

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

**Product name:** CARMIGNAC PORTFOLIO MERGER ARBITRAGE PLUS **Legal entity identifier:** 549300KZP8OMR3HPBU39

## Environmental and/or social characteristics

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



Yes



No



It will make a minimum of **sustainable investments with an environmental objective:** \_\_\_%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective:** \_\_\_%



2. 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



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainability indicators** measure how the sustainable objectives of this financial product are attained. 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.



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

The Sub-Fund promotes environmental and social characteristics by applying best-in-universe and best-efforts approaches to invest in a sustainable manner by combining a three-pillar strategy to promote Environmental and Social Characteristics: 1) ESG integration, 2) Negative screening through a universe reduction process, 3) Active Stewardship.

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

This Sub-Fund uses the following sustainability indicators of its three-pillar approach to measure the attainment of each of the environmental or social characteristics promoted by the Sub-Fund :

**1) The coverage rate of ESG analysis:** ESG integration through ESG scoring using Carmignac's proprietary ESG platform "START" (System for Tracking and Analysis of a Responsible Trajectory).is applied to at least 90% of the long portfolio of equity holdings.

**2) The amount the equity portfolio universe is reduced by:** Negative screening and exclusions of unsustainable activities and practices reflected in low ESG scores from START, MSCI and ISS ESG. Research is performed based on following indicators : (a) practices that are harmful to society and the environment, (b) controversies against the OECD business guidelines and UN Global compact principles, (c) controversial weapons, (d) coal mining activity, (e) power companies that have not Paris alignment objectives in place, (f) carbon intensity limits, (g) companies involved in tobacco production, (h) companies involved in adult entertainment.

**3) Active stewardship:** Environmental and social related company engagements leading to improvement in companies sustainability policies are measured by following indicators: (a) level of active engagement and voting policies, (b) number of engagements, (c) rate of voting and (d) participation at shareholder and bondholder meetings).

In addition, Principal Adverse Impact (PAI) monitoring : Sub-Fund has applied the SFDR level II 2019/2088 Regulatory Technical Standards (RTS) annex 1 whereby 14 mandatory and 2 optional environmental and social indicators are monitored to show the impact of such sustainable investments against these indicators : Greenhouse gas emissions, Carbon footprint, GHG intensity (investee companies), Exposure to companies in 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 ratio, Water usage and recycling (optional choice), Violations of UN Global Compact principles or OECD Guidelines for Multinational Enterprises, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises, Unadjusted gender pay gap, Board gender diversity, Exposure to controversial weapons, Excessive CEO pay ratio (optional choice).

**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 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?***

While the Sub-Fund does not have a minimum percentage of sustainable investments it can make sustainable investments that seek environmental benefits such as climate change mitigation and adaptation.

- ***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?***

The Principal Adverse Impacts indicators are monitored on a quarterly basis. Adverse impacts are identified for degree of severity. After discussion with the investment team concerned, an action plan is established including a timeline for execution. Company dialogue is usually the preferred course of action to influence the company's mitigation of adverse impacts, in which case the company engagement is included in the quarterly Carmignac Engagement plan according to the Carmignac Shareholder Engagement policy. Disinvestment may be considered with a predetermined exit strategy within the confines of this aforementioned policy.

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

*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.*



Carmignac applies a controversy screening process on OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights for all its investments across all Sub-funds.

Carmignac acts in accordance with the United Nations Global Compact (UNGC) principles, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the Organisation for Economic Co-operation and Development (OECD) guidelines for multinational enterprises to assess companies’ norms, including but not limited to human rights abuses, labour laws and standard climate related practices.

This Sub-Fund applies a controversy screening process for all its investments. This process has for objective the exclusion from its investment universe companies that have committed gross controversies against the environment, human rights and international labour laws to name the key infractions.

This screening process bases its controversy identification on the OECD Business Guidelines and UN Global compact principles and is commonly called Norms screening, integrating a restrictive screening monitored and measured through Carmignac’s proprietary ESG system START. A company controversy scoring and research is applied using data extracted from ISS Ethix as the research data base.



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

Yes, Carmignac has committed to apply the SFDR level II 2019/2088 Regulatory Technical Standards (RTS) annex 1 whereby 14 mandatory and 2 optional environmental and social indicators will be monitored to show the impact of such sustainable investments against these indicators: Greenhouse gas emissions, Carbon footprint, GHG intensity (investee companies), Exposure to companies in 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 ratio, Water usage and recycling, Violations of UN Global Compact principles or OECD Guidelines for Multinational Enterprises, Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact and OECD Guidelines for Multinational Enterprises, Unadjusted gender pay gap, Board gender diversity, Exposure to controversial weapons, Excessive CEO pay ratio.

Please find in our PAI Policy the Table 1 (Annex 1, SFDR Level II), the statement on principal adverse impacts of investment decisions on sustainability factors. This info will be disclosed in annual reports.

No

## ***What investment strategy does this financial product follow?***

The investment universe is assessed for ESG risks and opportunities recorded in Carmignac proprietary ESG platform “START” (System for Tracking and Analysis of a Responsible Trajectory). The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Sub-Fund's long equity investment universe is actively reduced:

1) The Sub-Fund applies binding negative company-wide and Norms-based negative screening and exclusions of unsustainable activities and practices reflected in low ESG scores from START, MSCI and or ISS ESG scores. Research is performed based on following indicators : (a) practices that are harmful to society and the environment, (b) controversies against the OECD business guidelines and UN Global compact principles, (c) controversial weapons, (d) coal mining activity, (e) power companies that have not Paris alignment objectives in place, (f) carbon intensity limits, (g) companies involved in tobacco production, (h) companies involved in adult entertainment.

2) The Companies with high ESG risks which are reflected through their respective ESG ratings are also excluded. Both the START ESG rating and MSCI ESG rating scores are used in this screening . Companies having a MSCI rating below 1.4 on environmental or social pillars or having an overall MSCI rating of “B” , “BB” , or “CCC” are a priori excluded of the Sub-Fund’s investment universe. Companies rated “C” or above on the START (rating from “A” to “E”) can reintegrate into the Sub-Fund’s investment universe after ad-hoc analysis and engagement with the company.

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

- ESG analysis applied to at least 90% of the long portfolio of equity holdings,
- the Sub-Fund's equity portfolio universe is actively reduced.

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

The Sub-Fund does not commit a minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy.

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

In order to assess good governance practices, the Sub-Fund applies Carmignac proprietary ESG research system START, which gathers key governance indicators automated for over 7000 companies, including 1) the percentage of Audit Committee Independence, Average Board Tenure, Board Gender Diversity, Board Size, Compensation Committee Independence as it relates to sound management structures, 2) Executive Compensation, Executive Sustainability Incentive, Highest Remuneration Package as it relates to remuneration of staff. Employee relations are covered within Carmignac S indicators (namely through employee satisfaction, gender pay gap, turnover of employees) within START.

As for taxation, the Sub-Fund recognize companies in it investment universe which adhere to the OECD Guidelines for multinational enterprises on taxation and push for disclosure where necessary.

In addition, as signatory of the PRI, we Carmignac would expect from the companies it invest in to:

- Publish a global tax policy that outlines the company’s approach to responsible tax;
- Report on tax governance and risk management processes; and
- Report on a country-by-country basis (CBCR)

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

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

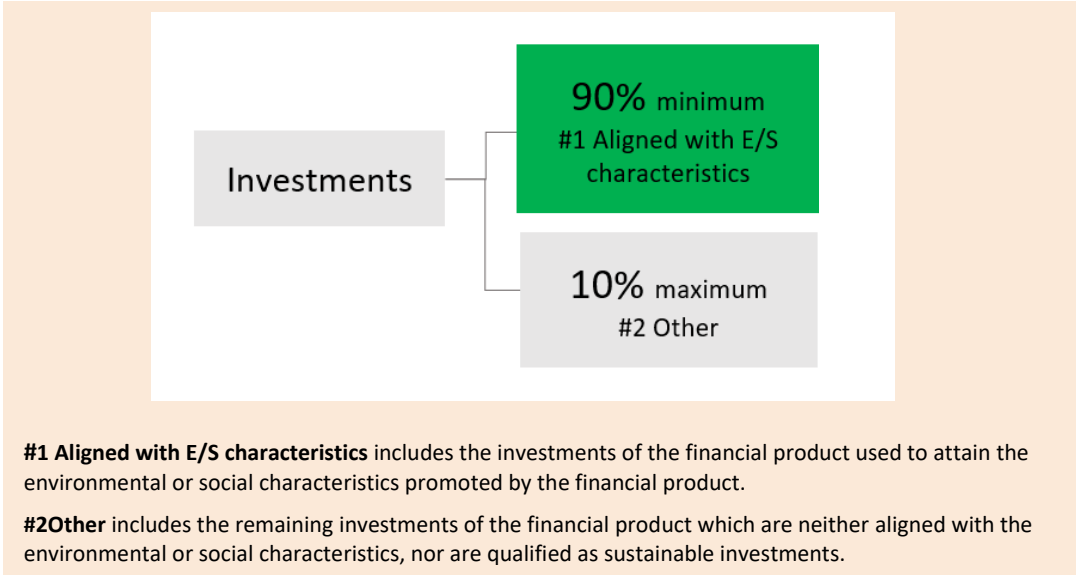
This is a consideration Carmignac increasingly integrates into our it engagements with corporates and in our it votes in support for more transparency via for example support for shareholder resolutions.



**What is the asset allocation planned for this financial product? *i***

A minimum proportion of 90% of the long portfolio of equity holdings is used to meet the environmental or social characteristics promoted by the financial product in accordance with the binding elements of the investment strategy.

**Asset allocation** describes the share of investments in specific assets.



**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 other investment (in addition to cash and derivatives which may be used for efficient portfolio management and/or hedging and/or investment purposes, if applicable) are equity, corporate bonds or sovereign bonds investments which are made strictly in accordance with the Sub-Fund's investment strategy. All such investments are made subject to ESG analysis (including through our ESG proprietary sovereign model for sovereign bonds) and for equity and corporate bonds are subject to a screening of minimum safeguards to ensure that their business activities are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. These instruments are not used to achieve the environmental or social characteristics promoted by the Sub-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 attaining the environmental and/or social characteristics of the Sub-Fund.

To the extent that the Sub-Fund uses single issuer derivative instruments, the firm-wide exclusions are applied.

In addition, to the extent that the Sub-Fund may enter into short positions using derivatives, the Sub-Fund applies compensation calculation (netting of a long position with an equivalent issuer short positions using derivatives) for the purpose of illustrating the ESG rating of the portfolio, carbon emissions and for measuring adverse impacts.



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

The minimum level of taxonomy alignment, i.e. the minimum proportion of Sub-Fund's net assets investments with an environmental objective which is aligned the EU taxonomy is 0%.

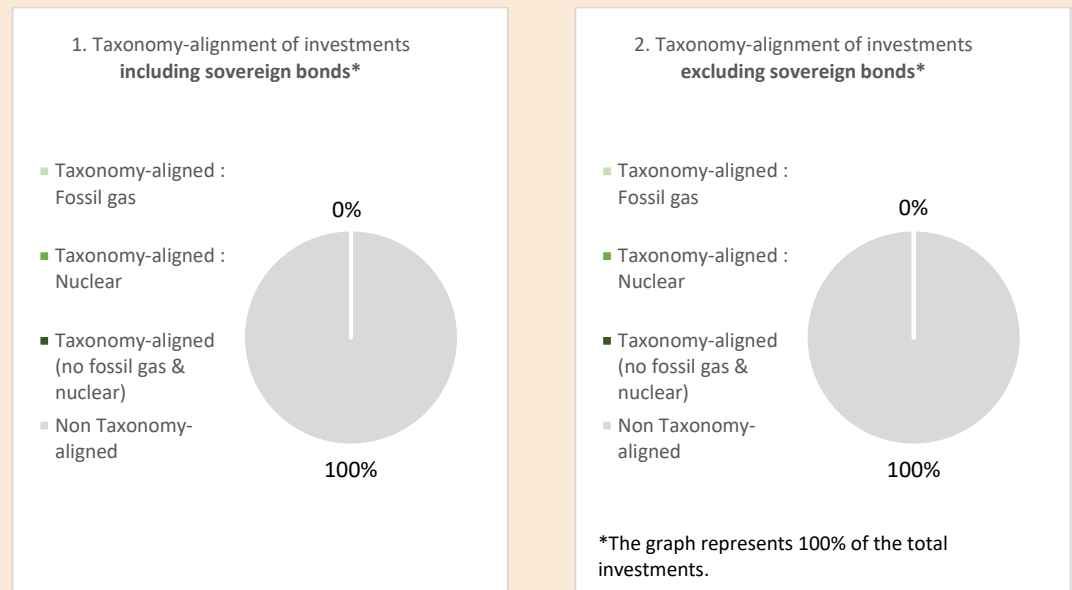
- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?**

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.



- **What is the minimum share of investments in transitional and enabling activities?**

N/A



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

N/A

<sup>1</sup> Fossil gas and / or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

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.



**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 remaining portion of the portfolio (outside the minimum proportion of 90% of the long book ) may also promote environmental and social characteristics but are not systematically covered by ESG analysis. Such assets may include unlisted securities or securities that have been subject to an initial public offering, the ESG analysis of which may be carried out after the acquisition of said financial instrument by the Sub-fund. Cash (and cash equivalent), as well as derivatives (used either for hedging purposes or exposure) are also included under “#2 Other”.

At issuer level, all assets are examined for adherence to global norms on environmental protection, human rights, labor standards and anti-corruption, through controversy (“norms-based”) screening. The investments are subject to a screening of minimum safeguards to ensure that their business activities are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.



**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 on the website:

Not available online.