**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 CHINA NEW ECONOMY
**Legal entity identifier:** 969500ANCCOTF7PD0L63

# 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?**

| ☐ **Yes** | ☒ **No** |
|---|---|
| ☐ It will make a minimum of **sustainable investments with an environmental objective: __%**<br>☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy<br>☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | ☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of __% of sustainable investments<br>☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy<br>☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy<br>☐ with a social objective |
| ☐ It will make a minimum of **sustainable investments with a social objective:** __% | ☒ It promotes E/S characteristics, but **will not make any sustainable investments** |

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

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

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, 4) reduction of the carbon intensity (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.

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

   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. Equity portfolio positions with an MSCI rating for the environmental or social pillars of below +2 (on a scale from 0 to 10), or with an overall MSCI rating of CCC (on a scale from AAA to CCC), 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.

| 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 contributing to heightened awareness and 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) **Carbon emissions reduction target:** The fund aims to contribute to China's carbon neutrality goal for 2060 and is committed to reducing its carbon intensity by 5% per year (base rate: 530.2 $tCO_2e$/€m of revenue at 31 December 2021).

5) **Principal adverse impacts – PAI:** Moreover, as regards monitoring principal adverse impacts, 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?

**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.

✖ **Yes**, the management company is committed to applying the regulatory technical standards (RTS) referred to in Annex 1 of 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.

In order to mitigate the adverse impacts identified, the management company carries out an in-depth analysis to determine a strategy of engagement with the issuer, or possible divestment, as provided for in Carmignac's engagement policy and policy on principal adverse impacts.

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

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

## What investment strategy does this financial product follow?

Carmignac China New Economy is an investment fund whose objective is to achieve a performance, net of fees, above that of the MSCI China Index over a recommended investment horizon of five years. The Fund primarily invests in equities issued by companies or issuers that have their registered office or carry out a significant part of their business in the Greater China region, which includes Mainland China, Hong Kong, Macao, Taiwan and Singapore ("Greater China"). The reference to the "New Economy" reflects the portfolio manager's desire to invest in a privileged manner in sectors not explicitly linked to the purely exporting component of the economy or to traditional commodities. This involves being present mainly, but not solely, in sectors linked to consumption, low-carbon energy, technological innovation and the phenomena of urban migration and rising living standards.

The investment universe is assessed in light of the ESG risks and opportunities recorded in Carmignac's proprietary ESG platform, START. 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. The initial investment universe prior to the reduction is made up of around 6,000 to 6,500 equities listed in the "Greater China" region (Mainland China, Hong Kong, Macao, Taiwan and Singapore). The investment universe and the fund are periodically reviewed to maintain their alignment for the purposes of reducing the 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.
iii. **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. Equity portfolio positions with an MSCI rating for the environmental or social pillars of below +2 (on a scale from 0 to 10), or with an overall MSCI rating of CCC (on a scale from AAA to CCC), 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.

The aim of engaging with companies on environmental, social and governance matters is to improve their sustainability policies (in terms of active engagement and voting policies, number of engagements, voting percentage and proportion of objectives fully achieved during shareholder/bondholder meetings).

The fund aims to contribute to China's carbon neutrality goal for 2060 and is committed to reducing its carbon intensity by 5% per year (base rate: 530.2 $tCO_2e$/€m of revenue at 31 December 2021).

### *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.
2) The equity universe is reduced by at least 20%.
3) Carbon intensity is reduced by 5% per year, so as to contribute to China's carbon neutrality goal for 2060 (base rate: 530.2 $tCO_2e$/€m of revenue at 31 December 2021).

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

The committed minimum rate to reduce the equity investment universe is 20%.

**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:

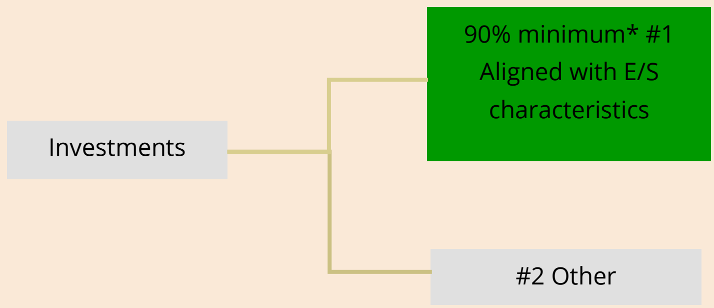
1) Publish a comprehensive tax policy describing the company's approach to tax responsibility;
2) Report on their tax governance and risk management processes to the competent authorities; and
3) File appropriate returns in each of the countries in which they operate (country-by-country reporting, "CBCR").

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 o investee companies.




* Coverage rate of ESG analysis:

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

**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:**
In addition to cash and derivatives (which may be used for the purposes of efficient portfolio management and/or hedging and/or exposure, as applicable), this category includes equity investments not classed as favouring the environmental and social characteristics of the fund. Such investments are carried out in strict compliance with the fund's investment strategy and in order to implement its investment strategy. All these investments are subject to ESG analysis and scrutiny of the minimum safeguards in place to guarantee that their business activities comply with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights. These instruments are not used to attain the environmental or social characteristics promoted by the fund.

### *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.

**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.

## 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?*

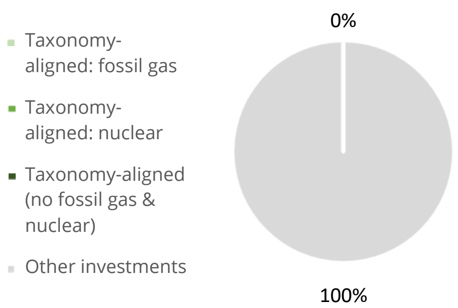
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

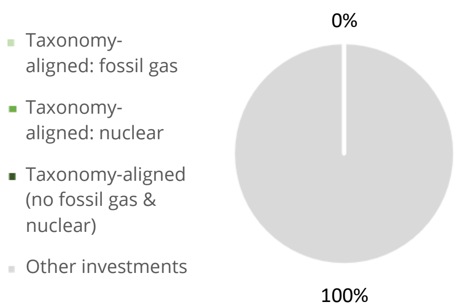
☒ No

***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.***

1. Taxonomy-alignment of investments **including sovereign bonds***




2. Taxonomy-alignment of investments **excluding sovereign bonds***




This graph represents 100% of the total investments

** 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 any minimum environmental or social safeguards applied to them?

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 applies to all fund assets.

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

## 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.

## Where can I find more product specific information online?

**More product-specific information can be found online on the website:** www.carmignac.fr, in the "Funds" and "Responsible Investment" sections.