CARMIGNAC
INVESTING IN YOUR INTEREST

CARMIGNAC'S EXCLUSION POLICY
JULY 2024

Carmignac is fully committed to actively managing investments on behalf of investors. We stand out due to our thorough proprietary analysis and company engagements. It is part of Carmignac's fiduciary duty to offer suitable investments which consider societal and environmental impacts. With this in mind, we believe our investments should be made in companies with sustainable business models and which are exhibiting long-term growth perspectives. As such, we have compiled an exclusion list with companies that do not meet Carmignac's investment standards due to their business activities or breaches of international norms.

SCOPE – The "Business norms" and "Business activity" exclusions below apply to all funds that are open-ended funds where Carmignac acts as investment manager. We will not knowingly hold any securities that we identify to be in violation of the above guidelines. We do not exclude companies whose products or business activities' main purpose is not stated in the above guidelines.

Our Socially Responsible Investment Funds have broadened their commitments through additional negative screening and exclusions, detailed in the following sections, in the Transparency Code and fund documentation published on our website.

1. BUSINESS NORMS EXCLUSIONS

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. We evaluate the breaches through proprietary analysis and with the support of external providers to assess their severity. An enhanced engagement process is applied to companies with severe breaches of these principles and guidelines outlined in the Appendix. If this enhanced engagement process, which may take up to three years, does not result in the desired change, Carmignac will exclude the company from its investment universe.

2. BUSINESS ACTIVITY EXCLUSIONS

TOBACCO – Carmignac considers investment in tobacco companies to be unsustainable, given that it is an unhealthy and polluting product. We exclude companies that are involved in the production of tobacco. We also exclude those which have significant ownership[1] in such companies, as well as those which are involved in the wholesale distribution of tobacco or in the supply of cigarette components, such as filters (≥5% of firm revenue).

[1] Carmignac defines significant ownership as having a majority of the voting rights and the ability to exercise significant influence or control over the relevant company.

THERMAL COAL MINERS – Carmignac acknowledges that reducing thermal coal emissions, as recommended by scientists[2], is one of the most effective ways of transitioning to a cleaner energy system and being consistent with the Paris Agreement[3]. Furthermore, Carmignac pledges that, should there be any future coal-related investments permitted within the confines of Carmignac's Exclusion Policy, a total exit from coal-related investee companies will be implemented by 2030. We deem that thermal coal faces an increasing investment risk for the future, as companies are moving away from thermal coal as a fuel source.
To avoid the risk of stranded thermal coal mines, we have developed a framework to exclude any company which derives more than 10% of their revenue from thermal coal mining or produces >20 million tons of thermal coal per year. Carmignac will not knowingly directly finance new coal mining projects. Should an investee company through acquisition be involved in new coal projects, Carmignac will seek to disinvest within a defined / precise timeframe.

On an exceptional basis, mining companies which produce over 20 million tons of thermal coal per year, but for which coal does not represent a core business and, in addition, contribute positively to the energy transition through other business activities, can be considered for investment.

POWER GENERATIONS – The price for renewable energy has come down significantly as more generation is rolled out in developed countries, especially those in Europe. However, we need to consider that in developing countries, coal can still support improved access to electricity and modernization, while transitioning to cleaner fuel sources for power in the future. We believe that even though thermal coal may have a short-term role in the energy transition, coal-powered plants may not be economically viable over the long-term. However, an over-simplified approach that discriminates against power generation companies solely on the threshold of coal in their energy mix, while not considering the efforts made by the company to implement more efficient technologies, is not sustainable both for the energy transition to happen. Hence, we have adopted the criteria using gCO2/ kWh, following the threshold recommended by the standards and informed by the International Energy Agency (IEA) to keep global temperature rise below 2 degrees, as set out by the Paris Agreement.

	2024	2025	2026	2027	2028
Max. gCO2/kWh	326	291	260	232	207

Carmignac recognises the importance of encouraging companies to reduce their dependence on coal power generation in order to align their activities with the

[2] Intergovernmental Panel on Climate Change (IPCC) report on Global warming of 1.5 degrees, https://report.ipcc.ch/sr15/pdf/sr15_spm_final.pdf
[3] Paris Agreement, https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

Paris Agreement. Hence, Carmignac will consider making exceptions to its exclusion rules for the power generators making credible commitments to reduce and exit their thermal coal-based power generation.

ADULT ENTERTAINMENT AND PORNOGRAPHY – Carmignac considers investment in adult entertainment and pornography companies to be unsustainable and not to contribute positively to the long-term sustainable development of society. We believe that there is a significant risk that the adult entertainment industry may indirectly fail to comply with human rights principles from labour practices to societal impact.
We exclude companies who receive >2% of their revenues from the production of Adult Entertainment and Pornography, those which have a significant ownership[4] in such companies or those which are significantly involved in the wholesale distribution of adult entertainment and pornographic content.

CONTROVERSIAL WEAPONS - Carmignac deems anti-personnel mines, nuclear weapons, cluster munitions, biological and chemical weapons, depleted uranium, white phosphorus munitions, blinding lasers, white phosphorous and non-detectable fragments to be controversial weapons. We exclude companies which manufacture products that do not comply with the following treaties or legal bans on controversial weapons:

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 Chemical Weapons Convention (1997), which prohibits the use, stockpiling, production and transfer of chemical weapons.
4. The Biological Weapons Convention (1975), which prohibits the use, stockpiling, production and transfer of biological 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. The Belgian Loi Mahoux, which bans uranium weapon investments.
7. The 1980 Convention on certain conventional weapons concerning non detectable fragments, mines incendiary weapons, blinding laser weapons.

[4] Carmignac defines significant ownership as having a majority of the voting rights and the ability to exercise significant influence or control over the relevant company.

3. TOWARDS SUSTAINABILITY LABEL EXCLUSIONS

SCOPE – This section applies to funds that have obtained the Belgian- Towards Sustainability Label; this includes: Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Family Governed, Carmignac Portfolio Grandchildren, Carmignac Portfolio Grande Europe, Carmignac Portfolio Patrimoine Europe and Carmignac Portfolio Human Xperience. This exclusion list applies in addition to the firm-wide exclusions detailed in the paragraphs above.

a. **CONVENTIONAL OIL AND GAS** – This covers companies with activities in exploration, extraction, refining, and transportation of O&G or providing dedicated equipment or services for such companies. Companies not meeting the criteria below are excluded.
   To be deemed investable a company must meet at least one of the following criteria:
   - Less than 5% revenues from O&G activities as described above
   - Have less than 15% CAPEX dedicated to O&G activities as described above
   - Have more than 15% CAPEX dedicated to contributing activities, such as EU Taxonomy aligned activities, SDG aligned activities, etc
   - SBTi target at well below 2˚C or 1.5˚C, or have an SBTI 'Business ambition for 1.5˚C' Commitment
   - Companies deriving less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities described above

b. **UNCONVENTIONAL OIL AND GAS** – This covers companies with activities in exploration, extraction, refining, and transportation of unconventional O&G or providing dedicated equipment or services for such companies. Unconventional O&G is defined as tar/oil sands, shale oil, shale gas and Arctic drilling. Companies not meeting the criteria below are excluded.
   To be deemed investable a company must meet at least one of the following criteria:
   - Have less than 5% revenues from O&G activities described above
   - Have more than 50% CAPEX dedicated to positive activities contributing activities, such as EU Taxonomy aligned activities, SDG aligned activities, etc
   - SBTi target at well below 2˚C or 1.5˚C, or have an SBTI 'Business ambition for 1.5˚C' Commitment
   - Unconventional O&G production is less than 5% of total O&G production

c. **THERMAL COAL MINERS** – This covers companies with activities in exploration, mining, extraction, transportation, distribution or refining of thermal coal or providing dedicated equipment or services for such companies. The company must not be involved in the exploitation or development of new coal mines. Companies not meeting the criteria below are excluded.
   To be deemed investable a company must meet at least one of the following criteria:
   - SBTi target at well below 2˚C or 1.5˚C, or have an SBTI 'Business ambition for 1.5˚C' Commitment
   - Have an annual thermal coal production less than 10Mt and derive less than 5% of its revenues from activities described above. For transportation, the revenue threshold is 10%.

- Have less than 10% of CAPEX dedicated to activities described above and not with the objective of increasing revenue
- Have more than 50% of CapEx dedicated to contributing activities, such as EU taxonomy aligned activities, SDGs aligned activities, etc

d. POWER GENERATION – This covers companies with activities in the generation of power/heat from non-renewable energy sources or providing dedicated equipment or services for such companies. Companies not meeting the criteria below are excluded.

To be deemed investable a company must meet at least one of the following criteria:

- Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment
- Have a carbon intensity aligned with 1.5°C target (e.g., TPI: 0,348 tCO2e/MWh in 2023, or other science-based alignment assessment)
- Derive less than 5% of its revenues from activities under a)
- Derive more than 50% of its revenues from contributing activities (See Annex 2.)
- Have more than 50% of CapEx dedicated to contributing activities (See Annex 2.)

e. CONVENTIONAL WEAPONS – This covers companies involved in the manufacture/sale of weapons, or their components. Companies not meeting the criteria below are excluded.

To be deemed investable a company must meet at least one of the following criteria:

- The company shall have no activity of manufacturing or of manufacturing tailor-made components, using, repairing, putting up for sale, selling, distributing, importing or exporting, storing or transporting controversial or indiscriminate weapons such as: anti-personnel mines, submunitions, inert ammunition and armour containing depleted uranium or any other industrial uranium, weapons containing white phosphorus, biological, chemical or nuclear weapons.
- The company shall derive less than 5% of its revenues from activities under a).
- The company shall derive less than 25% of its revenues from bespoke products, equipment or services dedicated to enabling the execution of activities under a).

SOVEREIGN EXPOSURE POLICY – States that issue sovereign instruments are classified based on the income level of their economy, based on the classifications of the World Bank: low-income, lower middle-income, upper middle-income and high-income economies.

All our sovereign instruments in Belgian label portfolios comply with the 6 Worldwide Governance Indicators (WGI), established by the World Bank:

1. Voice and Accountability
2. Political Stability and Absence of Violence/Terrorism
3. Government Effectiveness
4. Regulatory Quality
5. Rule of Law

6. Control of Corruption

A State is eligible if both of the following conditions are met; it is otherwise excluded

- The average of its scores on all 6 WGIs is at least -0.59
- It does not score less than -1.00 on a single WGI

Additional criteria for high-income economies:

In addition to the base criteria stated above, high-income economy States must also meet the following requirements:

The State has ratified or has implemented in equivalent national legislation:

- the eight fundamental conventions identified in the International Labour Organisation's declaration on Fundamental Rights and Principles at Work
- at least half of the 18 core International Human Rights Treaties. The State is party to:
  - the Paris Agreement
  - the UN Convention on Biological Diversity
  - the Nuclear Non-Proliferation Treaty
  - The State does not have a particularly high military budgets (>4% GDP)
  - The State is not considered a 'Jurisdiction with strategic AML/CFT deficiencies' by the FATF
  - The State scores at least 40/100 on the Transparency International Corruption Perception Index
  - The State is not qualified as 'Not free' by the Freedom House 'Freedom in the World'-survey
  - The State does not have the death penalty legal and in use

All States not meeting the criteria above will be excluded; unless exception described below:

Exceptions:

Portfolios can invest for reasons of diversification or (currency risk) hedging, in public debt instruments issued by core reserve (non-EURO) currency issuers that do not comply with the above requirements, to a maximum of 30% (in total) of the portfolio. This threshold may temporarily be exceeded in the event of extraordinary market circumstances to protect investors' financial interests. Use-of-proceeds instruments issued by non-compliant States can still be eligible.

- Use-of-proceeds Instruments

Use-of-proceeds instruments issued by sovereigns that fail the aforementioned criteria can be eligible if it meets the following criteria:

- Use-of-proceeds instruments comply with an appropriate framework (e.g., ICMA/CBI/EU GBS/LMA) and be subject to independent external review. For some specific issuers,

supranational institutions and agencies, this might not be possible. In that case, elaborate on equivalence (see c.).

- Issuers and beneficiaries of use-of-proceeds instruments are subject to the ESG due diligence process of the manager. The environmental, social and governance aspects of the financed programs/projects shall be taken into account when investing in use-of-proceeds instruments.
- The evaluation of use-of-proceeds instruments issued by financial institutions, sovereigns and supra-nationals is left to the discretion of the manager.

UNDERLYING PORTFOLIO - Carmignac is committed to adhering to the requirements of the Label for application to underlying portfolio.

At least 90% of underlying portfolios (measured by AUM) in our Belgian label portfolios are:

a) Underlying portfolios that have the Towards Sustainability label.
b) External underlying portfolios, for which the manager received a formal commitment by the managers of the underlying portfolios to be compliant with the label.
c) Underlying index-based portfolios evaluated on QS compliance using a look-through approach, if based on a solid regular monitoring and audit system. The look-through approach shall ensure that the composition of the indices is compliant with the exclusionary requirements of the QS.
d) To a maximum of 30% of underlying portfolios, (unlabelled) sovereign bonds portfolios that only invest in sovereign-issued instruments issued by States compliant with the criteria for high-income economies.

The remainder (max. 10% measured by AUM) of underlying portfolios are portfolios that promote ESG characteristics, comply with the Belgian label criteria on sustainable investments and consider principal adverse impacts on sustainability factors.

Underlying money market funds are considered cash-equivalent and are not evaluated if their only purpose is technical or for the hedging of risks.

4. FUND SPECIFIC EXCLUSIONS

a. ALCOHOL – Alcohol Producer – max % revs

The recent-year percent of revenue, or maximum estimated percent, a company has derived from manufacture of alcoholic products. Alcohol Producer must be < 10% revenues

b. GAMBLING – Gambling (any) – max % revs

The recent-year percent of revenue, or maximum estimated percent, a company has derived from gambling-related business activities.

Gambling must be < 2% revenues

c. CONVENTIONAL WEAPONS (10%) – Conventional Weapons – max % revs
The recent-year revenue (USD), or maximum estimated revenue, a company has derived from the production of conventional weapons.
Civilian Firearms – max % revs
The recent-year percentage of revenue, or maximum estimated percent, a company has derived from the manufacture and retail of civilian firearms and ammunition.
Sum of Conventional Weapons and Civilian Firearms must be < 10% revenues

d. OIL AND GAS EXPLORATION – Oil & Gas Exploration & Production (upstream) – % revs

This covers companies with activities in the exploration & extraction of O&G.
Companies with >5% revenues are excluded.

e. ANIMAL WELFARE – Animal Welfare – Factory Farming
Companies that are involved in commercial animal husbandry for the purpose of food production, including breeding, raising, and slaughtering pork, veal, poultry, and beef, as well as dairy and egg farm operators. This category does not include restaurants or other food establishments where meat products are sold.

Animal Welfare – PETA list
Companies that are on the People for the Ethical Treatment of Animals list of facilities that manufacture animal-tested products, as well as brands that are owned by companies that have not yet adopted a permanent "no animal testing" policy.

f. PALM OIL - Companies with revenues generated from the following business sectors are excluded: "Palm Farming", "Limited-Service and Fast Food Restaurants", "General Food and Beverage Production", "Personal Care and Cleaning Products", "Sweets and Snacks Production", "General Food Manufacturing and Processing".

Any company flagged is then cross checked with RoundTable on Sustainable Palm Oil (RSPO) list. An additional analysis is performed by Carmignac ESG Analyst to confirm exclusions or reinclusion.

Companies that are involved in Palm Oil industry, including producer, distributor, and ownership categories are excluded. Companies that respect the principles of Roundtable on Sustainable Palm Oil (RSPO) are not included.

5. IMPLEMENTATION

A. GUIDELINES

1. For company exclusions, all listed company-related investment instruments (e.g. equity, single issuer name derivatives and corporate bonds) are in scope.

2. Carmignac's in-house ESG team, supported by external data, tools and research providers, undertakes a series of ESG-themed assessments which identify companies within our investment universe that could qualify for potential exclusion.
3. Any new firm-wide sector exclusion is discussed within the Investment team, which is then submitted to Carmignac's Sustainable Investment Governance group for approval.
4. Cases of companies with controversial behaviour are discussed firstly within the Investment and Sustainable Investment team and if necessary are submitted to Carmignac's Sustainable Investment Governance group, for approval. The decision must be backed up with specific arguments.
5. For discretionary mandates and client-specific investments solutions, Carmignac will initially suggest clients apply the current Carmignac exclusion framework; but Carmignac may finally apply further / different restrictions if requested by client.
6. If company A is partially owned by company B and company B is involved in controversial behaviour, controversial weapons, thermal coal mining or tobacco, Carmignac will not exclude company A.
7. The list of excluded companies does not apply to index derivatives, whose administrators are external parties.
8. Excluded companies will be reviewed on a quarterly basis, using Carmignac's proprietary assessment framework, to check if relevant changes have been made to the company's activities or behaviour. A review of such changes may lead to the exclusion being lifted.
9. Once an invested company is placed on Carmignac's exclusion list, we will divest any holdings from our Funds within a defined and precise timeframe. Carmignac's Compliance team monitors adherence. Any identified breach to the defined timeframe would be dully escalated to the ESG Governance Group.

B. GOVERNANCE AND MONITORING OF THE POLICY

Carmignac's Sustainable Investment Governance Group, composed of several Carmignac Senior Managers, oversees the adequate implementation and update of the exclusion policy at the firm level. Acting as an escalation body, this governance group decides on the additions and/or deletions and to approve exceptions of the exclusion list should that be necessary.

An operational framework is also in place to manage our exclusion list. Exclusions are monitored by the Investment Management and the Sustainable Investment team as a first level of control through the portfolio management trading system where hard exclusions of sectors and processes mentioned in this exclusion policy are registered and cannot be traded. The Compliance team acts as a second level of control and ensures that the applied exclusion strategy complies with the various constraints (regulatory, statutory and internal), using the software Bloomberg Compliance Manager tool (CMGR).

6. APPENDIX

7. UN GLOBAL COMPACT PRINCIPLES

- **Human Rights:** Businesses should

Principle 1: support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

- **Labour Standards:** Businesses should

Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

- **Environment:** Businesses should

Principle 7: support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies

- **Anti-Corruption:** Businesses should

Principle 10: work against all forms of corruption, including extortion and bribery.

Source: www.unglobalcompact.org.uk/the-ten-principles/

8. OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Enterprises should take fully into account established policies in the countries in which they operate and consider the views of other stakeholders. In this regard, enterprises should:

1. Contribute to economic, environmental and social progress with a view to achieving sustainable development.
2. Respect the internationally recognised human rights of those affected by their activities.
3. Encourage local capacity building through close co-operation with the local community, including business interests, as well as developing the enterprise's activities in domestic and foreign markets, consistent with the need for sound commercial practice.
4. Encourage human capital formation, in particular by creating employment opportunities and facilitating training opportunities for employees.
5. Refrain from seeking or accepting exemptions not contemplated in the statutory or regulatory framework related to human rights, environmental, health, safety, labour, taxation, financial incentives, or other issues.
6. Support and uphold good corporate governance principles and develop and apply good corporate governance practices, including throughout enterprise groups.

7. Develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate.
8. Promote awareness of and compliance by workers employed by multinational enterprises with respect to company policies through appropriate dissemination of these policies, including through training programmes.
9. Refrain from discriminatory or disciplinary action against workers who make bona fide reports to management or, as appropriate, to the competent public authorities, on practices that contravene the law, the Guidelines or the enterprise's policies.
10. Carry out risk-based due diligence, for example by incorporating it into their enterprise risk management systems, to identify, prevent and mitigate actual and potential adverse impacts as described in paragraphs 11 and 12, and account for how these impacts are addressed. The nature and extent of due diligence depend on the circumstances of a particular situation.
11. Avoid causing or contributing to adverse impacts on matters covered by the Guidelines, through their own activities, and address such impacts when they occur.
12. Seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship. This is not intended to shift responsibility from the entity causing an adverse impact to the enterprise with which it has a business relationship.
13. In addition to addressing adverse impacts in relation to matters covered by the Guidelines, encourage, where practicable, business partners, including suppliers and sub-contractors, to apply principles of responsible business conduct compatible with the Guidelines.
14. Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities.
15. Abstain from any improper involvement in local political activities

Source: http://mneguidelines.oecd.org/

9. ILO DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK

Adopted in 1998, the Declaration commits Member States to respect and promote principles and rights in four categories, whether or not they have ratified the relevant Conventions.

These categories are: freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labour, the abolition of child labour and the elimination of discrimination in respect of employment and occupation.

10. DISCLAIMER

Singapore as restricted foreign scheme (for professional clients only). The Fund has not been registered under the US Securities Act of 1933. The Fund may not be offered or sold, directly or indirectly, for the benefit or on behalf of a "U.S. person", according to the definition of the US Regulation S and/or FATCA. The Fund presents a risk of loss of capital. The risks and fees are described in the KID (Key Information Document). The Fund's prospectus, KIDs and annual reports are available at www.carmignac.com, or upon request to the Management Company. The KID must be made available to the subscriber prior to subscription. The Management Company can cease promotion in your country anytime. Investors have access to a summary of their rights in English on the following link at section 6: https://www.carmignac.com/en_US/article-page/regulatory-information-1788

- **In Switzerland**, the Fund's respective prospectuses, KIDs and annual reports are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland) S.A., Route de Signy 35, CH-1260 Nyon.The paying agent is CACEIS Bank, Montrouge, Nyon Branch / Switzerland, Route de Signy 35, 1260 Nyon.

- **In the United Kingdom**, the Funds' respective prospectuses, KIDs and annual reports are available at www.carmignac.co.uk, or upon request to the Management Company, or for the French Funds, at the offices of the Facilities Agent at BNP PARIBAS SECURITIES SERVICES, operating through its branch in London: 55 Moorgate, London EC2R. This material was prepared by Carmignac Gestion, Carmignac Gestion Luxembourg or Carmignac UK Ltd and is being distributed in the UK by Carmignac Gestion Luxembourg.

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