

# Socially Responsible Investment Guidelines

FP Carmignac Global Equity Compounders



# Carmignac's Overarching Sustainable Framework<sup>1</sup>



- Our operations are Carbon neutral 2019<sup>2</sup>
- Office Environmental practices
- UNPRI signatory 2012

- Climate Change
- Human Capital
- Entrepreneurship

- Tobacco Free supporter
- Coal exclusions and total coal exit 2030
- Energy investments aligned to Paris Agreement

- All portfolio managers and analysts are responsible for ESG integration

- Fulfil our fiduciary duty
- Represent our shareholders rights

- Rigorous 3<sup>rd</sup> party audit
- French ISR<sup>3</sup>
- Belgian Towards Sustainability<sup>3</sup>

- Multiple source ESG indicators
- Proprietary scoring and analysis
- Smart interface for all PM ESG requirements

<sup>1</sup> All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744)

<sup>2</sup> Scope 1, 2 and Scope 3 (business travel and IT services). For more information please consult [https://www.carmignac.lu/en\\_GB/responsible-investment/snapshot-4742](https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742)

RI Labels: Not all Carmignac funds are concerned with this statement

<sup>3</sup> French Label ISR. For further information, please visit <https://www.llelabelisr.fr/en/>

Belgian Label Towards Sustainability. For further information, please visit: <https://www.towardsustainability.be>

<sup>4</sup> The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

# Carmignac Portfolio Grandchildren Obtained the French and Belgian Sustainability Labels

The fund has environmental (E) and social (S) characteristics according to Article 8 of EU REGULATION 2019/2088 (SFDR Sustainable Finance Disclosure Regulation)\*

Labels supported respectively by the French\*\* government and Belgian Financial Sector Federation Febelfin\*\*\*

Accredited upon a strict audit run by an independent body

Labels renders SRI\*\*\* products more visible for investors in France and Belgium and across Europe

© Carmignac Portfolio Grandchildren



# Our Internal ESG Guidelines



## PORTFOLIO CONSTRUCTION OBJECTIVE

- ▶ The fund employs an environmental and social approach as is defined in the fund's prospectus and is classified as Art 8 under the SFDR EU regulation
- ▶ Minimum 40% of the Fund invested in companies rated A or above by MSCI ESG<sup>1</sup>
- ▶ Maximum 30% of fund invested in companies rated below BB by MSCI ESG
- ▶ No CCC companies<sup>2</sup>
- ▶ The Fund aims to achieve carbon emissions 30% lower than its reference indicator (MSCI World)<sup>3</sup>



## INTEGRATION OF ESG CRITERIA AND ENGAGEMENT WITH COMPANIES

- ▶ Minimum 90% of portfolio holdings are analysed for ESG risks and opportunities
- ▶ ESG research system START<sup>4</sup> used to centralise raw ESG Data, proprietary scoring and revenue impact
- ▶ We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes<sup>5</sup>

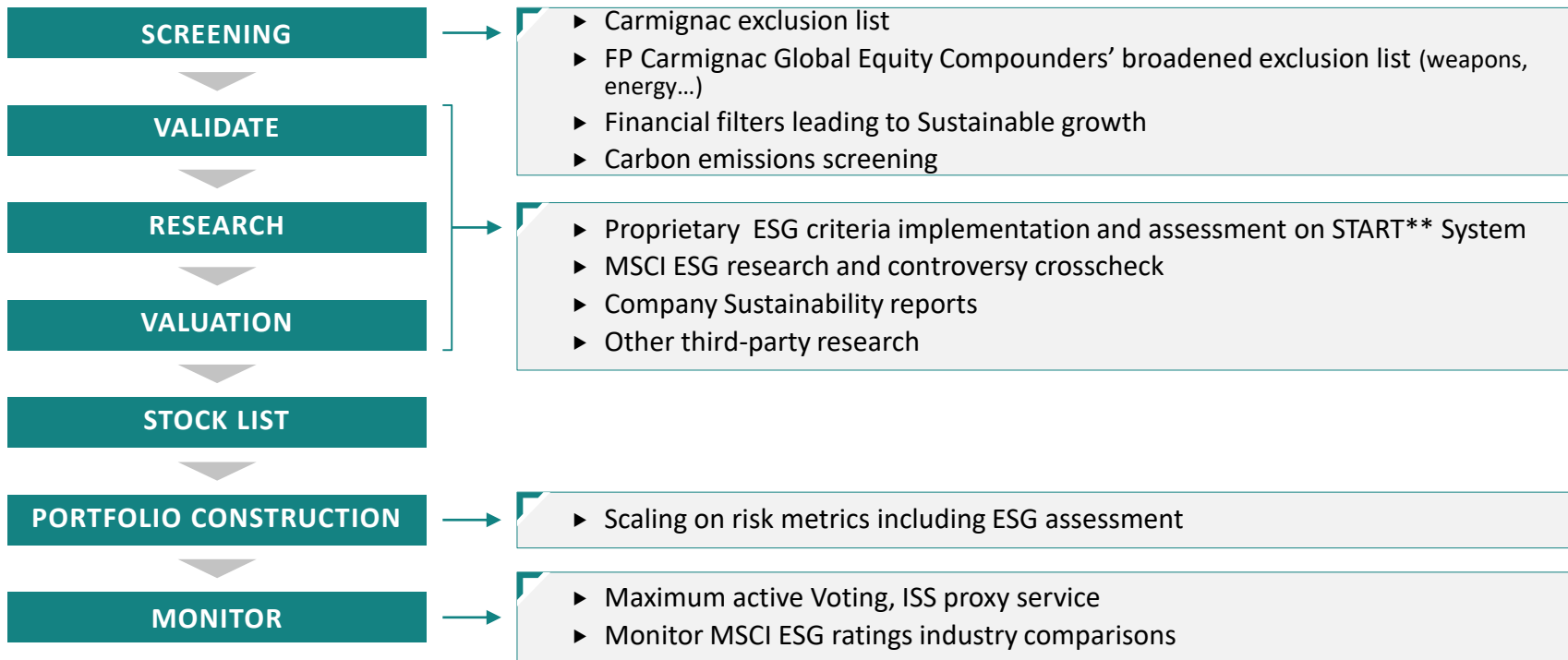


## VOTING POLICY ENGAGEMENT

- ▶ An objective of participation rate of 100%

<sup>1</sup>MSCI ESG Ratings is a proprietary methodology from MCSI. To arrive at a final rating (from AAA the best to CCC the worst) the weighted averages of the 37 Key Issue Scores covering 10 different themes (4 for Environment / 4 for Social / 2 for Governance) are aggregated and companies' scores are normalized relatively to their industries. These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers. Carmignac is conscious that by monitoring 37 Key Issue Score the methodology cannot follow all the sustainable aspects from the development of companies but Carmignac ensures that this is the most appropriate one. Moreover, by defining a rating relatively to industry peers, the rating cannot be taken as the objective / inherent assessment of the Company approach in regards of sustainability. <sup>2</sup>The limit defined is rebased in % of the portfolio that has a MSCI ESG rating. For issuers, for which MSCI ESG does not issue any rating, the MSCI ESG Rating from the group the issuer belongs to is used. <sup>3</sup>CO2 emissions: The Sub-Fund aims to achieve carbon emissions 30% lower than the reference indicator as measured by carbon intensity (tCO2/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol)) <sup>4</sup>The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete. <sup>5</sup>Please refer to our ESG-related themes at [https://www.carmignac.lu/en\\_GB/responsible-investment/our-approach-4743](https://www.carmignac.lu/en_GB/responsible-investment/our-approach-4743).

# ESG is Integrated into the Investment Management Process\*

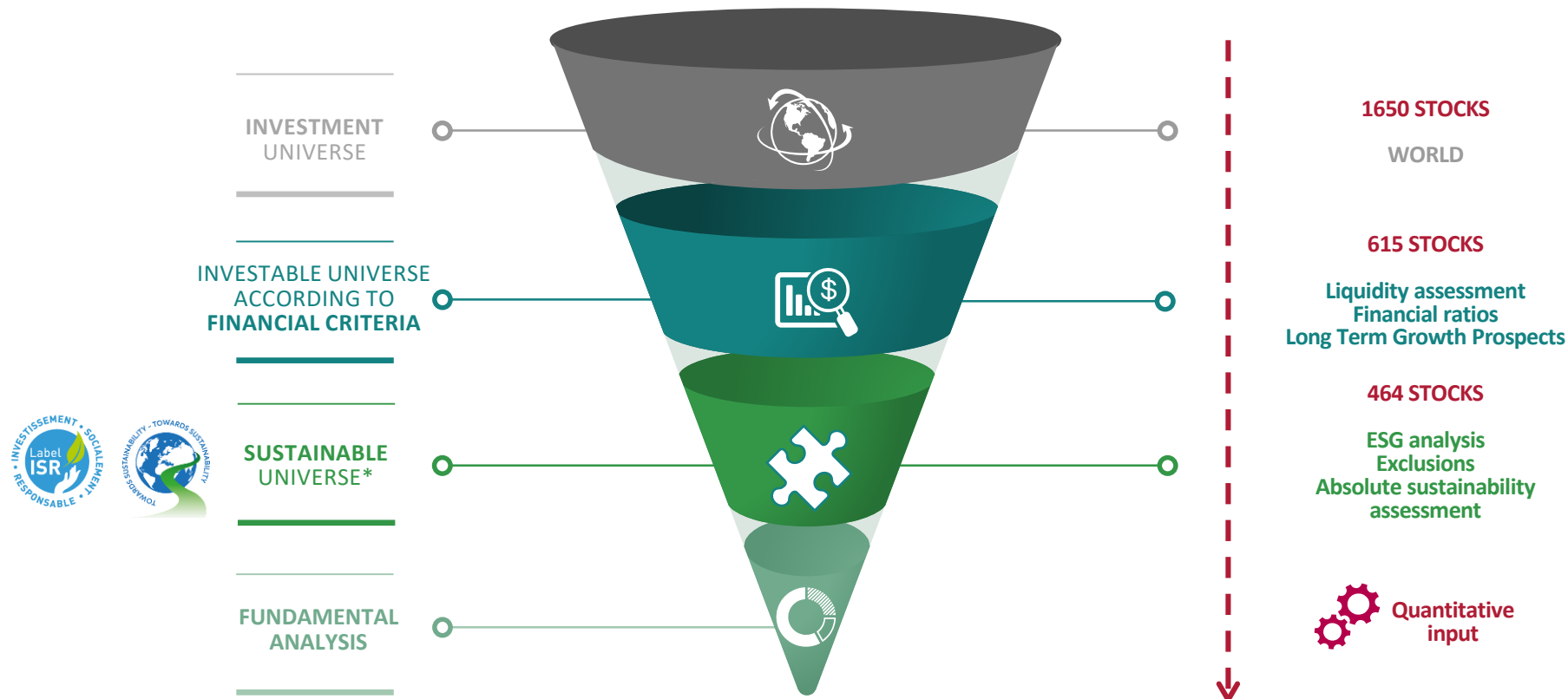


\*All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744)

\*\*The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

Source: December 2020

# Implementing SRI in the Investment Process in Line with our Long-Term Growth Focus<sup>1</sup>

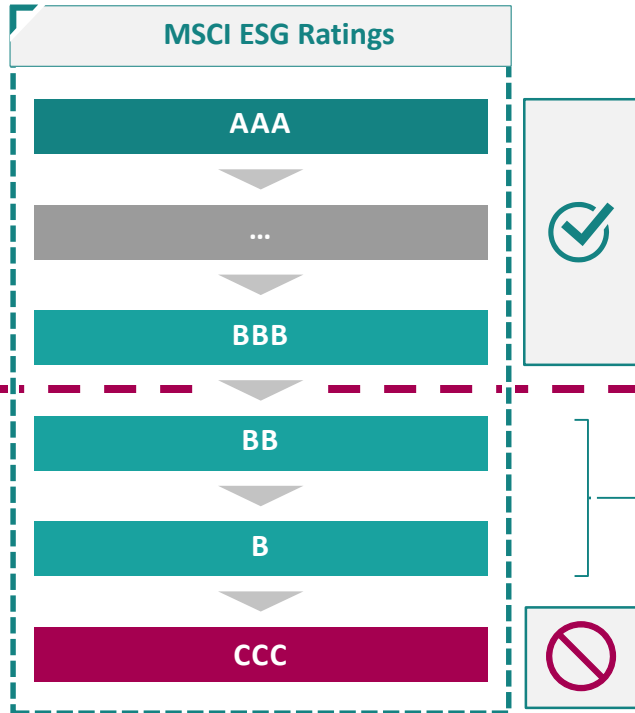


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Global Equity Compounders  
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<sup>1</sup> All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744)  
Portfolio composition may vary overtime.

\* The investable universe is reviewed on a quarterly basis  
Source: Carmignac 2020

# ESG Assessment - Identifying Companies with Attractive Long Term Growth Prospects



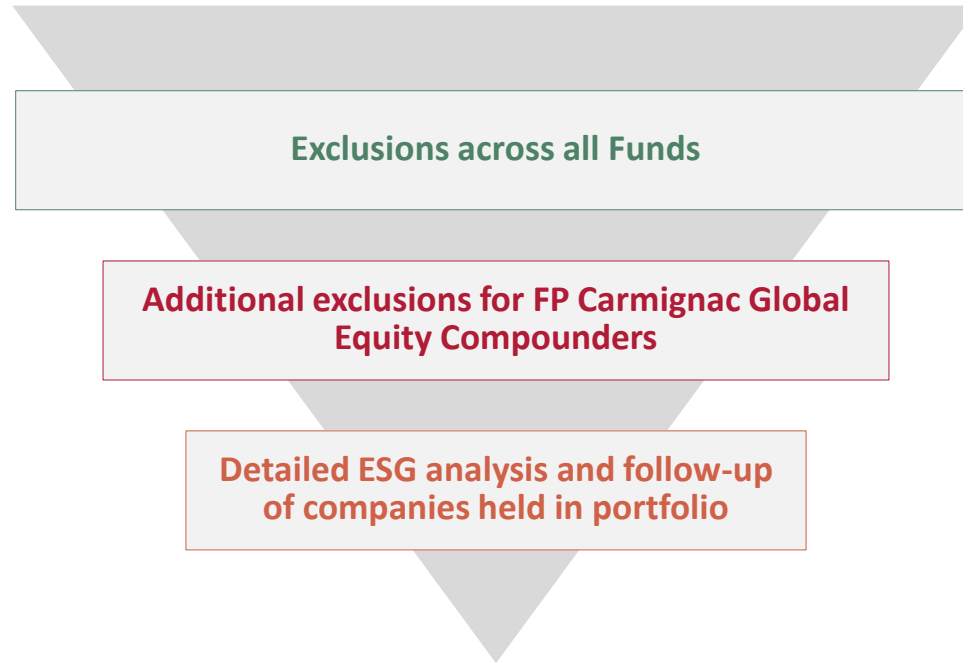
## Absolute Sustainability Assessment

B & BB ratings excluded unless company can justify positive impact on society according to criteria meeting UN SDGs

Categories*	Areas to consider
Basic needs	Nutrition
	Treating illness
	Preventing illness
	Happiness
Empowerment	Availability of infrastructure
	Affordability of product/service
	Education
Climate Change	Safety and security
	Energy efficiency
	Alternative energy
Natural Capital	Fossil fuel
	Usage of all-natural resources
	Waste management
	Efficiency of production/consumption

# Exclusion Policy

The management team has extended the exclusion list with its own specific convictions





# Exclusions Across All Funds



## Exclusions

### Our exclusions policy

Our exclusion list contains companies and sectors that are excluded due to their **activities** or their **business norms**.

This policy applies to **all funds** where Carmignac acts as an investment manager

### Firm-wide hard restrictions

(transactions are prohibited and blocked on trading tools)

- ✘ **Controversial weapon manufacturers** that produce products that do not comply with treaties or legal bans\*
- ✘ **Tobacco producers. Wholesale distributors and suppliers** with revenues over 5% from such products
- ✘ **Thermal coal miners** with over 10% revenues from extraction or 20 million tonnes from extraction
- ✘ **Power generators** that produce more CO<sub>2</sub>/kWh than the defined threshold\*\*
- ✘ **Adult entertainment and pornography** producers and distributors with over 2% revenues from such product
- ✘ **International Global Norms violations** including OECD Business Principle, ILO Principles and UNGC Principles.

\*Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons

\*\*In line with the 2 ° C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO<sub>2</sub> data not available

Please refer to Carmignac's exclusion policy for further detail  
[https://www.carmignac.lu/en\\_GB/responsible-investment/policy](https://www.carmignac.lu/en_GB/responsible-investment/policy)

Exclusion lists are updated on a quarterly basis

# FP Carmignac Global Equity Compounders Exclusion Policies\*



## ENERGY EXCLUSION POLICY

- ✘ **Thermal coal** producing companies with more than 10% sales directly derived from coal extraction
- ✘ **Unconventional energy** <sup>(1)</sup> companies deriving more than 1% of total production from unconventional energy sources
- ✘ **Conventional oil energy production** <sup>(2)</sup> companies are excluded
- ✘ **Power generation** companies must not exceed 408 gCO<sub>2</sub>/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<sup>3</sup>
- ✘ **Conventional Weapons including components** companies (10% revenue hurdles)
- ✘ **All Tobacco** producers. Wholesale distributors and suppliers 5% revenue threshold
- ✘ **Adult Entertainment** companies (2% revenue hurdle)
- ✘ **Gambling** companies (2% revenue hurdle)
- ✘ **Norms based** exclusion including UN Global Compact violations human rights, labour rights, environment and corruption

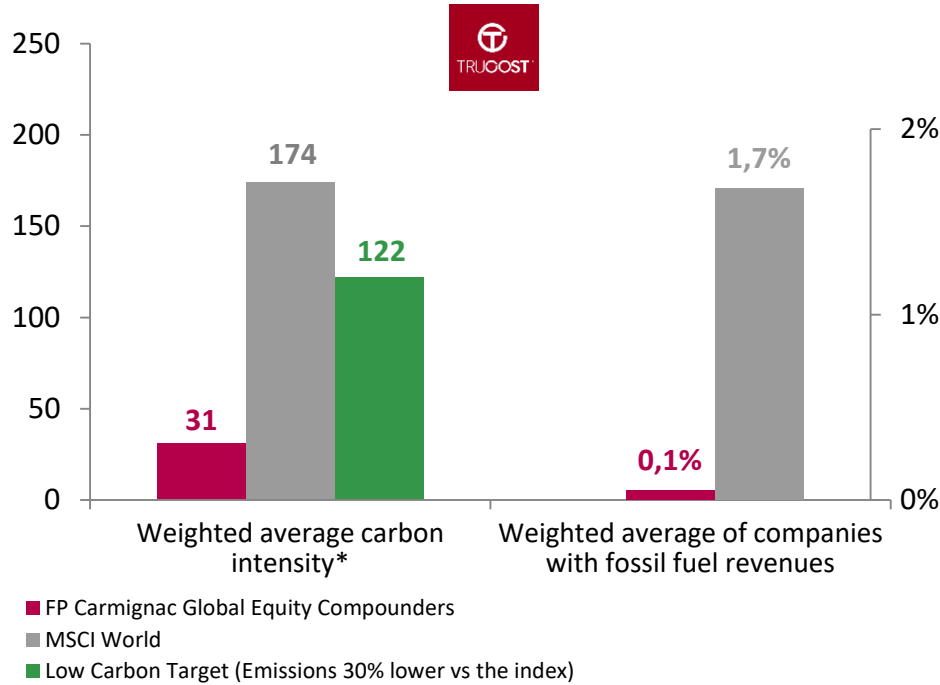
\*Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label  
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.

(2) Conventional energy extraction sources: oil and gas  
(3) Companies that do not comply with: 1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3. The Belgian Loi Mahoux, the ban on uranium weapons; 4. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons I .

Exclusion lists are updated on a quarterly basis  
Source : Carmignac, October 2020

# A Low Carbon Strategy

## FP Carmignac Global Equity Compounders Footprint as of 31/12/2020



## Carbon emission investment strategy

- ▶ We aim to achieve carbon **emissions 30% lower** than our **reference indicator**
- ▶ Limiting investments in companies owning **fossil fuel reserves**
- ▶ Selecting companies that follow a more ambitious **carbon risk management** policy than their industry peers
- ▶ Investing in companies that offer **clean technology solutions**

*\*To calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO<sub>2</sub>e /USD mn revenues converted to Euros, (Scope 1 and 2 GHG Protocol), S&P Trucost) are weighted according to their portfolio weightings (adjusted for holdings for which carbon emissions are not available), and then summed.*

To know more about S&P Trucost methodology, see following page..

Source: S&P Trucost, Carmignac, 31 December 2020.

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