



CARMIGNAC
INVESTING IN YOUR INTEREST

SUSTAINABILITY-RELATED DISCLOSURES CARMIGNAC **CRÉDIT 2029**

IN ACCORDANCE WITH ARTICLE 10 OF REGULATION (EU) 2019/2088 (SFDR)

Summary

This fund promotes environmental/social (E/S) characteristics in accordance with Article 8 of the sustainability-related financial disclosures regulation (SFDR).

To promote these environmental and social characteristics, the fund uses “best-in-universe” and “best-effort” approaches to invest sustainably, using a combination of: 1) ESG integration, 2) negative screening, 3) active management, and 4) consideration of principal adverse impacts (PAI) in investment decisions.

ESG integration, through ESG rating via Carmignac’s proprietary “START” (System for Tracking and Analysis of a Responsible Trajectory) platform, is applied to at least 90% of securities (excluding cash and derivatives). Non-financial analysis is applied as part of the investment strategy through the following processes, which mainly serve to actively reduce the fund’s debt securities investment universe by at least 20% (applicable to corporate bonds).

Negative screening and the exclusion of unsustainable activities and practices, reflected in low ESG scores from START, MSCI and ISS ESG as well as research, are effected on the basis of the following indicators: (a) practices that are harmful to society and to the environment, (b) controversies relating to the OECD Guidelines for Multinational Enterprises and the UN Global Compact principles, (c) controversial weapons, (d) thermal coal extraction, (e) electricity companies not pursuing a target for alignment with the Paris Agreement, (f) companies involved in tobacco production and (g) companies involved in adult entertainment.

In regard to active management, the aim of engagement with companies on environmental and social matters is to improve their sustainability policies (level of active engagement and voting policy, number of engagements, rate of attendance at shareholder and bondholder meetings in relation to the 100% target).

All fund investments are assessed applying controversy screening to verify their compliance with global standards on environmental protection, human and labour rights, and anti-corruption measures. Furthermore, the fund undertakes to consider principal adverse impacts (“PAI”) with respect to 16 mandatory environmental and social indicators, and 2 optional indicators, as well as, where applicable, the 2 indicators specific to sovereign issuers, as set out in Annex 1 to Commission Delegated Regulation 2019/2088 (supplementing the SFDR).

The fund uses the following sustainability indicators to measure the attainment of environmental and social characteristics:

- the scope of ESG analysis;
- the rate by which the corporate debt universe is reduced (minimum 20%);
- indicators for principal adverse impacts;
- the voting percentage in connection with active management.

Ultimate responsibility for ESG analysis and rating lies with the investment team. The START score is calculated automatically using a proprietary formula that compares companies in 90 peer groups based on capitalisation, sector and region. This score may be revised upwards or downwards in light of the analysis and comments made by the financial or ESG analyst. The Sustainable Investment team monitors the frequency and consistency of START score statistics and ensures that they are free from bias.

All sector and controversy exclusions are objective.

The fund uses data from several sources, which are grouped together in START. These sources are FactSet for revenue data, company legal documents for capital expenditure data, S&P Trucost for carbon emissions data, TR Refinitiv for raw ESG data, as well as MSCI and ISS ESG for controversial behaviour and screening against the UN Global Compact and OECD governance and human rights standards. Our proprietary sovereign debt rating tool is based on publicly available data on sovereign issuers, provided by institutions such as the World Bank and the IMF.

In terms of methodology, Carmignac's proprietary sovereign debt rating process (Global model) and the START platform are just two of the tools that can be used to highlight ESG risks and opportunities; others may produce different results.

Achievement of the environmental and social criteria is subject to continuous monitoring and controls, which will be reported on a monthly basis on the fund's webpage (accessible via www.carmignac.com).

The fund does not have a reference indicator for the attainment of environmental and social characteristics.

No sustainable investment objective

The fund promotes Environmental/Social (E/S) characteristics but does not have as its objective a sustainable investment.

Environmental or social characteristics of the financial product

To promote environmental and social characteristics, the fund uses "best-in-universe" and "best-effort" approaches to invest sustainably based on four pillars: 1) ESG integration, 2) negative screening, 3) active management, and 4) consideration of PAIs.

Investment strategy

To achieve its investment objective, the fund mainly applies a buy-and-hold strategy, the aim of which is to construct and hold a diversified portfolio of financial instruments comprising different credit market classes. The discretionary choice of investments is based on an in-house analysis conducted by the management company and rests primarily on criteria of profitability, creditworthiness, prospects for debt recovery, liquidity and maturity, as well as by a diversification of the portfolio's financial risks in view of the fund's recommended investment horizon.

Negative screening of corporate bonds:

The management company actively reduces the fund's investment universe for corporate bonds and debt. The initial investment universe prior to the reduction includes around 2,500 issuers and is made up of the ICE BofA Global Corporate, ICE BofA Global Non-Financial High Yield, and ICE BofA Emerging Market Corporate Plus indices.

First of all, the fund applies the exclusions defined at management company level: (a) controversies concerning the OECD Guidelines and the principles of the United Nations Global Compact, (b) controversial weapons, (c) thermal coal production, (d) energy producers, (e) tobacco, (f) adult entertainment.

Subsequently, companies with an MSCI rating for the environmental or social pillars of below 2.5 (on a scale from 0 to 10), or with an overall MSCI rating of B or 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 management company has carried out ad-hoc analysis and engaged with the company in question. 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

At issuer level (for corporate bonds and, where applicable, equities), investments that are not sustainable investments are assessed to ensure compliance with global standards on environmental protection, human rights, employment practices and anti-corruption measures through controversy screening. These investments are analysed on the basis of the minimum safeguards in place to ensure that their business activities comply with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights.

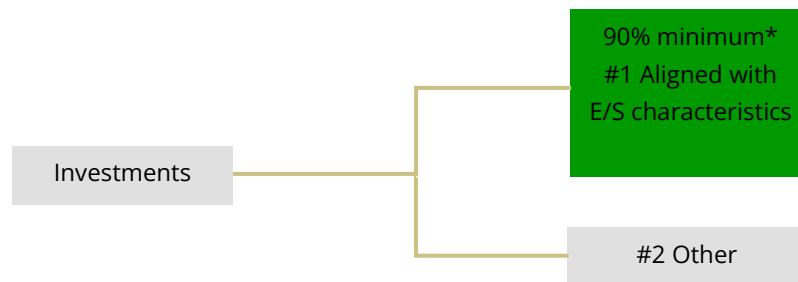
Screening of sovereign bonds:

- 1) Government issuers are first examined from a macroeconomic angle.
- 2) Applicable exclusions of countries based on regulatory standards and sanctions are applied.
- 3) Environmental, social and governance indicators are calculated using a proprietary ESG rating system based on publicly available data.

Negative screening of securitisation instruments:

Securitisation vehicles, including CLOs, are subject to ad-hoc non-financial analysis by the management company. The portfolio manager carries out systematic analysis of the non-financial characteristics of eligible securitisation vehicles. The resulting ESG scores are fed into Carmignac's proprietary ESG research system, "START". The portfolio manager uses the vehicle's contractual sustainability commitments as the basis for the analysis. This analysis covers factors including, among others, the negative and/or positive screening applied by the securitisation vehicle when selecting the underlying debt securities, such as the exclusion of controversial sectors (tobacco, weapons, thermal coal production, etc.), the carbon intensity of the issuers of these securities, and human capital policies (this is not an exhaustive list). Where there are no such contractual conditions, the portfolio manager may need to analyse environmental and social characteristics on a look-through basis (i.e. by assessing the securitisation vehicle's underlying assets). The portfolio manager may also, where applicable, carry out ESG analysis on the securitisation vehicle. This analysis results in a rating for these instruments in START on a scale of A to E. The fund only invests in securitisation instruments with an ESG score in START greater than or equal to C.

Share of investments



a minimum of 90% of the fund’s investments are subject to ESG analysis.

Investments outside the 90% may still include environmental and social characteristics that have not been subject to a full ESG analysis.

Monitoring of environmental or social characteristics

Several indicators are used to measure the environmental or social characteristics promoted by the fund.

Scope of ESG analysis: at least 90% of issuers are assessed with regard to ESG scores via Carmignac START’s proprietary ESG platform.

Rate by which the corporate debt universe is reduced (minimum 20%): Negative screening and the exclusion of unsustainable activities and practices, reflected in low ESG scores from START, MSCI and ISS ESG as well as research, are effected on the basis of the following indicators: (a) practices that are harmful to society and to the environment, (b) controversies relating to the OECD Guidelines for Multinational Enterprises and the UN Global Compact principles, (c) controversial weapons, (d) thermal coal extraction, (e) electricity companies not pursuing a target for alignment with the Paris Agreement, (f) companies involved in tobacco production and (g) companies involved in adult entertainment.

Our proprietary sovereign debt rating tools, which cover more than 100 countries, can be accessed via the START platform, where the individual scores attributed to the different countries, based on the ESG indicators applicable to them, can be consulted.

Indicators for principal adverse impacts. 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 measure the impact of sustainable investments with regard to these indicators: greenhouse gas emissions, carbon footprint, GHG intensity of investee companies, exposure to companies active in the fossil fuel sector, 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 (optional choice), board gender diversity, exposure to controversial weapons, excessive pay ratio.

Sovereign bond issuers are monitored for social violations and GHG intensity.

Active management: The following indicators are used to measure companies' environmental and social commitments, which contribute to improving their sustainability policies: (a) level of active engagement and voting policies, (b) number of engagement efforts, (c) voting percentage and (d) participation in shareholder and bondholder meetings.

Methodologies

ESG analysis methodology. The CarmignacSTART proprietary ESG platform brings together raw ESG data from 31 indicators (where available) covering the environmental, social and governance pillars. Overall ESG scores are calculated for companies grouped by sector, capitalisation and region. Members of the investment team are responsible for conducting exclusive ESG analysis of companies, validating START scores and analyses by commenting on ESG risks, and incorporating these analyses into investment decisions. The START platform is available via the in-house Verity RMS database, which is accessible to all members of the investment teams for investment research purposes.

ESG rating methodology for sovereign debt. Carmignac's proprietary global sovereign debt rating model (Global model) is applied to over 100 countries, which are assigned ratings between 1 (poor) and 5 (good), extending across the entire rating spectrum. The various countries are ranked according to ESG criteria based on 1) current data and 2) recent changes/trends. These rankings are then converted into an overall score, ranging from 1 to 5 (from worst to best). The dynamic rating is overweight in emerging countries (75%) and underweight in developed countries (25%), to reflect recent ESG trends and to mitigate the structural under-investment of developing countries in ESG projects. Based on the ESG rankings, averages are calculated to obtain a score for each of the E, S and G pillars. If necessary, this score is then adjusted upwards or downwards based on a prospective qualitative analysis. The overall ESG rating is the equally-weighted average of the three E, S and G components.

Negative screening and exclusion methodology. Carmignac applies exclusions related to ESG themes and extended exclusions specific to the funds, as mentioned above. All are objective exclusions, implemented via the CMGR compliance monitoring tool, linked to the BBG Aim Portfolio Management Order system. Each quarter, the Sustainable Investment team updates the exclusion lists to reflect new index weightings, revised data and revenue thresholds, in addition to new investments. Updated lists are downloaded and checked by the Risk Management team. For more detailed information, please consult the exclusion policy available in the "Sustainable Investment" section of the website: www.carmignac.com.

Methodology for principal adverse impact indicators. For all funds covered by Article 8 or 9 of the SFDR, Carmignac obtains the indicators relating to the principal adverse impacts from the MSCI ESG data provider. Once the data point for each indicator has been obtained, an average is calculated over four quarters before an annual report is published. The definitions taken into account for each of the 14 mandatory indicators and the two optional indicators relating to corporate PAIs, as well as, where applicable, for the two indicators specific to sovereign issuers, are those set out in Annex 1 to the Commission Delegated Regulation 2019/2088 (supplementing the SFDR). Information and the complete methodology will be published in the "Sustainable Investment" section of the website www.carmignac.com in accordance with the above-mentioned disclosure requirements.

Methodology for active management and engagement. The fund exercises its voting rights through the proxy voting service provider ISS ESG with the aim of achieving a voting percentage of 100%. The portfolio manager is free to vote as they see fit, in light of the recommendations of the Sustainable

Investment team. ESG engagements and those relating to controversies carried out by the Sustainable Investment team are planned on a quarterly basis and the results are documented in the Engagement tool integrated into the Verity RMS database. For further information, please consult the Active Management Report, available on the “Policy and Reports” page of the “Sustainable Investment” section of www.carmignac.com.

Data sources and processing

(a) **Sources of data used to determine the environmental and social characteristics of the financial product:** The fund uses data from several sources, which are aggregated in the proprietary ESG START system. These sources are FactSet for revenue data, company legal documents for capital expenditure data, S&P Trucost for carbon emissions data, TR Refinitiv for raw ESG data, as well as MSCI and ISS ESG for controversial behaviour and screening against the UN Global Compact and OECD governance and human rights standards. The Global sovereign debt rating model is based on information from the World Bank, the IMF, The Heritage Foundation and Oxford University, among others. To obtain a complete list of information sources, please consult the ESG integration policy available in the “Sustainable Investment” section of the website: www.carmignac.com.

(b) **Measures taken to ensure data quality:** The Sustainable Investment team is made up of ESG data experts, who are responsible for conducting automated checks to identify anomalous data, as well as checking data from alternative sources.

(c) **Data processing method:** As described in the Methodologies section above.

(d) **Proportion of estimated data:** ESG START scores and revenue data are not estimated. On average, 46% of the data relating to PAIs are estimates; it should be noted that all PAIs reported are consolidated for all eligible Carmignac funds as at 30/09/2022. The data on carbon emissions (scopes 1 and 2) come from the detailed emissions declarations of companies and include few estimates.

Limitations of methodologies and data

The 20% reduction in the corporate debt universe is based on an ESG risk assessment using the MSCI and START ESG rating systems, but other methodologies and data sources may have been used. The ESG model for sovereign issuers uses both quantitative and qualitative elements to identify current risks and opportunities, as well as dynamic forward-looking trends, but may not systematically reflect the latest ESG developments or progress. The aim, however, is to limit qualitative adjustments to exceptional situations, such as a high-impact policy change, in order to preserve the impartiality of the model.

Due Diligence

More than 90% of the funds’ assets (listed equities, corporate and sovereign bonds, as the case may be) are assessed with regard to their ESG score and the ESG risks they present. To achieve this, a proprietary analysis is combined with the ESG rating process of Carmignac’s proprietary START system and, where applicable, with the sovereign bond model.

Ultimate responsibility for ESG analysis and rating lies with the investment team. The START score is calculated automatically using a proprietary formula that compares companies in 90 peer groups based on capitalisation, sector and region. This score may be revised upwards or downwards in light of the analysis and comments made by the financial or ESG analyst. The Sustainable Investment team monitors the frequency and consistency of START score statistics and ensures that they are free from bias. From time to time, the proprietary ESG START rating models applied to sovereign and corporate issuers undergo an ex-post check to identify potential improvements.

With regard to exclusions, Carmignac's list of companies and the fund-specific exclusion lists, where applicable, are updated quarterly to reflect new index weightings, revised revenue data and its impact on revenue thresholds, as well as new fund positions. These exclusions are applied via the compliance monitoring tool. All sector and controversy exclusions are objective.

In the case of the ESG rating model for sovereign debt, the risk of error is substantially reduced as both the collection of data and the determination of country scores are automated.

Engagement policies

Carmignac implements voting and engagement policies that reflect relevant environmental, social and governance issues. The voting objective is to participate in 100% of all possible votes. An engagement plan is defined in order to take the necessary steps with the companies in which we invest that show a lack of ESG risk management, and where Carmignac has identified a specific issue or where it is necessary to seek possible improvement or analyse a controversy.

Please refer to the engagement policy available in the “Sustainable Investment” section (sub-section “Policies and Reports”) of the website: www.carmignac.com.

- **Fund:** CARMIGNAC CREDIT 2029
- **Investments:** Bond strategy
- **Legal structure:** French Mutual Fund (FCP)
- **ISIN Code (class A EUR acc):** FR001400KAV4
- **Recommended minimum investment horizon:** 5 years
- **Risk scale:** 3
- **Fund inception date:** 20 October 2023
- **Reference indicator:** N/A

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