CARMIGNAC OUTCOMES POLICY

May 2022

DEFINITION

'All actions of investors - investment decisions and use of tools of influence – shape positive and negative outcomes in the world' [1].

The UN PRI proposes that investors are connected to outcomes in three ways. These are outcomes that an investor:

1. **has caused** – through its own business activities, including effects on employees
2. **has contributed to** – through a business relationship or investment activity (actions or omissions) that induces or facilitates an outcome from an investee company or project;
3. **is directly linked to** – through the activities, products or services of an investee company or project.

Outcomes can be identified at asset, economic activity, company, sector, country or region level.

OUR APPROACH

Our approach can be broken down into the UN PRI's three outcomes categories:

1) <u>Outcomes that we have CAUSED:</u>

Carmignac measures its own annual carbon emissions, at a corporate operational level, through a granular study of its footprint as defined in the GHG protocol of Scope 1 and 2 and its business travel and IT services within Scope 3. It is aided by a climate consultant and the use of their carbon calculator tool. Measuring carbon emissions is a starting point to understand where these emissions can be reduced, which is one of the benefits of this exercise. A carbon offsetting project ensues, for the emissions created, on an annual basis. The link between carbon emissions and climate change, which has harmful outcomes for society and the environment, is considered to be indisputable. Thus, as a result of these activities, we are reducing our environmental impacts.

[1] UN PRI, 2020

Carmignac has shaped its human capital policies to reflect its duty towards its employees and its mission as a responsible employer. Empowerment is key to job satisfaction and productivity.Team skills are developed, training pursued, and the means necessary are provided for an efficient workplace.
Aside from bi-annual evaluations and setting of objectives, Carmignac engages formally with its employees every 2 years to understand what their views are in regards to the organization, and their relationship with the organization, judging criteria of values, services to clients, goals and objectives and communication, to name key areas of the survey. Specific action plans are derived from the survey seeking to improve its policies towards its employees. In 2020, the Carmignac employee engagement score rose to 90% from 85% in 2018.

Carmignac's main focus when hiring talent is to seek maximum efficiency, which we believe is optimised by a diverse workforce. Two thirds of total assets are co-managed by women, with 30 nationalities forming up our company of more than 300 people[2]. By having such diversity within our teams, Carmignac contributes to positive societal outcomes.

2) Outcomes that we have CONTRIBUTED to:

Our active approach to stock picking includes exclusions through which we avoid companies that we believe have negative outcomes on society and the environment. These include norms-based violations, such as companies that have been deemed to violate the UN Global Compact principles, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises as examples.

We also monitor carbon emissions on a monthly and annual basis for the equities and fixed income investment portfolio for 47% of our total AUM (80% of our total portfolios)[3]. We employ carbon reduction targets for most of our Equity Funds[4], and also use a digressive carbon emission threshold to guide us in our power generators investments.

[2]For more information please see: https://www.carmignac.co.uk/en_GB/about-us/efficiency-diversity-3477
[3] SRI Fund carbon emissions reported on a monthly basis, remaining strategies on an annual basis. Data correct as of the 31st December 2021.
[4] Funds including: Carmignac Portfolio Grande Europe, Carbon Portfolio Patrimoine Europe, Carmignac Euro Entrepreneurs, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac China New Economy, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed.

This prohibits investment in power generators that violate necessary CO2 intensity thresholds to keep the global temperature rise to below 2 degrees above pre-industrial levels, in line with the Paris Climate Agreement, unless they have ambitious targets to realign towards this objective. Lastly, Carmignac has implemented a coal exit strategy for all coal-related companies: thermal coal miners and power generators alike.

6 of our SRI Funds[5] are also accredited with the Belgian Towards Sustainability label, which stipulates that these funds shall not finance companies that are associated with UN Global Compact violations, all weapons, tobacco, coal or unconventional oil & gas, as well as restrictions on conventional oil and gas extractors as these are activities that can be linked to harmful outcomes on society and the environment.

Specific outcomes' themes are a particular focus for our Fund Carmignac Portfolio Green Gold, categorized as an Article 9 fund as set out by the EU Sustainable Finance Disclosure Regulation, with a sustainable objective to invest in companies that are eligible to the EU Green Taxonomy.. Investments are made in low carbon solutions such as renewables, in companies that are enabling greener supply chains to operate and companies that are strongly transitioning to cleaner energy sources. Also, climate related outcomes themes are within the mandates of other funds[6] given their environmental and social characteristics as defined by the Article 8 categorization (SFDR EU 2019/2088). This means that we seek out, engage with, and invest in companies that are developing solutions to structural environmental issues like climate change.

Our engagement with corporates is structured in order to induce positive outcomes. We have an annual engagement programme, which relates to 5 key themes: ESG risk related; Thematic; Impact; Controversial Behaviours, and Proxy Voting Decisions. Please refer to our Shareholder Engagement Policy for more information[7].

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[5] Carmignac Portfolio Grande Europe, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Grandchildren, Carmignac Portfolio Family Governed, Carmignac Portfolio Patrimoine Europe.

[6] Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe, Carmignac Euro Entrepreneurs, Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac China New Economy, Carmignac Portfolio China New Economy, Carmignac Grandchildren, Carmignac Family Governed.

[7] Please see: www.carmignac.com/en_GB/responsible-investment/template-hub-policies

3) Outcomes that we are DIRECTLY LINKED TO:

We measure the outcomes associated with our investments by using each company's % of revenues associated with environmental good & harm, and social good & harm, for a subset of our fund range. For our measurement methodology, please see below. The percentage revenues figures are integrated into our SRI guidelines, as well via START[8], our proprietary rating system, for use by our Analysts and Portfolio Managers.

DIRECTLY-LINKED OUTCOMES MEASUREMENT METHODOLOGY

Our "Outcomes Framework "

We believe there is significant potential for investors to shape outcomes in line with the United Nations Sustainable Development Goals (SDGs).

Companies can impact society and the environment through the products they sell and services they offer. To ensure that "no one is left behind" (the central promise of the 2030 Agenda for Sustainable Development[1]), the SDGs can act as a guide to help investors understand how their investments may contribute towards shaping positive and meaningful outcomes. For more information regarding the SDGs please visit: https://sdgs.un.org/goals.

At Carmignac, our proprietary Outcomes Framework applies to most of our Equity and Balanced Funds. It maps business activities to nine of the 17 SDGs. We deem these nine SDGs as 'investable'[9], which means that companies our funds can invest in are able to support progress towards these goals, through their products and services. The investable SDGs identified by Carmignac are:

- SDG 1: No Poverty
- SDG 2: Zero Hunger
- SDG 3: Good Health and Well-being
- SDG 4: Quality Education
- SDG 6: Clean Water and Sanitation

[8] 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.
For more information, please refer to our website: https://www.carmignac.co.uk/en_GB/responsible-investment/in-practice-4744

- SDG 7: Affordable and Clean Energy
- SDG 9: Industry, Innovation and Infrastructure
- SDG 11: Sustainable Cities and Communities
- SDG 12: Responsible Consumption and Production

Aligned companies are identified through company revenue data. To do this, we have created a proprietary business activity classification system that we have mapped to the SDGs. This system uses raw company revenue data to identify which companies operate in these business activities and are therefore aligned with the SDGs.

In order to be considered SDG-aligned according to our Framework, a company must derive at least 50% of its revenues from business activities that have a positive contribution to at least one of the nine SDGs listed above. Once a company exceeds this 50% threshold, we consider the company to be 'aligned' and consider a fund's entire economic exposure to that company as such when calculating fund-level alignment. Companies owned by a fund may not have a sufficient proportion of revenues coming from business activities that are positively 'aligned' to the SDGs, so a fund's aggregate alignment across the investable SDGs may not total 100%.

The SDG approach is just one framework that might be used to illustrate positive outcomes; there are others that may yield different results. The approach uses objective revenues data and is based upon the UN SDGs' goals and targets framework and literature. However, as the mapping of the specific business activities that are to be considered 'aligned' is determined by a conservative revenue threshold put in place by Carmignac, the asset management company, there may be variations between our approach and others. We do not require portfolios to be 100% aligned with these SDGs for a fund to use the approach.

GOVERNANCE AND REPORTING

The governance of the Outcomes Framework is under the scope of the ESG Governance and Strategic Product Committee.

The **ESG Governance group**, which is composed of some of our internal Strategic Development Committee members such as the General Manager, Heads of the Investment teams, the Head of Carmignac UK, as well as the Stewardship Director and the Global Head of Compliance, who has the ultimate responsibility and decision-making capacity for all stewardship activities at firm-level.

The **Strategic Product Committee** is equally as key in regard to ESG related policies at the fund level. Led by the Managing Director of Carmignac UK, Maxime Carmignac, it is also composed of key stakeholders including the Stewardship Director, Global Head of Sales and the General Manager.

Operationally, the Responsible Investment team is in charge of setting out the framework through which we control the outcomes we contribute to, as well as presenting outcomes related data through our rating system, START. The ESG Data Governance group consisting of the COO, Data Office, Stewardship Director, department head of Technology, acts as the governance body over data ownership and stewardship.

Outcomes framework alignment data is monitored weekly by the Responsible Investment team and monthly by the Data Office which are then made public through our website disclosures. Finally, the Portfolio Managers and Analysts are responsible for integrating investment outcomes that we are directly linked to into their analysis, with the support of the ESG analysts.

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CARMIGNAC GESTION - 24, place Vendôme - F-75001 Paris - Tel: (+33) 01 42 86 53 35 Investment management company approved by the AMF Public limited company with share capital of € 15,000,000 - RCS Paris B 349 501 676

CARMIGNAC GESTION Luxembourg - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel: (+352) 46 70 60 1 Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF Public limited company with share capital of € 23,000,000 - RC Luxembourg B 67 549