Socially Responsible Investment Guidelines

Carmignac Portfolio Family Governed

CARMIGNAC
RISK MANAGERS

Carmignac's Overarching Sustainable Framework[1]

Firm

- Our operations are Carbon neutral 2019[2]
- Office Environmental practices
- UNPRI signatory 2012

3 key engagement themes

- Climate Change
- Human Capital
- Entrepreneurship

Do No Harm

- Tobacco Free supporter
- Coal exclusions and total coal exit 2030
- Energy investments aligned to Paris Agreement

100% ESG integration

- All portfolio managers and analysts are responsible for ESG integration

100% voting

- Fulfil our fiduciary duty
- Represent our shareholders rights

RI fund labels

- Rigorous 3rd party audit
- French ISR[3]
- Belgian Towards Sustainability[3]

ESG Platform START[4]

- Multiple source ESG indicators
- Proprietary scoring and analysis
- Smart interface for all PM ESG requirements

1 All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744

2 Scope 1, 2 and Scope 3 (business tavel and IT services). For more information please consult https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742

RI Labels: Not all Carmignac funds are concerend with this statement

3 French Label ISR. For further information, please visit https://www.lelabelisr.fr/en/

Belgian Label Towards Sustainability. For further information, please visit: https://www.towardssustainability.be

4 The proprietary ESG system START combines and aggregates market leading data providers ESG indicators . Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

Carmignac Portfolio Family Governed Obtained the French and Belgian Sustainability Labels

The fund has environmental (E) and governance (G) characteristics according to Article 8 of EU REGULATION 2019/2088 (SFDR Sustainable Finance Disclosure Regulation)*

Labels supported respectively by the French** government and Belgian Financial Sector Federation Febelfin***

Accredited upon a strict audit run by an independent body

Labels renders SRI*** products more visible for investors in France and Belgium and across Europe

Carmignac Portfolio Family Governed

*Source: https://eur-lex.europa.eu/eli/reg/2019/2088/oj
**Jan 2020. For further information, please visit https://www.lelabelisr.fr/en/
***Feb 2020. For further information, please visit https://www.towardssustainability.be/
https://www.febelfin.be/fr
***Socially Responsible Investment

CARMIGNAC
RISK MANAGERS

Our Internal ESG Guidelines

PORTFOLIO CONSTRUCTION OBJECTIVE

- The fund employs an environmental and governance approach as is defined in the fund's prospectus and is classified as Art 8 under the SFDR EU regulation.
- Minimum 40% of the Fund invested in companies rated A or above by MSCI ESG[1]
- Maximum 30% of fund invested in companies rated below BB by MSCI ESG
- No CCC companies
- The Fund aims to achieve carbon emissions 30% lower than its reference indicator (MSCI ACWI)[2]

INTEGRATION OF ESG CRITERIA AND ENGAGEMENT WITH COMPANIES

- Minimum 90% of portfolio holdings are analysed for ESG risks and opportunities
- ESG research system START[4] used to centralise raw ESG Data, proprietary scoring and revenue impact
- We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes[5]

VOTING POLICY ENGAGEMENT

- An objective of participation rate of 100%

[1] *MSCI ESG Ratings is a proprietary methodology from MCSI. To arrive at a final rating (from AAA the best to CCC the worst) the weighted averages of the 37 Key Issue Scores covering 10 different themes (4 for Environment / 4 for Social / 2 for Governance) are aggregated and companies' scores are normalized relatively to their industries. These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers. Carmignac is conscious that by monitoring 37 Key Issue Score the methodology cannot follow all the sustainable aspects from the development of companies but Carmignac ensures that this is the most appropriate one. Moreover, by defining a rating relatively to industry peers, the rating cannot be taken as the objective / inherent assessment of the Company approach in regards of sustainability.*
[2] **CO2 emissions:** The Sub-Fund aims to achieve carbon emissions 30% lower than the reference indicator as measured by carbon intensity (tCO2/ mUSD revenue converted to Euros; aggregated at portfolio level (Scope 1 and 2 of GHG Protocol)) [4] *The proprietary ESG system START combines and aggregates market leading data providers ESG indicators . Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.* [5] *Please refer to our ESG-related themes at https://www.carmignac.lu/en_GB/responsible-investment/our-approach-4743 .*
Source: Carmignac, October 2020.

ESG is Integrated into the Investment Management Process*

SCREENING

VALIDATE

RESEARCH

VALUATION

STOCK LIST

PORTFOLIO CONSTRUCTION

MONITOR

- Carmignac exclusion list
- Carmignac Portfolio Family Governed broadened exclusion list (weapons, energy…)
- Financial filters leading to Sustainable growth
- Family ownership screening
- Carbon emissions screening

- Proprietary ESG criteria implementation and assessment on START** System
- MSCI ESG research and controversy crosscheck
- Key focus on corporate governance
- Company Sustainability reports
- Other third-party research

- Scaling on risk metrics including ESG assessment

- Maximum active Voting, ISS proxy service
- Monitor MSCI ESG ratings industry comparisons

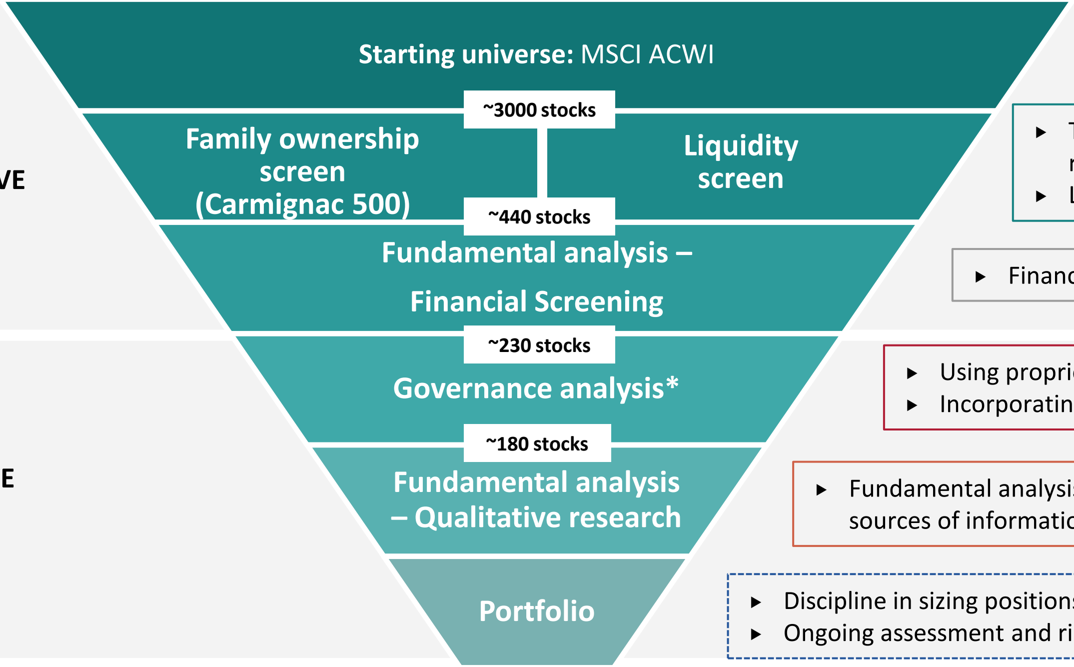
*All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744

***The proprietary ESG system START combines and aggregates market leading data providers ESG indicators . Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.*

Source: October 2020

The Investment Process: A Combination of Proprietary, Fundamental and Governance Analysis

QUANTITATIVE ANALYSIS



- Typically significant ownership and >10% voting rights by family/founders etc..
- Liquidity assessment

- Financial screening based on proprietary methodology

QUALITATIVE ANALYSIS

- Using proprietary analysis and external research
- Incorporating minimum Environmental and Social standards

- Fundamental analysis of company financial statements and other sources of information

- Discipline in sizing positions
- Ongoing assessment and risk monitoring

Carmignac Portfolio Family Governed

* The investable universe is reviewed on a quarterly basis

Source: Carmignac, 2020

Our Focus on Governance

WHAT TO LOOK FOR AND WHAT TO AVOID?

Transparency; minority shareholders' protection; independent auditors vs crossholdings; opaque structures; nepotism; etc.

OUR TRACK RECORD

- Emphasis on **long term investment** over short term gains
- **30 years of investment experience** including emerging market investing has taught us vigilance

OUR PROCESS

- **External research**: MSCI ESG ratings based screening to identify best in class corporate governance
- **Proprietary governance assessment** based on:
  1. **Corporate Governance** (Board independence, management committees, skills & experience, minority shareholder treatment, remuneration)
  2. **Corporate behavior** (accounting practices, bribery & corruption, tax, corporate culture)
- **Minimum standards Environmental and Social criteria**

OUR TARGET OUTCOME

- A range of family companies with attractive fundamentals and **strong Governance**

G

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Source: Carmignac, 2020

Exclusion Policy

The management team has extended the exclusion list with its own specific convictions

Exclusions across all Funds

Additional exclusions for Carmignac Portfolio Family Governed

Detailed ESG analysis and follow-up of companies held in portfolio

Exclusion lists are updated on a quarterly basis.

Exclusions Across All Funds

Exclusions

Our exclusions policy

Our exclusion list contains companies and sectors that are excluded due to their **activities** or their **business norms.**

This policy applies to **all funds** where Carmignac acts as an investment manager

Firm-wide hard restrictions

(transactions are prohibited and blocked on trading tools)

- **Controversial weapon manufacturers** that produce products that do not comply with treaties or legal bans*
- **Tobacco producers. Wholesale distributors and suppliers** with revenues over 5% from such products
- **Thermal coal miners** with over 10% revenues from extraction or 20 million tonnes from extraction
- **Power generators** that produce more CO2/kWh than the defined threshold**
- **Adult entertainment and pornography** producers and distributers with over 2% revenues from such product
- **International Global Norms violations** including OECD Business Principle, ILO Principles and UNGC Principles.

*Companies that do not comply with: 1) The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2) The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3) The Belgian Loi Mahoux, the ban on uranium weapons; 4) The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5) The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
**In line with the 2 ◦ C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO2 data not available
Please refer to Carmignac's exclusion policy for further detail
https://www.carmignac.lu/en_GB/responsible-investment/policy
Exclusion lists are updated on a quarterly basis

Carmignac Portfolio Family Governed*

ENERGY EXCLUSION POLICY

- **Thermal coal** producing companies with more than 10% sales directly derived from coal extraction
- **Unconventional energy** (1) companies deriving more than 1% of total production from unconventional energy sources
- **Conventional oil energy production** (2) companies are excluded
- **Power generation** companies must not exceed 408 gCO_2/kWh carbon intensity or if data is not available cannot exceed:
  - **Gas- fired** – 30% production or revenue
  - **Coal-fired** – 10% production or revenue
  - **Nuclear-fired** – 30% production or revenue

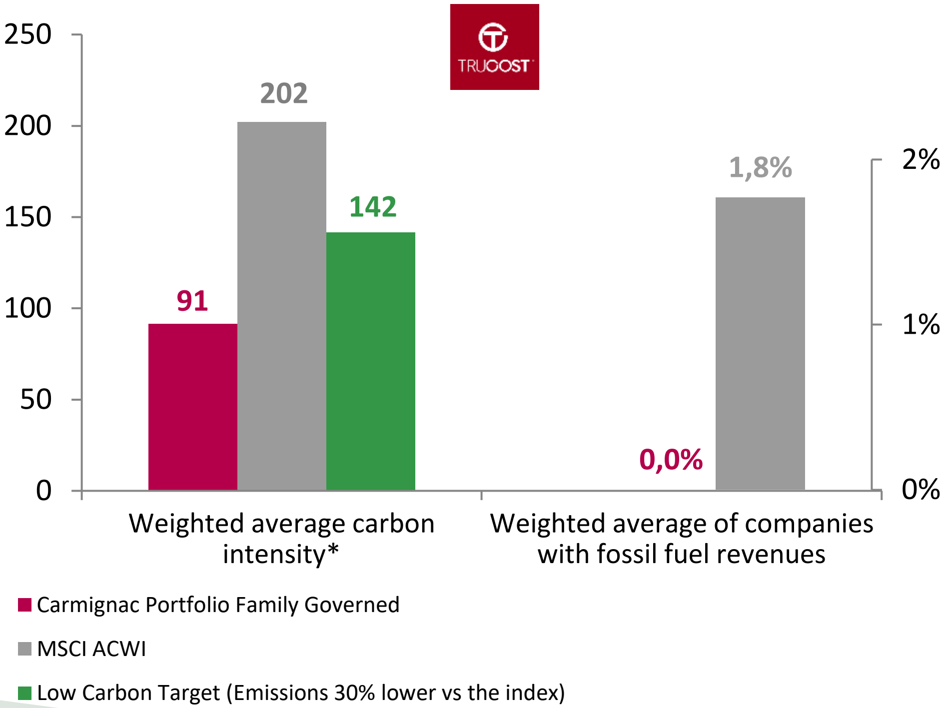
ETHICAL EXCLUSION POLICY

- **All Controversial weapon** companies[3]
- **Conventional Weapons including components** companies (10% revenue hurdles)
- **All Tobacco** producers. Wholesale distributors and suppliers 5% revenue threshold
- **Adult Entertainment** companies (2% revenue hurdle)
- **Gambling** companies (2% revenue hurdle)
- **Norms based** exclusion including UN Global Compact violations human rights, labour rights, environment and corruption

*Our Energy and Ethical policies are aligned with the Quality Standards of the Belgian SRI label
(1) Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.
(2) Conventional energy extraction sources: oil and gas
(3) Companies that do not comply with: 1. The Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines; 2. The Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions; 3.The Belgian Loi Mahoux, the ban on uranium weapons; 4. The Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons; 5. The Treaty on the Non-Proliferation of Nuclear Weapons (1968), which limits the spread of nuclear weapons to the group of so-called nuclear weapons states (USA, Russia, UK, France and China); 6) Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons.
Exclusion lists are updated on a quarterly basis
Source : Carmignac, October 2020

A Low Carbon Strategy

Carmignac Portfolio Family Governed Footprint as of 31/12/2020



Carbon emission investment strategy

- We aim to achieve carbon **emissions 30% lower** than our **reference indicator**
- Limiting investments in companies owning **fossil fuel reserves**
- Selecting companies that follow a more ambitious **carbon risk management** policy than their industry peers
- Investing in companies that offer **clean technology solutions**

**To calculate the portfolio carbon emissions, the companies' carbon intensities (tonnes of CO2e /USD mn revenues converted to Euros, (Scope 1 and 2 GHG Protocol), S&P Trucost) are weighted according to their portfolio weightings (adjusted for holdings for which carbon emissions are not available), and then summed.*

To know more about S&P Trucost methodology, see following page..

Source: S&P Trucost, Carmignac, 31/12/2020

Carbon calculations methodology

- Carbon emission figures are based on S&P Trucost data. The analysis is conducted using estimated or declared data measuring Scope 1 and Scope 2 carbon emissions, excluding cash and holdings for which carbon emissions are not available.
- To determine carbon intensity, the amount of carbon emissions in tonnes of CO2 is calculated and expressed per million dollar of revenues (converted to Euro). This is a normalized measure of a portfolio's contribution to climate change that enables comparisons with a reference indicator*, between multiple portfolios and over time, regardless of portfolio size.
- Fossil fuel % revenue is derived weighted average of % revenues excluding cash of each holding within the portfolio
- S&P Trucost methodology: Trucost uses company disclosed emissions where available. In the instance it is not available, they use their proprietary EEIO model. The model uses the revenue breakdown of the company by industry sector to estimate the carbon emissions. For further information, please visit: www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf. Although S&P Trucost does report Scope 3 emissions where available, such emissions are commonly considered to be poorly defined and inconsistently calculated by companies. As a result, we have chosen not to include them in our portfolio emission calculations.

Definitions:

- Scope 1: Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company.
- Scope 2: Greenhouse gas emissions from consumption of purchased electricity, heat or steam by the company
- Scope 3: Other indirect Greenhouse gas emissions, such as from the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity-related activities (e.g. T&D losses) not covered in Scope 2, outsourced activities, waste disposal, etc

Source www.spglobal.com/spdji/en/documents/additional-material/faq-trucost.pdf.

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