



X. Hovasse



H. Li-Labbé



A SOCIALLY RESPONSIBLE APPROACH TO EMERGING 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. Carmignac Portfolio Emergents 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.



The Fund's long-term approach to sustainable investments

Companies are selected according to their long-term potential, the quality of their management, the viability of their balance sheet and business model. Most particularly, the Fund's focus on underpenetrated sectors ensures investing in sustainable growth themes such as financing sustainable technologies or improving living standards in emerging countries.



Conscientious decision-making

The Fund Managers have demonstrated personal accountability and conviction towards ESG issues. Together they have extended Carmignac's negative screening process by applying limits to a broader range of controversial sectors⁽¹⁾ and by incorporating their own socially responsible investment (SRI) analysis. In addition, they have 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. To find out more on the Towards Sustainability label, visit www.towardsustainability.be.

Our investment path to sustainability

The Fund invests in emerging market equities based on an investment approach that focuses on companies benefiting from long-term growth potential and attractive cash flow generation, in underpenetrated sectors of countries with strong macroeconomic fundamentals.



Setting the investment universe

All companies eligible to our investment universe must meet both our country, sector and company criteria as well as our ESG standards guidelines and exclusion policy. The Fund favors companies which, for example, bring solutions to social and environmental challenges and exhibit a low carbon footprint. For stock selection, a negative screening process is applied. This prevents 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⁽¹⁾. Companies are then assessed according to both financial and extra-financial criteria.



Stock selection and portfolio construction

Stock selection is made through a long-term, sustainable approach. Our teams carry out detailed company-specific assessments, but also consult external research which include independent ESG ratings, corporate sustainability reports and specialized ESG corporate research. We complete these analyses by regular on-site visits and one-to-one meetings with the companies' management in order to understand their strategy and long-term engagements, to identify ESG risks and address potential controversies.



Monitoring

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 ESG risks. Furthermore, by adopting an active shareholder voting policy, the Fund Manager aims to participate to all possible voting actions⁽²⁾, 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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