

**Pre-contractual disclosure for the financial products referred to in Article 8(1), (2) and (2a), of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Product name:** CARMIGNAC ABSOLUTE RETURN EUROPE  
**Legal entity identifier:** 96950047MB7CH61F0D32

## Environmental and/or social characteristics

**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.

### Does this financial product have a sustainable investment objective?

<input checked="" type="radio"/> <input type="radio"/> Yes	<input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b> <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 will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <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 checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



## What environmental and/or social characteristics are promoted by this financial product?

The fund applies a “best-in-universe” approach (identifying companies whose activities are sustainable) and a “best-efforts” approach (consisting in favouring issuers that exhibit an improvement or strong prospects in terms of ESG practices and performance over time) in order to invest sustainably: 1) ESG integration, 2) negative screening, 3) active stewardship to promote environmental and social characteristics, 4) low-carbon target (as detailed below), and 5) monitoring of principal adverse impacts (PAIs).

The fund does not have a reference indicator for sustainability in order to measure the fund's ESG performance.

### ● *What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?*

This fund uses sustainability indicators to measure the attainment of each of the environmental or social characteristics it promotes:

- 1) **Coverage rate of ESG analysis:** ESG integration, through ESG rating via Carmignac's proprietary “START” (System for Tracking and Analysis of a Responsible Trajectory) platform, which includes in-house and external ESG scores, is applied to at least 90% of securities (excluding cash and derivatives).
- 2) **Reduction of the investment universe:**
  - a. **Exclusions at management company level:** unsustainable activities and practices are identified using an approach based on international standards and rules in the following areas: (a) controversies concerning the OECD Guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.
  - b. **Negative screening specific to the fund:**
    - i. the fund applies extended exclusions or stricter exclusion criteria to the sectors of oil and gas extraction, conventional arms and gambling.
    - ii. The fund's equity positions with an MSCI rating for the governance pillar of below 3.4 (on a scale from 0 to 10) or with carbon emissions over 168 tCO<sub>2</sub>/EURm are excluded from the fund's investment universe. Companies with a START score of C or above (on a rating scale of A to E) may re-enter the fund once the portfolio manager has carried out ad-hoc analysis, which may entail engagement with the issuer. The table below details the correspondences between the MSCI and START ratings used by the fund for negative screening.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

MSCI lower limit		START rating			MSCI upper limit
8	≤	A	≤		10
6	≤	B	<		8
4	≤	C	<		6
2	≤	D	<		4
0	≤	E	<		2

- 3) Active stewardship:** companies' environmental and social engagement efforts leading to an improvement in companies' sustainable development policies are measured using the following indicators: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting rate and (d) participation in shareholder (or bondholder) meetings.
- 4) Low-carbon target:** The fund seeks to achieve carbon emissions 30% lower than those of a composite benchmark composed of 75% MSCI Europe, and 25% S&P 500, measured on a monthly basis by the carbon intensity (tCO<sub>2</sub>/USDm of revenue converted into euro, aggregated at portfolio level (scopes 1 and 2 of the GHG Protocol)).
- 5) Principal adverse impacts - PAI:** as regards monitoring principal adverse impacts (“PAI”), and in accordance with Annex 1 to Commission Delegated Regulation (EU) 2022/1288, the fund monitors 16 mandatory environmental and social indicators, and 2 optional indicators to demonstrate the impact of sustainable investments with respect to these indicators: greenhouse gas (GHG) emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, share of 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 and radioactive waste ratio, water usage and recycling (optional choice), violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons, excessive pay ratio (optional choice). Sovereign issuers are monitored for violations of social norms with respect to their GHG intensity.

- ***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?***

N/A.

● ***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?***

N/A.

----- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

N/A.

----- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

N/A.

*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.*



### Does this financial product consider principal adverse impacts on sustainability factors?

- Yes**, the management company is committed to applying the regulatory technical standards (RTS) referred to in Annex 1 to Commission Delegated Regulation (EU) 2022/1288, which define 16 mandatory environmental and social indicators, and two optional indicators to demonstrate the impact of sustainable investments with respect to these indicators: greenhouse gas (GHG) emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, share of 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 and radioactive waste ratio, water usage and recycling (optional choice), violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises, unadjusted gender pay gap, board gender diversity, exposure to controversial weapons, excessive pay ratio (optional choice). Sovereign issuers are monitored for violations of social norms with respect to their GHG intensity.

The principal adverse impacts of investment decisions on sustainability factors are set out in the PAI Integration Policy on the management company's website. This information is disclosed in the annual reports.

No

**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.



## What investment strategy does this financial product follow?

The Fund implements a long/short equity investment strategy focused on fundamentals to achieve its investment objective. This strategy consists of building a portfolio of long and short positions on financial instruments eligible for the Fund's assets. A minimum of 75% of the fund's net assets is invested in PEA-eligible shares, i.e. equities from issuers in member states of the European Economic Area. Up to 25% of the fund's net assets may be invested in equities from issuers in member states of the European Economic Area.

The fund applies either a “best-in-universe” approach to identify companies with sustainable activities, or a “best-efforts” approach consisting in favouring issuers that have low carbon emissions and that demonstrate good governance in their ESG practices and performance over time. The fund pursues active engagement with respect to all its investments.

The investment universe is assessed in light of the ESG risks and opportunities recorded in Carmignac's proprietary ESG platform, START. Environmental, social and governance analysis is integrated into the investment process implemented by the investment team using proprietary and external research.

Non-financial analysis is applied as part of the investment strategy through the following processes, which actively reduce the equity investment universe by at least 20%. The full procedure for reducing the investment universe is described in the corresponding transparency codes, which are available in the “Responsible Investment” section at [www.carmignac.com](http://www.carmignac.com). The initial investment universe prior to the reduction consists of listed European equities with a market capitalisation of more than EUR 250 million, i.e. approximately 2,000 to 2,500 shares. The investment universe and the fund are periodically reviewed to maintain their alignment for the purposes of reducing the investment universe.

**Reduction of the investment universe** (minimum 20% of the portfolio's equity and corporate bond components):

- i. **Exclusions at management company level:** unsustainable activities and practices are identified using an approach based on international standards and rules in the following areas: (a) controversies concerning the OECD Guidelines, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.
- ii. **Negative screening specific to the fund:**
  - a. the fund applies extended exclusions or stricter exclusion criteria to the sectors of oil and gas extraction, conventional arms and gambling.
  - b. The fund's equity positions with an MSCI rating for the governance pillar of below 3.4 (on a scale from 0 to 10) or with carbon emissions over 168 tCO<sub>2</sub>/EURm are excluded from the fund's investment universe. Companies with a START score of C or above (on a rating scale of A to E) may re-enter the fund once the portfolio manager has carried out ad-hoc analysis, which may entail engagement with the issuer.

In addition, as part of the management company's active stewardship, ESG engagements with companies, contributing to heightened awareness and improvement in the companies' sustainable development policies are measured by the following indicators: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting rate and (d) participation in shareholder (or bondholder) meetings.

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

Lastly, the fund seeks to achieve carbon emissions 30% lower than those of a composite benchmark composed of 75% MSCI Europe, and 25% S&P 500, measured on a monthly basis by the carbon intensity (tCO<sub>2</sub>/USDm of revenue converted into euro, aggregated at portfolio level (scopes 1 and 2 of the GHG Protocol)).

● ***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 investments, and to attain each of the environmental or social characteristics promoted by this financial product, are:

- 1) ESG analysis is applied to at least 90% of securities (excluding cash and derivatives).
- 2) The universe of long equity positions is actively reduced.
- 3) Carbon emissions, as measured by carbon intensity, are 30% lower than those of the aforementioned composite benchmark.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The fund is not required to comply with any minimum rate to reduce the equity investment universe prior to the application of its investment strategy.

**Good governance**

practices include sound management structures, employee relations, remuneration of staff and tax compliance.

● ***What is the policy to assess good governance practices of the investee companies?***

To assess good governance practices, the fund uses Carmignac’s proprietary ESG system (“START”), which collates automated key indicators on governance for over 7,000 companies, including: 1) percentage of independent members of the audit committee, average term of office for members of the board of directors, gender diversity on the board of directors, size of the board of directors, independence of the remuneration committee as regards sound management structures, and 2) director remuneration, sustainability incentives for directors, and the highest remuneration in terms of staff remuneration. Human resources are covered by Carmignac’s “S” indicators (in particular staff satisfaction, the gender pay gap and staff turnover) within “START”.

As regards tax, the fund recognises the companies in its investment universe that adhere to the OECD Guidelines for Multinational Enterprises on tax matters and encourages transparency where necessary.

Furthermore, as a signatory to the Principles for Responsible Investment (“PRI”), the management company expects the companies in which the fund invests to:

- 1) Publish a comprehensive tax policy describing the company’s approach to tax responsibility;
- 2) Report on their tax governance and risk management processes to the competent authorities; and
- 3) File appropriate returns in each of the countries in which they operate (country-by-country reporting, “CBCR”).

These considerations inform the management company’s actions with respect to companies and its votes in favour of greater transparency, for example via support for shareholder resolutions.



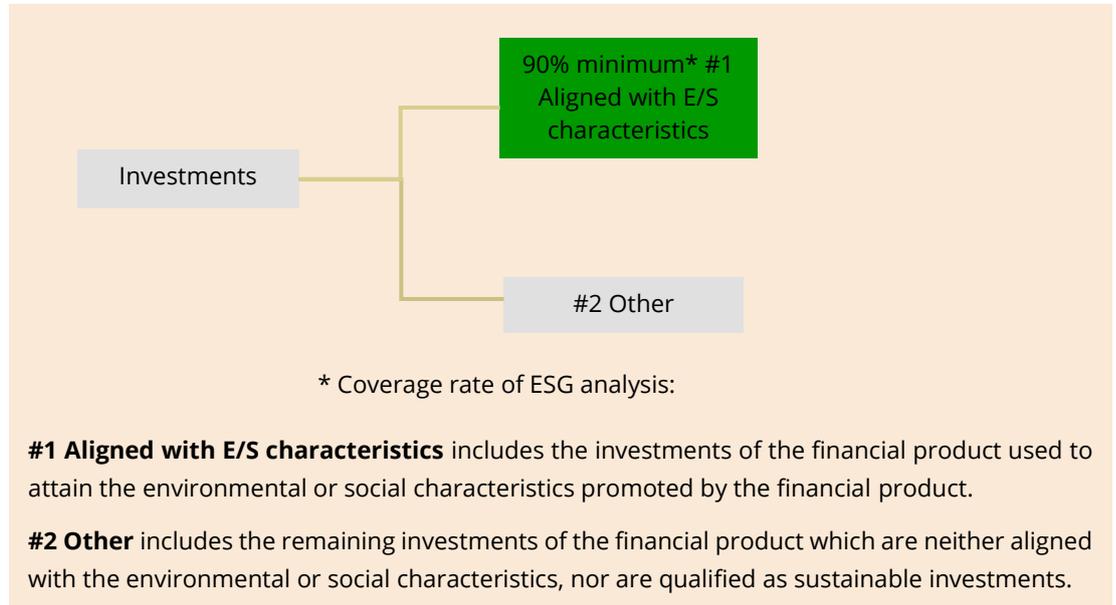
## What is the asset allocation planned for this financial product?

### Asset allocation

describes the share of investments in specific assets.

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.



### Minimum share of sustainable investments:

At least 90% of the fund's positions are intended to attain the environmental or social characteristics it promotes, in accordance with the binding elements of the investment strategy.

### Share of “#2 Other” investments:

Where investments fall outside the minimum limit of 90% incorporating environmental and social characteristics, full ESG analysis may not have been carried out.

● ***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 the attainment of the fund's environmental and/or social characteristics.

To the extent that the fund uses derivatives linked to a single underlying, exclusions defined at management company level apply. Moreover, the fund applies a netting calculation (netting a long position against short positions in an equivalent issuer in the form of derivatives) with a view to illustrating the portfolio's ESG rating and carbon emissions and measuring adverse impacts.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The minimum level of alignment with the Taxonomy, i.e. the minimum share of the fund's investments deemed to contribute on an ongoing basis to the above environmental objectives, is 0% of net assets. The actual level of alignment with the Taxonomy is calculated and published annually.

### ● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy?

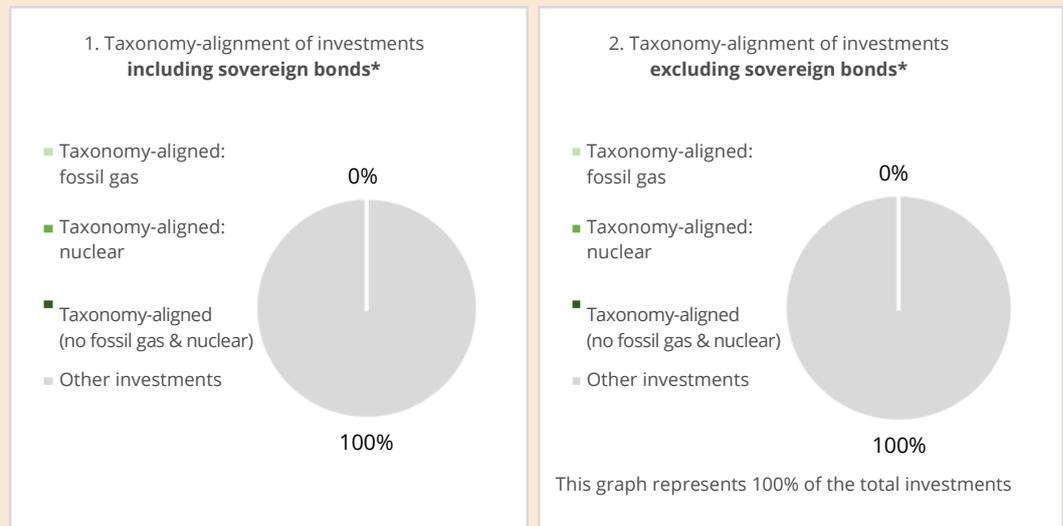
- Yes:
- In fossil gas       In nuclear energy
- No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.

**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.



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 remainder of the portfolio (i.e. beyond the minimum share of 90%) may also promote environmental and social characteristics but is not systematically covered by ESG analysis. These assets may include listed or unlisted securities, for which ESG analysis may be carried out after the financial instrument in question is acquired by the fund. Cash (and equivalent instruments) and derivatives (used for hedging or exposure purposes) are also included under “#2 Other”.

All of the fund’s assets (excluding cash and derivatives) apply sectoral and standards-based negative screening and exclusions guaranteeing minimum environmental and social safeguards.

Moreover, the exclusion process ensuring compliance with the do no significant harm principle, lack of significant harm, and monitoring of adverse impacts apply to all fund 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?*

N/A.

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



Where can I find more product specific information online?

More product-specific information can be found online on the website: [www.carmignac.com](http://www.carmignac.com), in the “Funds” and “Responsible Investment” sections.