

Socially Responsible Investment Guidelines

Carmignac Portfolio Emergents



Sustainability is at the heart of our equity 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
- ▶ **Minimizing the impact on the environment** with a portfolio whose carbon footprint is lower than its reference indicator (MSCI EM) and close to the one of the MSCI EM Low Carbon Target index
- ▶ **Identification and exclusion** of controversial sectors

Favoring companies that bring solutions to social and environmental challenges

FINANCING THE FUTURE



OFFERING INNOVATIVE TECHNOLOGIES



FINANCING SUSTAINABLE TECHNOLOGIES



IMPROVING LIVING STANDARDS



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



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. 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.



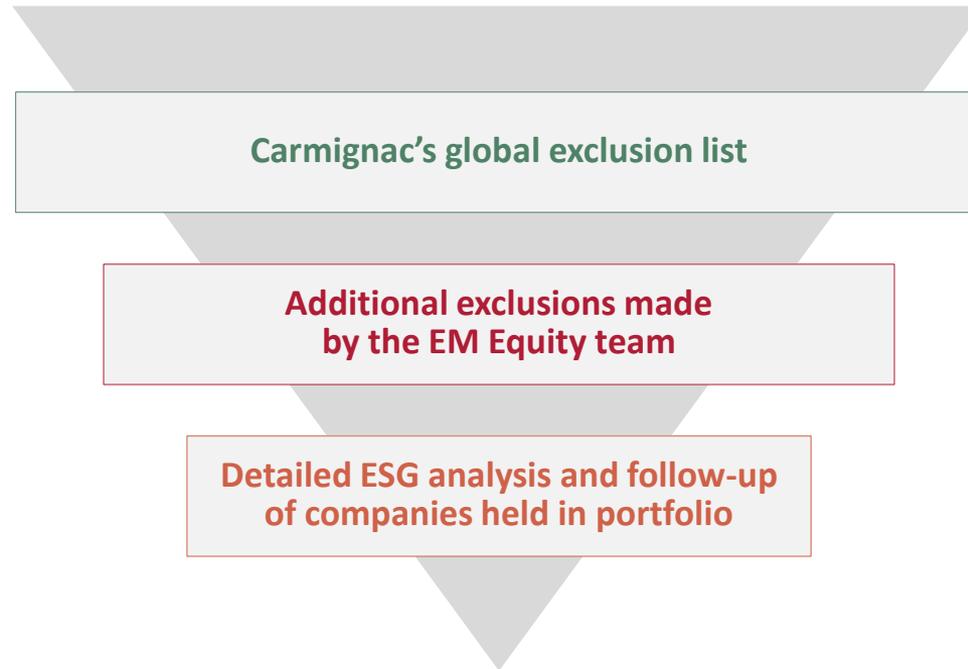
Step 4
Monitoring



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**.

Exclusion Policy

The Emerging Market Equity team has extended the company's global exclusion list with its own specific convictions



Exclusion Policy – Company Level

Carmignac Global Exclusion List



Exclusions

Hard restrictions (transactions are prohibited and blocked on trading tools):

- ✘ Controversial weapon companies
- ✘ Tobacco producers
- ✘ Coal producers*
- ✘ Russian company sanction list
- ✘ US Patriotic Act exclusions
- ✘ Human Rights Violations exclusions
- ✘ Oslo/Ottawa Treaty exclusions

Soft restrictions (transactions are not prohibited nor blocked on trading tools but subject to systematic monitoring and reporting by the compliance department)

- ✘ Nuclear companies

*Coal producers with over 25% revenues from coal extraction are excluded in our equity funds. This does not apply to Carmignac Portfolio Commodities. Exclusion lists are updated on a quarterly basis.

Exclusion Policy for Carmignac Portfolio Emergents

Additional exclusions made by the EM Equity team



Exclusions

- ✘ Companies that derive more than 5% of their revenues from the extraction of **thermal coal**
- ✘ **Oil sands companies** that derive more than 1% of total production from oil sands
- ✘ **Adult entertainment companies** that derive any turnover from the production of pornographic materials
- ✘ **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**

A “Socially Conscious” Fund¹

A strong recognition of our ESG strengths by Morningstar and MSCI ESG

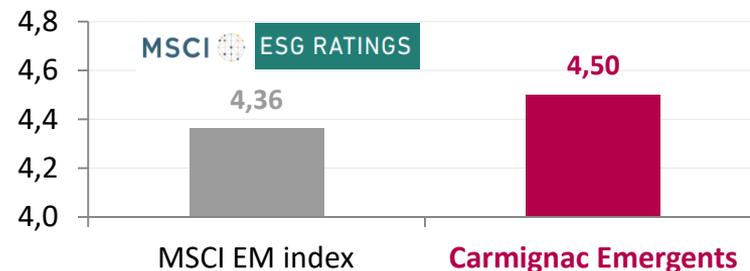
‘Socially conscious’ tag² (Morningstar)

The Fund is identified as a **“socially conscious”** by Morningstar.



ESG score³ (MSCI ESG)

Thanks to its rigorous investment process, the Fund has a **higher** MSCI ESG score than its reference indicator, the MSCI EM index.

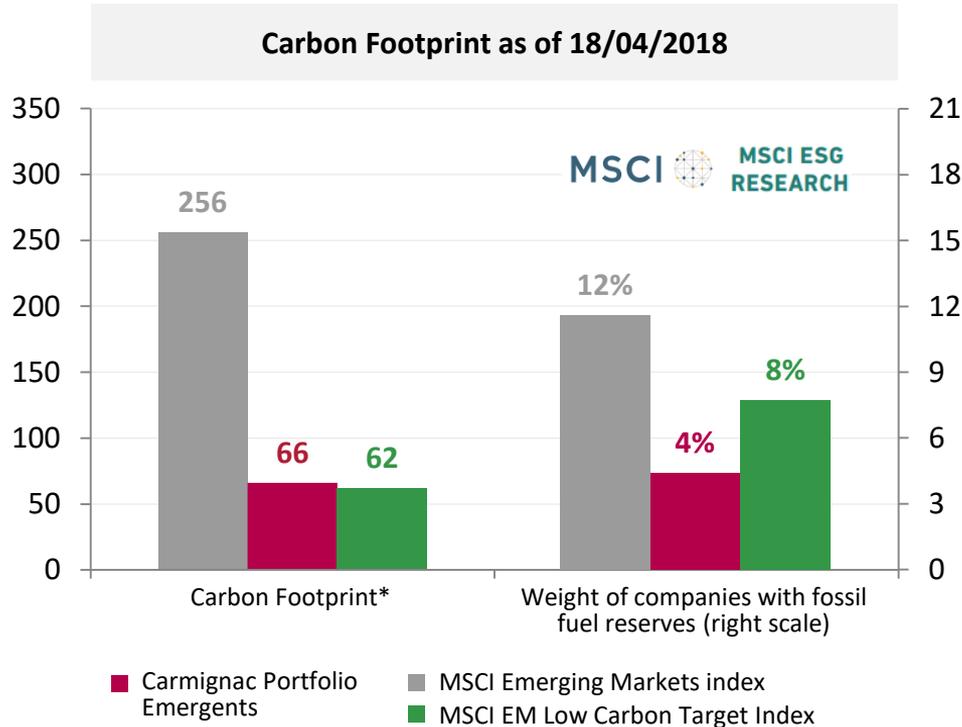


(1) The SRI labeling process is ongoing.

(2) Source: Morningstar, 2018. © 2018 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

(3) Source: MSCI Portfolio Analytics, 31/12/2017. All scores are on a 0-10 scale, with 10 being the best. If ESG coverage is less than 100% holdings are adjusted to 100% for report calculations. The MSCI ESG score is updated on an annual basis.

A Low Carbon Emission Portfolio



Investment strategy and transparency regarding carbon emissions

Our specific carbon risk policy is as follows:

- ▶ Minimizing the environmental impact with a portfolio whose carbon footprint is lower than its reference indicator (the MSCI EM index) and close to the one of the MSCI EM Low Carbon Target
- ▶ 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

*CO2 Tons equivalent per million dollars invested
 Source: MSCI Carbon Portfolio Analytics, Carmignac, 18/04/2018.

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