



M. Denham

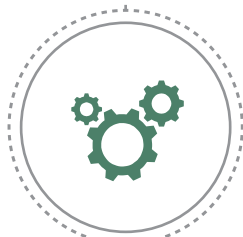
## A SOCIALLY RESPONSIBLE APPROACH TO EUROPEAN EQUITY MARKETS

Carmignac is an investment company that understands its responsibilities to society. As well as being strongly committed to recognising and measuring its own Environmental, Social and Governance (ESG) impact, all Carmignac Funds integrate ESG criteria in their investment approach. FP Carmignac European Leaders takes a broader approach to ESG integration based on its philosophy, investment process and Fund Manager's convictions.



### A longstanding commitment to responsible investment

Responsible investing is not new at Carmignac. Since inception, empowered through our independence and transparency, we have maintained high responsible investment standards, aware of our corporate duty towards our investors and stewardship as a leader in fund management. In 2012, our decision to become a signatory to the United Nations' Principles for Responsible Investment increased the level of transparency surrounding the ESG selection criteria applied within our investment processes.



### Sustainability throughout the Fund's investment process

Within its investment process, FP Carmignac European Leaders includes in-house and third party ESG research, negative and positive screening, carbon emissions analysis, plus a high frequency of company and stakeholder meetings. Each step in the process supports the Fund Manager in filtering down to find the most attractive companies and building a portfolio that targets low carbon emissions and offers a transparent socially responsible investment (SRI) approach for investors.



### A personal commitment to ESG issues

Mark Denham, Fund Manager of FP Carmignac European Leaders, has demonstrated personal accountability and high conviction towards ESG issues. For this Fund, he has extended Carmignac's exclusion list by applying limits to a broader range of controversial sectors<sup>(1)</sup> and by incorporating his own SRI analysis. In addition, he has made active shareholder participation a priority, engaging openly and mitigating against ESG-associated risks within the companies in which the Fund is invested.

(1) The Fund's full list of exclusions is available on our website (in the "Exclusion Policy", on the "Policies and Reports" page) and on the Fund's page (in the "SRI Guidelines", in the documents and reports section) or on demand to the asset management company. Exclusions lists are updated on a quarterly basis.

## Our investment path to sustainability



### **SRI starts at the very beginning of the investment process, when we screen the Fund's investment universe**

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

**A negative screening is applied** to prevent investment in companies identified as operating in controversial sectors such as tobacco, thermal coal extraction, controversial weapons and unconventional energy. There is a specific exclusion policy on conventional energy and electricity generation<sup>(1)</sup>. **A positive screening also is applied** to select companies which have significant and measurable positive contribution to society or the environment<sup>(2)</sup>.



### **In-depth research and analysis refines stock selection and portfolio construction**

The filtered Fund's investment universe is then analysed through **company-specific proprietary research and valuation**. During this phase, the Fund Manager **interacts with companies and stakeholders**, identifying ESG risks. **Corporate sustainability reports and specialist ESG corporate research are consulted** and **potential controversies discussed**. The portfolio is then constructed taking these aspects into consideration.



### **Consideration of SRI issues does not end once the investment decision is made**

**The investment case of each company held in portfolio is regularly reviewed**, notably regarding the changing nature of ESG associated risks. Furthermore, by adopting an active shareholder voting policy, the Fund Manager aims to participate in all possible voting actions<sup>(3)</sup>, thereby strengthening our commitment **to engaging openly with companies to improve their approach and behaviour** in regard to environmental, social and governance issues.

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