	Happiness	Satisfying non-destructive wants as well as needs, mental wellbeing, human rights
Empowerment	Availability infrastructure	Buildings, civil infrastructure, telecom, internet
	Affordability product/service	Food, travel, transportation, finance
	Education	Information provision to customers (ingredients, safety, responsible marketing)
	Safety and security	Security/protection real and cyber, product safety, health and safety
Climate change	Energy efficiency	Measured use of energy and saving energy
	Alternative energy	Activity in non-fossil fuel energy
	Fossil fuel	Minimal/reduced activity in fossil fuel
	Carbon emissions	Avoid high carbon emissions
Natural capital	Usage of all-natural resources	Water, land, natural resources, food security, consumption, animal welfare
	Waste management	Production, usage, waste products, clean up
	Efficiency production/consumption	Productivity, IT, digitisation, cyber security

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

1) Carmignac exclusion list:

- Tobacco producers

- Coal producers' companies with more than 25% sales directly derived from coal extraction or power[5]
- Russian company sanction list
- Human Rights Violations exclusions
- US Patriotic Act exclusions
- Oslo/Ottawa Treaty Exclusions
- All controversial weapon companies
- Norms based exclusions as identified by ISS

2) Carmignac Portfolio Grande Europe exclusion list:

Energy Exclusion policy

- Coal producing companies with more than 5% sales directly derived from coal extraction
- Unconventional energy (1) companies deriving more than 1% of total production from unconventional energy sources
- Conventional energy production (2) companies must have a minimum 40% revenue from Gas and/or Renewable Energy (3)
- Conventional oil energy production companies are excluded
- Power generation companies must not exceed 429 gCO2/kWh carbon intensity or if data is not available cannot exceed:
- Gas- fired – 30% production or revenue
- Coal-fired – 10% production or revenue
- Nuclear-fired – 30% production or revenue

Ethical Exclusion Policy

- All Controversial weapon companies
- Conventional weapons including components companies (10% revenue hurdles)
- All tobacco producers
- Norms based exclusion including UN Global Compact violations human rights, labour rights, environment and corruption
- Adult Entertainment companies (2% revenue hurdle)
- Gambling companies (2% revenue hurdle)

Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.
(2) Conventional energy extraction sources: oil and gas
(3) Renewable energy: biofuel, wind, solar, wave, geothermal, hydro, tidal.
Exclusion lists are updated on a quarterly basis

The exclusions derived from ESG criteria further reduce the investable universe from approximately 560 stocks after the financial screening to approximately 410 names after screening on ESG criteria.

[5] Coal producers with over 25% revenues from coal extraction are excluded in our equity funds. This does not apply to Carmignac Portfolio Commodities

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The Exclusion list called the CMGR watchlist is reviewed quarterly. The equity portfolio manager is responsible for a detailed ESG analysis and can consult the MSCI ESG company research database or other sources as a complement to his proprietary research. The European equity analyst and the Sustainability manager also undertake ESG analysis. For each analysis, an investable status is determined and documented in the Mackey RMS. Next to the ESG analysis, the relative MSCI ESG rating assessment and the Absolute assessment of the Sustainable Development Goals objectives are noted. The Portfolio Manager or analyst updates the progress the company is making towards the Environmental or Social goals identified by the portfolio manager. For example, 30/09/2019 for the company Osted:

company	Orsted

MSCI Rating	AAA

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

Investable	Y

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

MSCI ESG Ratings are our reference for company relative ratings. Where there is no coverage by MSCI, the equity investment team allocate a rating. Ratings by MSCI are updated annually. The ratings of the portfolio are updated for these ratings as they occur. The overall portfolio is monitored frequently for assessment of average ratings.
For equity strategies, we also monitor on an ongoing basis our assessment of the positive impact of companies with regard to SDGs. Particular comment alongside the ESG assessment and absolute assessment is made on the measurable indicators for each company leading to a positive contribution to the specific SDGs the fund targets (basic needs, empowerment, climate change, natural resources)

Engagements occur directly with companies regarding E, S or G issues and are subject to a specific reporting via email or summary in the front office database (Mackey RMS). For companies we invest in, there are regular discussions and follow up of topics during meetings with the companies. When controversies occur, fund managers and equity analysts are responsible for the engagement and follow up with their respective companies. The Sustainability Manager can also assist fund managers to engage with a company on a specific topic or controversy. These are documented and visible to all investment staff in the front office database (Mackey RMS).

3. Investment process

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3.1. How are the results of the ESG research integrated into portfolio construction?

ESG research has a direct impact in portfolio construction. As discussed in the answer to question 2.5, we use ESG criteria along with the financial criteria in order to identify companies with the best long-term prospects. In addition to further reducing the list of companies in the investable universe, the companies ESG assessment will also influence the weighting of holdings in the portfolio. Both relative ratings from MSCI ESG and absolute assessment on Sustainable Development Goals (SDGs) criteria can have a positive or negative impact on the sizing of equity positions. In addition, a minimum 40% of the Fund invested in companies rated A or above by MSCI ESG and a maximum 30% of fund invested in companies rated below BB by MSCI ESG. There are no CCC companies.

3.2. How are criteria specific to climate change integrated into portfolio construction?[6]

Carmignac Portfolio Grande Europe has proven to have very low level of fossil fuel involvement and specifically targets the quantity of the MSCI Low Carbon target index for carbon emissions. While the fund has successfully beat this index, in no way does the fund replicate the index members or sectors given the fund's very non benchmarked nature. In the portfolio, Energy and material companies usually don't pass our financial criteria assessment which focuses on companies' capacity to generate superior and sustainable profitability coupled with reinvestment in their future growth. Secondly, the portfolio management team also applies additional screening in order to minimise exposure to fossil fuels. Coal producers' companies with more than 5% sales directly derived from coal extraction are excluded from the investment universe. Non-conventional oil companies deriving more than 1% of total production are also excluded. All oil based conventional energy companies are also excluded.

Carbon footprint:

	Carbon emissions[1]	Total carbon emissions[2]	Carbon intensity[3]	Weighted average carbon intensity[3]	Availability of carbon emissions data[4]
Carmignac Portfolio Grande Europe	**40.7**	**40.650**	**73.2**	**76**	**91.10%**
Reference indicator*	179.8	179.777	183.2	163	98.70%
MSCI Europe Low Carbon Target	73.6	73.588	76.8	90	99.60%

*Stoxx 600 (reinvested net dividends) 1. tonnes of CO_2 equivalent per million dollars invested 2. tonnes of CO_2 equivalent based on an investment of 1 million dollars 3. tonnes of CO_2 equivalent per million dollars of revenue 4. As percentage of market value.
Source: MSCI Carbon Portfolio Analytics, Carmignac, 16/01/2019.

[6] Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

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3.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?[7]

MSCI ESG Ratings are our reference for company ratings. Where there is no coverage by MSCI, the investment team allocate a rating. Ratings by MSCI are updated annually. The ratings of the portfolio are updated for these ratings as they occur. The overall portfolio is monitored frequently for assessment of average ratings.

3.4. Has the ESG evaluation or investment process changed in the last 12 months?

No.

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

In Carmignac Portfolio Grande Europe, equity investments are also sought in view of the company's capacity to positively contribute to society. These positive contributions are assessed against criteria adapted from the SDGs specific to each company as described in the answer to question 2.5. While investment opportunities vary and the component of companies having an impact on society is not subject to a specific quantitative target, this criterion will remain an important investment goal and is noted in each investment rationale and updated annually

3.6. Does (do) the fund(s) engage in securities lending activities?

The fund does not engage in Securities Lending

3.7. Does (do) the fund(s) use derivative instruments?

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

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

The Socially Responsible funds do not normally invest in other mutual funds other than the Carmignac Court Term money market fund for liquidity purposes.

4. ESG controls

4.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?[8]

There are 2 levels of control:

[7] Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)
[8] Reference to Article 173 of the French TECV Act

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- **First level control**: The ESG Committee led by the Stewardship Manager and Sustainability Manager, ensures the daily support to the Investment team and includes such responsibilities as oversight on appropriate screening and documentation for controversies, external ESG research provider accountability, active voting and engagement framework adherence, maintenance and control of controversed sector exclusion lists, ESG consultant services assessment, investor and statutory communication.

- **Second level control**: As the ESG thematic is fully integrated to the Annual Compliance Monitoring Program, the Compliance and Internal Control Department operate a second level of control and perform yearly reviews on the ESG activity to ensure our statutory, regulatory and commitments as UNPRI signatories are met. Moreover, the Compliance department takes an active role in ensuring company exclusions are adhered to. Excluded companies, sectors, and countries are predefined in our order management system to prevent transactions which compose part of our filtering process. Thanks to the compliance module in Bloomberg (CMGR), lists are set at a pre-trade level in Bloomberg AIM, the trading tool and any transaction is automatically blocked.

  Concerning soft exclusions/screenings, they are implemented in the trading tool and generate an alert pop-up which has to be closed manually before any further step.
  The exclusions list exhaustiveness is reviewed quarterly by the Stewardship manager, Sustainability manager and the Compliance department. Ad-hoc reviews are also be done at the discretion of the Sustainability team.

5. Impact measures and ESG reporting

5.1. How is the ESG quality of the fund(s) assessed?

Carmignac assess the ESG ratings of its portfolios across 15 of its investment funds (equity, bond and mixed strategies; see **2.1**.) which includes the 6 Socially Responsible funds (Carmignac Portfolio Grande Europe, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Emerging Patrimoine, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed). It also assesses the carbon emissions of 7 funds which are Carmignac Investissement, Carmignac Emergents, Carmignac Euro-Entrepreneurs, Carmignac Portfolio Commodities, and Carmignac Portfolio Grande Europe, Carmignac Long/Short European Equities, Carmignac Patrimoine (equity portion only).
These reports are completed annually via MSCI ESG fund analytics and are available for investor consultation. Due to licencing laws, the reports are not published on the Carmignac Socially Responsible website, but a summary of this assessment is found in Carmignac funds' Annual Reports. The funds are benchmarked qualitatively and quantitively against the respective funds' benchmarks and the MSCI ESG benchmark. The Carbon Analytics reports are benchmarked against the funds' respective benchmarks and a Low Carbon Target benchmark from MSCI ESG indices.

An annual review of these reports is held between the Stewardship Manager, Sustainability Manager and individual members of the Investment team to discuss the differences of ESG ratings, potential exposure to sector key issues and predefined controversies. The Carbon Analytics reports are also discussed to

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compare carbon emissions, quality of company's capacity to hedge carbon risks (leader, average or laggard), fossil fuel involvement, selection attribution analysis, and exposure to clean tech solutions.

5.2. What ESG indicators are used by the fund(s)?

The 17 funds studied for either ESG and/or their carbon emissions use their own respective benchmarks, as well as, the MSCI ESG or Sustainability indexes, MSCI Low Carbon Target or MSCI Low Carbon Leaders indexes.

5.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Carmignac' s mainstream ESG approach and the 6 SRI Funds are identified on Carmignac' s SRI web page: https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245

Moreover, on each of these 6 Funds' web page, you will find 2 documents related to SRI:

- The "SRI Guidelines" which detail the Funds' SRI approach (from the investment universe screening to the monitoring of the portfolio)
- The "SRI Flyer" which provides an overview of the Funds' SRI approach
- The Monthly ESG summary factsheet

These documents are oriented for retail investors. The annual reports of all 17 funds that respect ESG criteria contain a full commentary on ESG issues and its ESG assessment.

- The results of the 7 funds (see **5.1.**) studied for emissions are also thoroughly discussed in the respective funds' annual reports and in our SRI webpage: https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245. Carbon emissions per Million USD invested, total carbon emissions and carbon intensity are detailed.

Carmignac' s mainstream ESG approach, its specific Socially Responsible Funds and its low carbon approach to Carmignac Portfolio Grande Europe are identified on the Carmignac Socially Responsible website.

Asset Class	Fund	ISIN	Mainstream ESG	SRI Approach
Mixed	Carmignac Patrimoine	FR0010135103	✓	
Mixed	Carmignac Portfolio Patrimoine	LU0992627611	✓	
Equities	Carmignac Euro-Entrepreneurs	FR0010149112	✓	
Equities	Carmignac Portfolio Euro-Entrepreneurs	LU0992625326	✓	
Equities	Carmignac Investissement	FR0010148981	✓	
Equities	Carmignac Portfolio Investissement	LU0992625839	✓	
Bonds	Carmignac Sécurité	FR0010149120	✓	
Bonds	Carmignac Portfolio Sécurité	LU0992624949	✓	
Equities	Carmignac Portfolio Commodities	LU0992629237	✓	
Bonds	Carmignac Portfolio Unconstrained Global Bond	LU0992630599	✓	

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Equities	Carmignac Emergents	FR0010149302	✓	✓
Equities	Carmignac Portfolio Emergents	LU0992626480	✓	✓
Equities	Carmignac Portfolio Grande Europe	LU0992628858	✓	✓
Mixed	Carmignac Portfolio Patrimoine Europe	LU1744630424	✓	✓*
Mixed	Carmignac Portfolio Emerging Patrimoine	LU0992631647	✓	✓
Equities	Carmignac Portfolio Grandchildren	LU1966631001	✓	✓
Equities	Carmignac Portfolio Family Governed	LU1966630706	✓	✓

*Only for the equity component of the portfolio

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	ESG Integration						Sustainable Investing									
Fund	ESG integration	Norms based screening	Exclusions	Active voting policy	Carbon emissions analytics	ESG analytics	Targeted voting policy >80%	SRI approach in prospectus	Low carbon approach	SRI label	Extended exclusions	Best in universe	Best efforts	Best in class	Green bonds	Positive impact filter	Thematic approach
Carmignac Patrimoine	✓	✓	✓	✓		✓											
Carmignac Portfolio Patrimoine	✓	✓	✓	✓		✓											
Carmignac Euro-Entrepreneurs	✓	✓	✓	✓	✓	✓											
Carmignac Portfolio Euro-Entrepreneurs	✓	✓	✓	✓	✓	✓											
Carmignac Investissement	✓	✓	✓	✓	✓	✓											
Carmignac Portfolio Investissement	✓	✓	✓	✓	✓	✓											
Carmignac Sécurité	✓	✓	✓	✓		✓											
Carmignac Portfolio Sécurité	✓	✓	✓	✓		✓											
Carmignac Portfolio Commodities	✓	✓	✓	✓	✓	✓											
Carmignac Portfolio Unconstrained Global Bond	✓	✓	✓	✓		✓											
Carmignac Emergents	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓				
Carmignac Portfolio Emerging Patrimoine	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓		✓		
Carmignac Portfolio Emergents	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓				
Carmignac Portfolio Grande Europe	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	
Carmignac Portfolio Patrimoine Europe	✓	✓	✓	✓	✓	✓	✓	✓	✓*		✓*	✓	✓			✓	
Carmignac Portfolio Grandchildren	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓			✓	
Carmignac Portfolio Family Governed	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓				

*For the equity portion of the portfolio

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GLOSSARY

ESG integration	Assess E, S and G risks and document them as part of investment rationale, engage with companies on ESG topics
Norms based screening	Respect globally recognised exclusions from EU or UN sanction lists
Exclusions	Key hard exclusions are: controversial weapons, tobacco, coal (5-25% revenue limit) and nuclear (soft exclusion) companies
Active voting policy	High level of voting participation (50-75%)
Carbon emissions analytics	Full report on carbon footprint, attribution analysis, clean tech, carbon risk management, scoring vs benchmark and Low Carbon benchmark
ESG analytics	Full assessment on E, S and G factors, scoring vs benchmark and ESG benchmark
Targeted voting policy >80%	Funds voting participation is over 80%, subject to a sustainability report, engagement with company when voting against sustainability recommendations
SRI approach in prospectus	Fund adopts a Socially Responsible approach and implements ESG extra financial criteria in security selection
SRI label	Recognised SRI label certification and yearly audit by a government approved auditor
Low carbon approach	Carbon emissions close to low carbon target benchmark, fund avoids investments in fossil fuels, thermal coal
Extended exclusions	Additional exclusion lists such as for example adult entertainment, gambling, alcohol, oil sands, coal, animal cruelty
Best in universe	Best ESG practice irrespective of sector
Best efforts	Companies with improving ESG policies
Best in class	Best ESG practice within each sector
Green bond	Participate in sovereign or corporate Green bond issues
Positive impact	Investments made into companies with the intention to generate a measurable social and environmental impact alongside a financial return
Thematic approach	Funds with environment or social sustainability themes (renewable energy, promoting healthcare to underprivileged…). Often Positive Impact funds

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5.4. Please list all public media and documents used to inform investors about the SRI approach to the fund and include URLs. This should include a link to the detailed, no more than 6 months old, list of holdings of the fund(s).

- Prospectus available on the Fund's web page
- Semi-annual and annual reports available on the Fund's web page
- KIID available on the Fund's web page
- Web page dedicated to SRI : https://www.carmignac.com/en_US/about-us/socially-responsible-investment-sri-1245
- Detailed positions composing the Fund available in the quarterly reports
- Fund's web page: https://www.carmignac.com/en_US/funds/carmignac-portfolio-grande-europe/a-eur-acc/fund-overview-and-characteristics
- Documents: ESG summary monthly factsheet, SRI Flyer and SRI Guidelines available on the Fund's web page and on the SRI dedicated web page

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