

SFDR Fund
Classification**

Article 8

SRI Guidelines



Carmignac Portfolio Emerging Patrimoine

September 2021



Carmignac's Overarching Sustainable Framework



Firm

- Our operations are Carbon neutral 2019¹
- Office Environmental practices
- UNPRI signatory 2012

3 key engagement themes

- Climate Change
- Empowerment
- Leadership

Firm-wide exclusions

- 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

19 RI fund labels

- Rigorous 3rd party audit
- French ISR²
- Belgian Towards Sustainability³

ESG Platform START⁴

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

90% Article 8 and 9 (SFDR⁵)

- 17% Article 9 funds
- Over 70% Article 8 funds

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

² French Label ISR. For further information, please visit <https://www.lelabelisr.fr/en/>

³ Belgian Label Towards Sustainability. For further information, please visit: <https://www.towardsustainability.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

⁵ SFDR: Sustainable Finance Disclosure Regulation (EU) 2019/2088, assets under management as of January 2022, Source: Carmignac

Carmignac Portfolio Emerging Patrimoine - Article 8 Fund with the French sustainability label accreditation

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

A label created and supported by the French Ministry of Finance¹

Accredited upon a strict audit run by an independent body

Labels renders SRI² products more visible for investors in France and across Europe



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Source: <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>

¹ Label obtained in January 2019. For further information, please visit <https://www.lelabelisr.fr/en/>

² Socially Responsible Investment

Our ESG Guidelines



Portfolio construction objective

- ▶ The Fund employs an environmental and social approach as is defined in the Fund's prospectus and is classified as Art 8 under the SFDR EU regulation
- ▶ 20% of Fund's equity investment universe (MSCI EM NR) is excluded based on ESG criteria
- ▶ 20% of Fund's corporate bond universe (JPM CEMBI Index) is excluded based on ESG criteria



Integration of ESG criteria

- ▶ Minimum 90% of equity and corporate bond holdings are analysed for ESG risks and opportunities
- ▶ ESG research system START¹ used to centralise raw ESG Data, proprietary scoring and revenue impact



Voting & Engagement

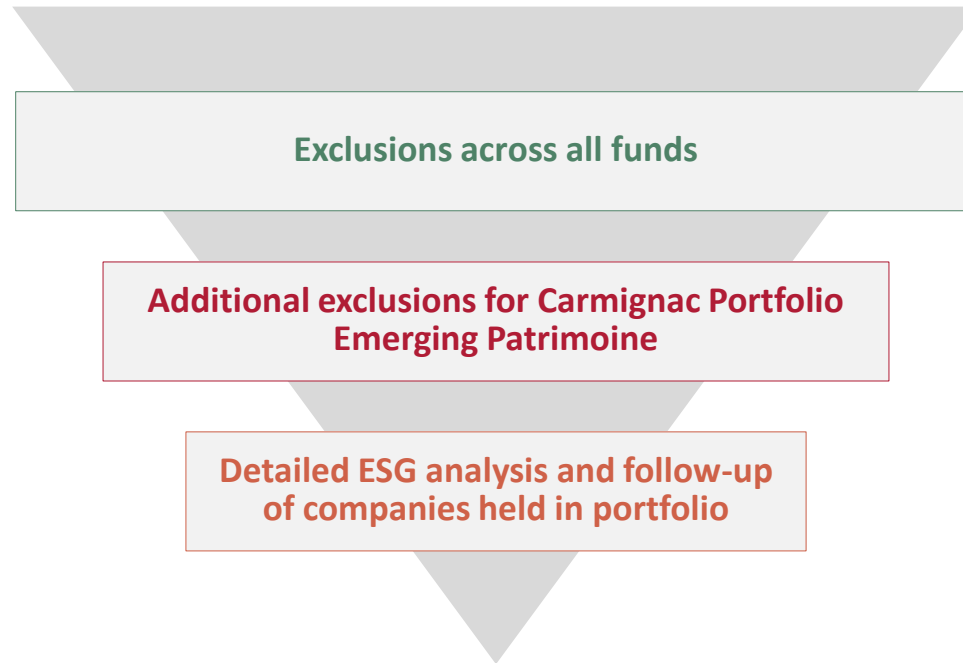
- ▶ An objective of participation rate of 100% or above
- ▶ We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes²

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² Please refer to our ESG-related themes at https://www.carmignac.lu/en_GB/responsible-investment/our-approach-4743
Source: Carmignac, <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>, January 2022

Exclusion Policy

The Emerging Market Equity team has extended the exclusion list with its own specific convictions



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 bans¹
- ✘ **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 threshold²
- ✘ **Adult entertainment and pornography** producers and distributors with over 2% revenues from such product
- ✘ **International Global Norms violations** including OECD Business Principle, ILO Principles and UNGC Principles.

¹ 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

² 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 Emerging Patrimoine's Exclusion Policy



Exclusions

- ✘ **Meat-processing companies** whose revenues derive partially or completely from the processing of cattle, pork, lamb or poultry
- ✘ **Companies in the PETA** (People for Ethical Treatment of Animals) **exclusion list**
- ✘ **Conventional Weapons including components companies (10% revenue hurdles)**
- ✘ **Unconventional energy¹ companies deriving more than 1% of total production from unconventional energy sources***
- ✘ **Conventional oil energy production² companies are limited to 3% of the portfolio assets³**
- ✘ **Power generation companies must not exceed 408 gCO₂/kWh carbon intensity or if data is not available cannot exceed:**
 - o **Gas-fired – 30% production or revenue**
 - o **Coal-fired – 10% production or revenue**
 - o **Nuclear-fired – 30% production or revenue**

* For the equity part of the portfolio

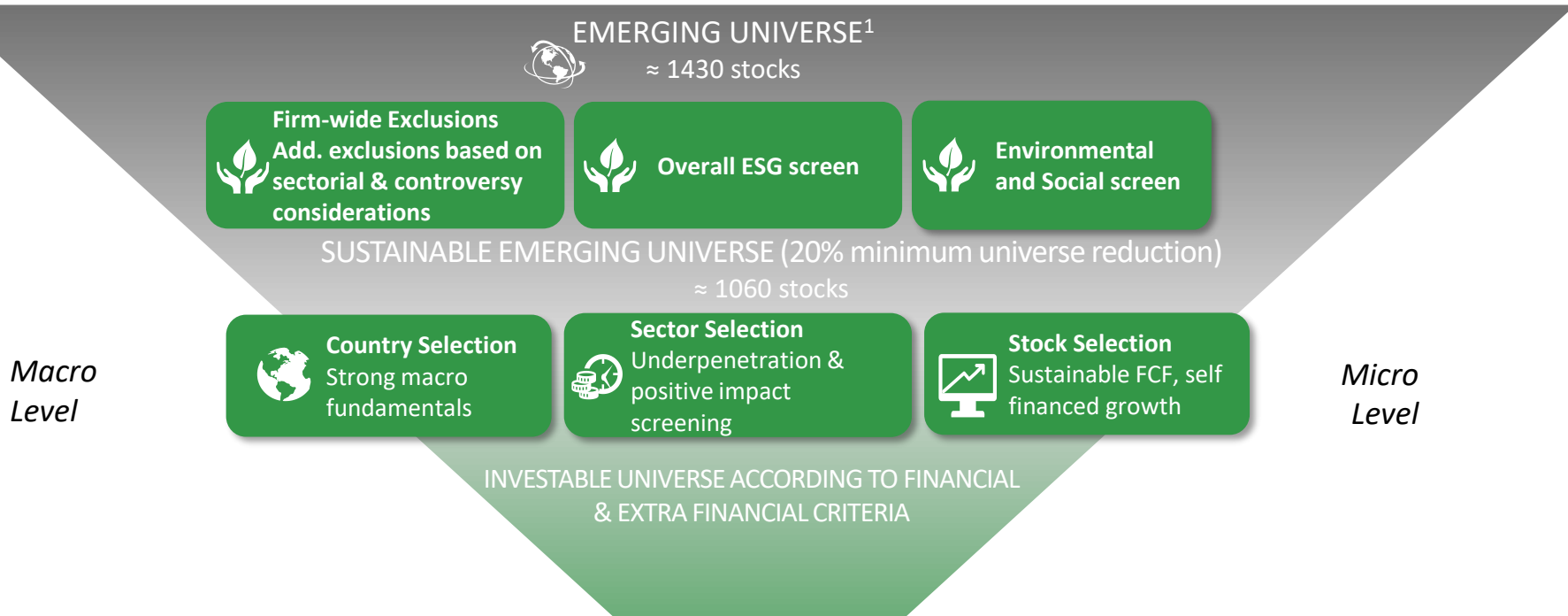
¹ Unconventional energy extraction sources: Tar/oil sands, shale oil, shale gas and Arctic drilling.

² Conventional energy extraction sources: oil and gas

³ Conventional energy production companies must have a minimum 40% revenue from Gas and/or Renewable Energy

On the Equity Side

Carmignac Portfolio Emerging Patrimoine: ESG Embedded in the Investment Process



**Carmignac Portfolio
Emerging Patrimoine**

¹ Universe: MSCI Emerging Markets Index (USD)
Portfolio composition may vary overtime
The investable universe is reviewed on a quarterly basis
Source: Carmignac, 31/12/2021

Sustainability is at the heart of Carmignac P. Emerging Patrimoine's investment process

OUR COMMITMENT TO INVESTORS

Generating attractive returns with a low turnover...

By selecting the right

- ▶ **Countries with healthy macro-economic fundamentals** and sound balance of payments
- ▶ **Underpenetrated sectors** that stand to benefit from long-term growth themes
- ▶ **Capital-light companies** offering attractive and sustainable cash generation capable of self-financing their growth

... while contributing to sustainable development

- ▶ **Systematically taking into account environmental, social and governance criteria (ESG)** when analyzing companies and when making our investment decisions
- ▶ **Positively impacting society** by favoring companies that bring solutions to social and environmental challenges
- ▶ **Identification and exclusion** of controversial sectors

Favoring companies that bring solutions to social and environmental challenges¹

FINANCING THE FUTURE

OFFERING INNOVATIVE TECHNOLOGIES



FINANCING SUSTAINABLE TECHNOLOGIES

IMPROVING LIVING STANDARDS

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

ESG criteria are embedded in our decision-making process and our financial analysis¹



Step 1
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**.



Step 2
Analysis

Stock selection is made through a **long-term, sustainable approach**, which includes consultation of external and independent ESG reports and ratings and is implemented through our proprietary ESG system START²
Our teams carry out detailed financial and ESG assessments of companies held in portfolio.



Step 3
On-the-ground
visits

We complete this analysis by **regular on-site visits** of production sites and **one-to-one meetings** with the companies' management in order to understand their strategy as well as their long-term engagements.



Step 4
Monitoring

Consideration of ESG issues does not end when the investment decision is made. The Emerging Market (EM) Equity team continuously reviews the investment thesis of companies held in portfolio, including a **review of ESG criteria**.


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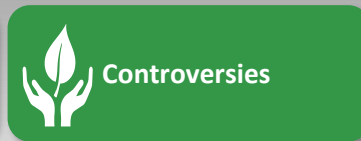
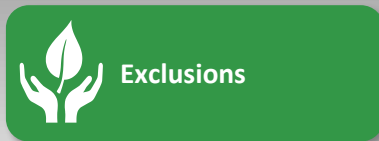
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On the Fixed Income Side

Corporate Bond Approach to Socially Responsible Investment¹

EMERGING CORPORATE BOND UNIVERSE²

 ≈ 310 issuers



SUSTAINABLE EMERGING CORPORATE
BOND UNIVERSE³

≈ 240 issuers

Macro
Level

Micro
Level

Carmignac Portfolio
Emerging Patrimoine

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 Universe: Ice BofA Emerging Markets Corporate Plus Index
Portfolio composition may vary overtime

³ The investable universe is reviewed on a quarterly basis.
Data as of 12/31/2021. Source: Carmignac December 2021

Environmental, Social and Governance (ESG) Risks

Analysis & Monitoring Embedded in the Investment Process



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Our ESG “Impact” model to rate countries

#	Criteria	Sources	weights
Environmental			
1	CO ₂ emissions per capita	Our World In Data – Oxford University	33%
2	Share of Renewables in total installed capacity	BNEF (Bloomberg New Energy Finance)	33% (with a malus for high or increasing coal usage)
3	Ambient PM2.5 (fine particules)	Institute for Health Metrics and Evaluation	33%
Social			
4	Life expectancy at birth of both sexes	World Bank	25%
5	GINI – income coefficient	World Bank	25%
6	Education (PISA & Litteracy rate)	PISA (Reading, Maths, Science) – OECD Litteracy Rate – World Bank	25%
7	HDI	United Nations - Development Programme	25%
Governance			
8	Ease of Doing Business	World Bank	25%
9	Fiscal Position (deficit as % GDP)	IMF	25%
10	Debt as Years of Revenue	Gross Debt to GDP and Revenue to GDP – IMF	25%
11	Current Account Position	Current Account to GDP – IMF	25%

Source: Carmignac, January 2022

OBJECTIVE

- Identify ESG related risks and opportunities and integrate them in investment decisions

METHODOLOGY

- ESG indicators obtained from public sources such as the World Bank, Oxford University, IMF
- Numerical scoring system that goes from 1 (Bad) to 5 (Good) with 3 as a neutral point for each country
- Country score composed of the equally weighted average of the three components E, S, and G
- Each of these components is the average of their sub-components. A Static and Dynamic dimension is included which captures and weights improving (dynamic) ES & G indicators

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