

SFDR Fund  
Classification\*\*

**Article 8**

## SRI Guidelines

**Carmignac Euro-Entrepreneurs**

January 2022



# Carmignac's Overarching Sustainable Framework



## Firm

- Our operations are Carbon neutral 2019<sup>1</sup>
- Office Environmental practices
- UNPRI signatory 2012

## 3 key engagement themes

- Climate Change
- Empowerment
- Leadership

## Firm-wide exclusions

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

## 100% ESG integration

- All portfolio managers and analysts are responsible for ESG integration

## 100% voting

- Fulfil our fiduciary duty
- Represent our shareholders rights

## 19 RI fund labels

- Rigorous 3<sup>rd</sup> party audit
- French ISR<sup>2</sup>
- Belgian Towards Sustainability<sup>3</sup>

## ESG Platform START<sup>4</sup>

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

## 90% Article 8 and 9 (SFDR<sup>5</sup>)

- 17% Article 9 funds
- Over 70% Article 8 funds

<sup>1</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)

<sup>2</sup> French Label ISR. For further information, please visit <https://www.lelabelisr.fr/en/>

<sup>3</sup> 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

<sup>5</sup> SFDR: Sustainable Finance Disclosure Regulation (EU) 2019/2088, assets under management as of January 2022, Source: Carmignac

# Carmignac Euro-Entrepreneurs – Article 8 Fund with the French sustainability label accreditation

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 by the French<sup>1</sup> government

Accredited upon a strict audit run by an independent body

Labels renders SRI<sup>2</sup> products more visible for investors in France and across Europe

## Carmignac Euro Entrepreneurs



Source: <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>

<sup>1</sup> Label obtained in May 2021. For further information, please visit <https://www.lelabelisr.fr/en/>

<sup>2</sup> Socially Responsible Investment

# Our Internal ESG Guidelines



## PORTFOLIO CONSTRUCTION OBJECTIVE

- ▶ The fund employs an environmental and governance approach as is defined in the fund's prospectus and is classified as Article 8 under the SFDR EU regulation
- ▶ 20% universe reduction<sup>1</sup> based on Environmental and Governance internal and external criteria (carbon emissions and MSCI ratings<sup>2</sup>) for best in-universe selection
- ▶ The Fund aims to achieve carbon emissions 30% lower than its reference indicator (MSCI 200 Mid)<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



## VOTING & ENGAGEMENT

- ▶ An objective of participation rate of 100%
- ▶ We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes<sup>5</sup>

<sup>1</sup> B and CCC MSCI-rated companies are excluded (from MSCI Europe as investable universe), as are companies with less than 3/0 MSCI Governance pillar and a carbon footprint above the fund's average, unless the proprietary score START is A, B or C.

<sup>2</sup> MSCI ESG Ratings is a proprietary methodology from MSCI. 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

<sup>3</sup> 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

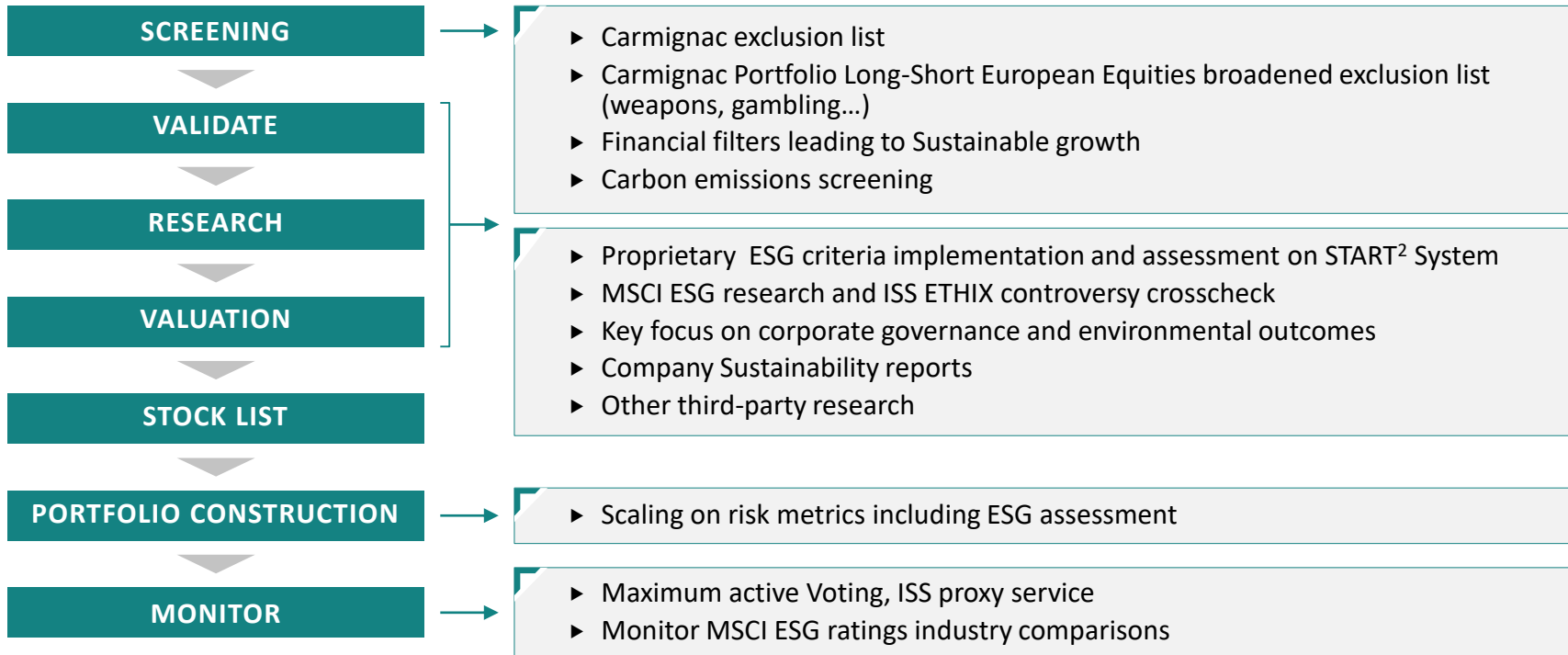
<sup>4</sup> CO2 emissions: The Sub-Fund aims to achieve carbon emissions 30% lower than the reference indicator (MSCI Europe for carbon measurement) as measured by carbon intensity (tCO2/mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol))

<sup>5</sup> The proprietary ESG system 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>6</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)

Source: Carmignac, January 2022

# ESG is Integrated into the Investment Management Process<sup>1</sup>

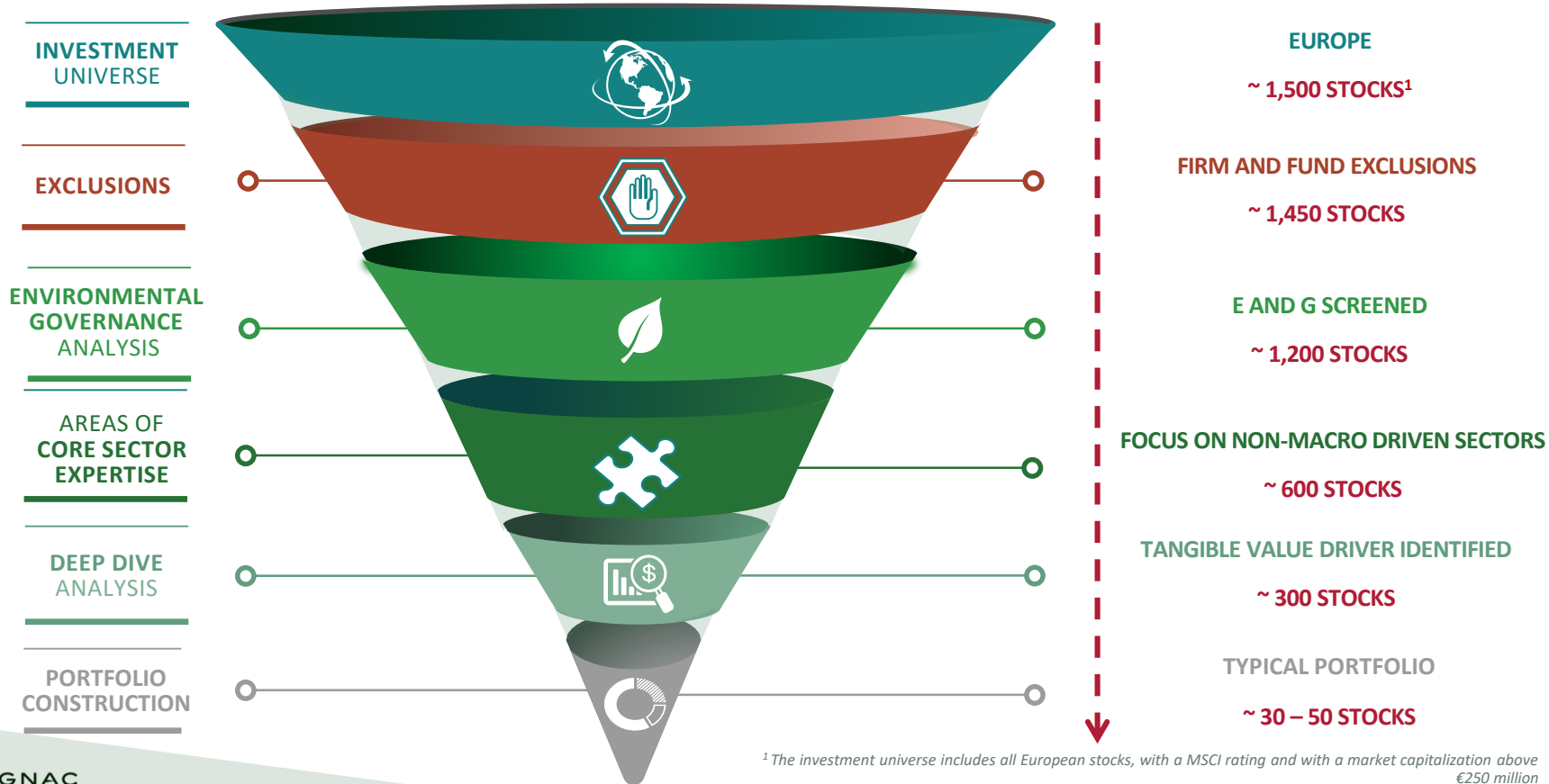


<sup>1</sup> All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: [https://www.carmignac.lu/en\\_GB/responsible-investment/in-practice-4744](https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744)

<sup>2</sup> 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: January 2022

# Investment Idea Generation



<sup>1</sup> The investment universe includes all European stocks, with a MSCI rating and with a market capitalization above €250 million

Source: Carmignac, January 2022

# Our Focus on the Environment

## WHAT TO LOOK FOR AND WHAT TO AVOID?

Transparency, carbon emissions targets, energy efficiencies and clean technologies. Avoid fossil fuel involvement and poor waste and natural capital management

### OUR TRACK RECORD

- ▶ Carmignac employs a **firmwide approach on environmental concerns**
  - ▶ Monitor carbon emissions for all funds
  - ▶ Align power generation company investments with the Paris accord
  - ▶ Exclude coal extractors and adopt coal exit strategy 2030<sup>1</sup>

### OUR PROCESS

- ▶ 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**

### OUR TARGET OUTCOME

- ▶ We aim to achieve **carbon emissions 30% lower than our reference indicator**<sup>2</sup>



<sup>1</sup> For further information regarding our climate policy and energy related exclusions please consult [https://www.carmignac.lu/en\\_GB/responsible-investment/template-hub-policies-reports-4528](https://www.carmignac.lu/en_GB/responsible-investment/template-hub-policies-reports-4528)

<sup>2</sup> 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  
Source: Carmignac, January 2022

# Our Focus on Governance

## WHAT TO LOOK FOR AND WHAT TO AVOID?

Transparency; minority shareholders' protection; independent auditors vs crossholdings; opaque structures; nepotism; etc.

### OUR TRACK RECORD

- ▶ Emphasis on **long-term investment** over short term gains
- ▶ **30 years of investment experience** including emerging market investing has taught us vigilance

### OUR PROCESS

- ▶ **External and internal research:**  
MSCI and START ESG ratings-based screening to identify best-in-class corporate governance and to reduce investment universe by 20%.
- ▶ **Proprietary governance assessment** based on:
  - 1. Corporate Governance** (Board independence, management committees, skills & experience, minority shareholder treatment, remuneration)
  - 2. Corporate behavior** (accounting practices, bribery & corruption, tax, corporate culture)
- ▶ **Minimum standards Social criteria**

### OUR TARGET OUTCOME

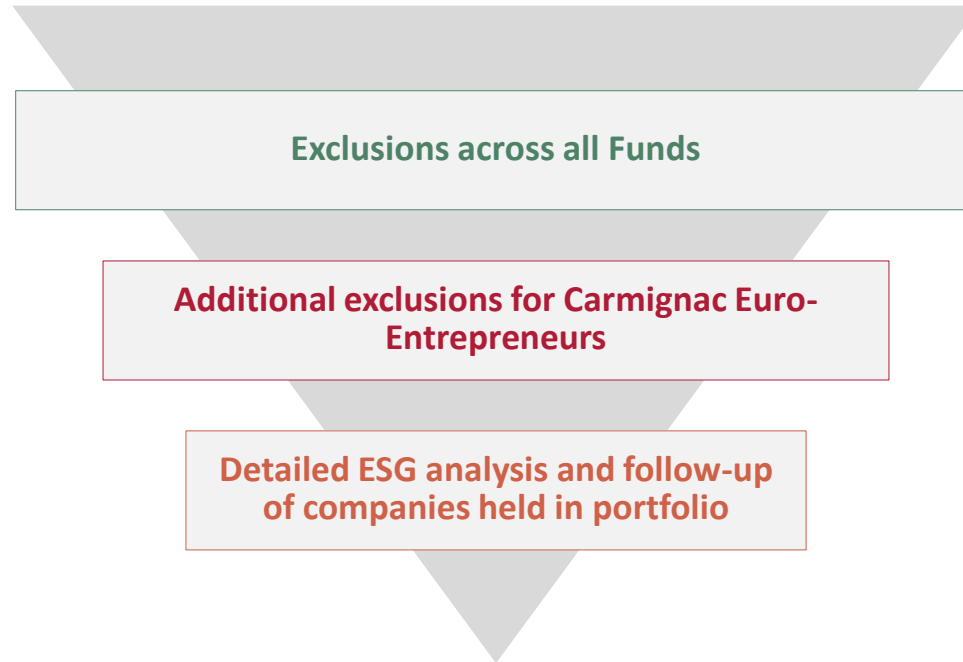
- ▶ A range of entrepreneurial companies with attractive fundamentals and **strong Governance**





# 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)

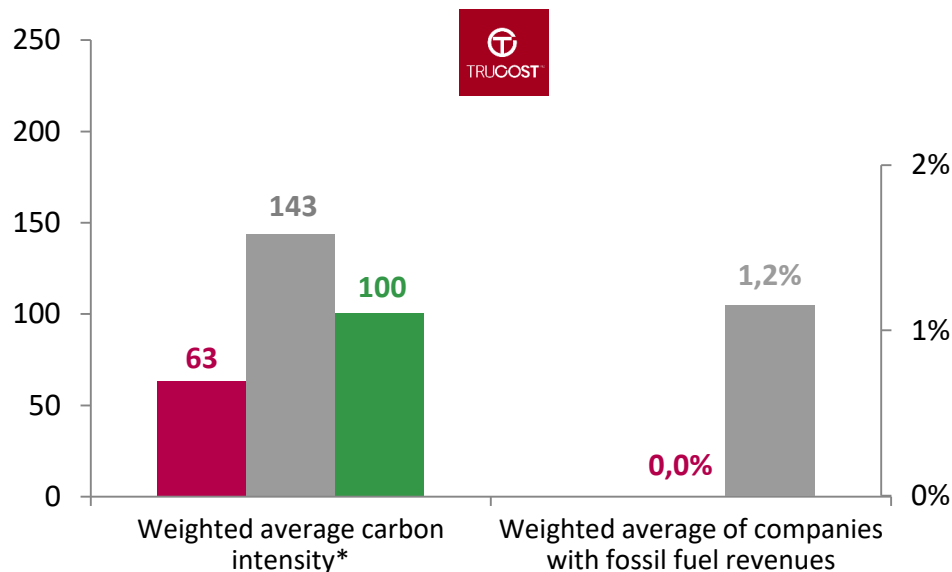
- ✘ **Controversial weapon manufacturers** that produce products that do not comply with treaties or legal bans <sup>1</sup>
- ✘ **Tobacco producers. Wholesale distributors and suppliers** with revenues over 5% from such products
- ✘ **Thermal coal miners** with over 10% revenues from extraction or 20 million tonnes from extraction
- ✘ **Power generators** that produce more CO<sub>2</sub>/kWh than the defined threshold, <sup>2</sup> or do not publish their CO<sub>2</sub> emissions despite having coal power plants
- ✘ **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

<sup>1</sup> 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

<sup>2</sup> 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

# A Low Carbon Strategy

## Carmignac Euro Entrepreneurs Footprint as of 31/12/2021



■ Carmignac Euro Entrepreneurs

■ Stoxx 200 Mid

■ Low Carbon Target (Emissions 30% lower vs the index)

## 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, December 2021*

# Carbon calculations methodology

- ▶ Carbon emission figures are based on S&P Trucost data. The analysis is conducted using estimated or declared data measuring Scope 1 and Scope 2 carbon emissions, excluding cash and holdings for which carbon emissions are not available
- ▶ To determine carbon intensity, the amount of carbon emissions in tonnes of CO<sub>2</sub> is calculated and expressed per million dollar of revenues (converted to Euro). This is a normalized measure of a portfolio's contribution to climate change that enables comparisons with a reference indicator, between multiple portfolios and over time, regardless of portfolio size
- ▶ Fossil fuel % revenue is derived weighted average of % revenues excluding cash of each holding within the portfolio
- ▶ S&P Trucost methodology: Trucost uses company disclosed emissions where available. In the instance it is not available, they use their proprietary EEIO model. The model uses the revenue breakdown of the company by industry sector to estimate the carbon emissions<sup>1</sup>. Although S&P Trucost does report Scope 3 emissions where available, such emissions are commonly considered to be poorly defined and inconsistently calculated by companies. As a result, we have chosen not to include them in our portfolio emission calculations

## **Definitions:**

- ▶ Scope 1: Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company
- ▶ Scope 2: Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company
- ▶ Scope 3: Other indirect Greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc

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