TRANSPARENCY CODE

Carmignac's Emerging Market Funds adopting a Socially Responsible Investment (SRI) approach

October 2020

Statement of Commitment
Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of **Carmignac**. We have been involved in SRI since 2012 and welcome the Transparency Code. This is our third statement of commitment and covers the period 31/10/2019- 31/10/2020 Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website.
Compliance with the Transparency Code
Xavier Hovasse, Charles Zerah and Joseph Mouawad are committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. **Carmignac** meets the full recommendations of the European SRI Transparency Code. **31/10/2020**

Name of the fund(s):	- Carmignac Emergents - Carmignac Portfolio Emergents - Carmignac Portfolio Emerging Patrimoine				
Dominant / preferred SRI strategy	**Asset class**	**Exclusions standards and Norms**	**Fund capital as at 30/09/2020**	**Other labels**	**Links to relevant documents**
□ Best-in-Class Investment section ■ Engagement & Voting ■ ESG Integration ■ Exclusions □ Impact Investing ■ Norms-Based Screening ✓ Leading to exclusions ✓ Leading to risk management analysis / engagement □ Sustainability-Themed	**Passively managed** □ Passive investing – core benchmark: specify the index tracking □ Passive investing – ESG/SRI benchmark: specify the index tracking **Actively managed** □ Shares in a euro area country □ Shares in an EU country ■ International shares □ Bonds and other debt securities denominated in euro ■ International bonds and other debt securities □ Monetary assets □ Short-term monetary assets □ Structured funds	■ Controversial weapons □ Alcohol ■ Tobacco ■ Arms ■ Nuclear power ■ Human rights ■ Labour rights □ Gambling ■ Pornography □ Animal testing □ Conflict minerals □ Biodiversity □ Deforestation ■ CO2 intensive (including coal) □ Genetic engineering ■ Other (please specify) Non-conventional and conventional energy Meat processing ■ Global Compact ■ OECD Guidelines for MNCs ■ ILO Conventions □ Other (please specify)	Carmignac Emergents: €759 M Carmignac Portfolio Emergents: €172 M Carmignac Portfolio Emerging Patrimoine: €429 M	■ French SRI label □ French TEEC label □ French CIES label □ Luxflag Label □ FNG Label □ Austrian Ecolabel □ Other (please specify) Belgian Quality Standards label for Carmignac Emergents and Carmignac Portfolio Emergents	**- KIID:** Carmignac Emergents https://docs.publifund.com/kiid/FR0010149302/en_LU Carmignac Portfolio Emergents https://docs.publifund.com/kiid/LU0992626480/en_LU Carmignac Portfolio Emerging Patrimoine https://docs.publifund.com/kiid/LU0992631647/en_LU **- Prospectus** **Carmignac Emergents** https://www.carmignac.co.uk/PL_CE_5_UK_en.pdf?source=website **Carmignac Portfolio Emergents** https://www.carmignac.co.uk/PL_PE_27_UK_en.pdf?source=website **Carmignac Portfolio Emerging Patrimoine** https://www.carmignac.co.uk/PL_CEMP_22_UK_en.pdf?source=website **- Management report** **Carmignac Emergents** https://www.carmignac.fr/AR_CE_5_FR_en.pdf?source=website **Carmignac Portfolio Emergents** https://www.carmignac.fr/AR_PE_27_FR_en.pdf?source=website

					Carmignac Portfolio Emerging Patrimoine https://www.carmignac.fr/AR_CEMP_22_FR_en.pdf?source=website **- Financial and non-financial reporting** Carmignac Emergents https://www.carmignac.fr/AR_CE_5_FR_en.pdf?source=website **Carmignac Portfolio Emergents** https://www.carmignac.fr/AR_PE_27_FR_en.pdf?source=website **Carmignac Portfolio Emerging Patrimoine** https://www.carmignac.fr/AR_CEMP_22_FR_en.pdf?source=website

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1. General information about the fund management company

1.1. Name of the fund management company that manages the applicant fund(s)

For the French Mutual Funds (i.e. Fonds Commun de Placement), Carmignac Emergents, the management company is:

CARMIGNAC GESTION
24, place Vendôme - F-75001 Paris - Tél : (+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

For the sub-funds of the Luxembourg SICAV Carmignac Portfolio, Carmignac Portfolio Emergents and Carmignac Portfolio Emerging Patrimoine, the management company is:

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

Carmignac Gestion Luxembourg has delegated the investment management of both above listed funds to Carmignac Gestion.

1.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

Carmignac, empowered through its independence and transparency since 1989, has maintained a long-held practice of investing responsibly, aware of its corporate duty to its investors and stewardship as a leader in the European fund management industry. Its ethical values in respect to society and environment, can be seen in the company wide scrutiny of tobacco producers and the coal industry .

As Risk Managers, Carmignac seeks to mitigate as many risk factors as it can identify, this very resolutely includes risks associated with poor governance and shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges particularly in respect of fossil fuel reserves.

Since 2012, Carmignac, as a UNPRI signatory (United Nations Principles of Responsible Investment) and a French investment firm (under the French government's directive Grenelle II Law, art 224-238, 2010), has raised the level of its transparency in regards to the application of Environment, Social and Governance (ESG) criteria in its investment process. Each UNPRI principle has been implemented across most of its Fund range.

https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742

1.3. How does the company formalise its sustainable investment process?

Carmignac formalises its Sustainable investment process through several policies.

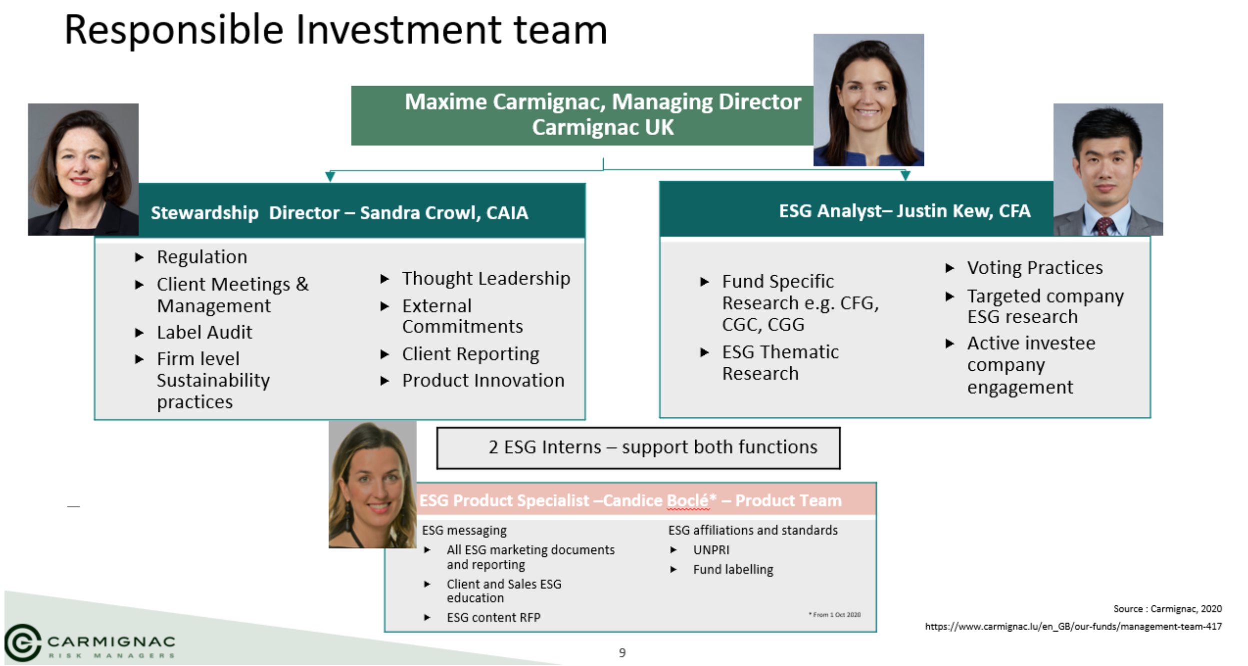
- ESG integration policy
- Exclusion Policy
- Voting and Engagement Policies
- Climate and Carbon report Policies

Which can be found at https://www.carmignac.lu/en_GB/responsible-investment/policy

These policies are implemented across the whole fund range.

Our Responsible Investment resources

Carmignac has a dedicated Responsible Investment team to support the investment team headed by Sandra Crowl as Stewardship Director. She reports to Maxime Carmignac, Managing Director of Carmignac UK, member of the executive board of Carmignac, who leads the responsible investment philosophy and startegy at the corporate level and fund level innovation and ESG solutions. The role of the Stewardship Director is to oversee the implementation of the responsible investment process and practices, investor communication, fund labeling process, affiliations, industry thought leadership and new product innovation. The ESG analyst is responsible for the ESG framework, fund specific research, ESG thematic and targeted research, active investee company engagements, voting practices and leads industry thought leadership. The Responsible Investment team have 2 full time ESG interns and is also supported by an experienced, dedicated ESG product specialist employed within our Product team.


Responsible Investment team
Maxime Carmignac, Managing Director Carmignac UK
Stewardship Director – Sandra Crowl, CAIA
Regulation
Client Meetings & Management
Label Audit
Firm level Sustainability practices
Thought Leadership
External Commitments
Client Reporting
Product Innovation
ESG Analyst– Justin Kew, CFA
Fund Specific Research e.g. CFG, CGC, CGG
ESG Thematic Research
Voting Practices
Targeted company ESG research
Active investee company engagement
2 ESG Interns – support both functions
ESG Product Specialist –Candice Boclé* – Product Team
ESG messaging
All ESG marketing documents and reporting
Client and Sales ESG education
ESG content RFP
ESG affiliations and standards
UNPRI
Fund labelling
* From 1 Oct 2020
Source : Carmignac, 2020
https://www.carmignac.lu/en_GB/our-funds/management-team-417
CARMIGNAC RISK MANAGERS
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1.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?[1]

Mainstream ESG approach

As of 30/09/2020, close to 100% of our assets under management take into account ESG criteria.

In July 2020, Carmignac launched a firm wide proprietary ESG research system called START* that enables us to systematically integrate ESG research into the investment process. This system aggregates information: carbon emissions data, raw company ESG data, external ratings, impact statistics and a controversies data source. The portfolio managers and analysts proprietary extra financial analysis offer human insight and forward looking approach to the automated ESG scoring system START, the ESG scores of which are calculated according to a proprietary algorithm of reported raw company ESG indicators that are sorted for our predefined peer group (capi, region and 90 sub industry groups) which sits inside our MackeyRMS front office portal. These quantitative assessments are augmented by a written investment rationale composed by the investment team or the ESG analyst in the START system , as well as any granular commentary of ongoing ESG risks. Our ESG research system is built on a framework based on past academic research and the work of various industry bodies such as the Sustainable Accounting Standards Board (SASB), Global Reporting Initiative (GRI), in order to conduct comprehensive ESG analysis. We believe that this integration reduces the potential negative financial impact on companies' valuations, and we hope to capture rising momentum when companies are improving ESG related risks.

Carbon emissions are monitored and measured for each equity fund annually. From October 2020, our funds carbon emissions will be measured through the START platform and reported monthly for our SRI and ESG thematics funds.
Individual carbon reports can be found in the annual reports of each fund as well as on our specific SRI website. Through our energy related exclusions seen below the firm limits exposure to potential stranded assets and transition risks due to climate change.
A negative screening is applied, according to the following parameters. These exclusions are updated quarterly and are hard wired into our portfolio management system. In this manner we exclude sectors, activities or countries that we believe embed ESG risks.

- Controversial weapon manufacturers which make 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 or 20 million tonnes from extraction
- Power generators that produce more CO2/kWh than the defined thresholds aligned with the Paris Agreement and that can be found in our exclusion policy, or do not publish their CO2 emissions despite having coal power plants

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**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.*

- 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.

Treatment of controversies - A controversy does not necessarily trigger a sell of the given position. Environmental accidents are never easy to predict but lessons can be learned and companies can improve. That is why we believe that an ESG approach solely based on favouring ESG best in class, green sectors, etc., shows a good sign to corporates to behave better, but is not necessarily the only way. We, as investors, should of course reward the good student, but not systematically leave the bad student behind. As shareholders, we can influence and interact with companies, starting simply with participating in all shareholder votes, with a sustainability objective, with more than a short term performance or dividend payment focus.

Carmignac has committed to an active voting policy and engagement policy that has been integrated into the Investment Management Team's internal guidelines. Engagements may occur with the Management of the companies in which we invest and often include engagement on environmental issues and carbon emission transparency:

1. Prior to investment, as part of the due diligence done to build the investment rationale
2. After controversies or during the investment period
3. At Annual General Meetings where sustainability preferences may be discussed and challenged.

These engagements are registered internally. Important engagements are documented in the funds' annual report. In addition, a summary Engagement Report is published on our website denoting type, region, and sector of Engagement. https://www.carmignac.lu/en_GB/responsible-investment/policy

Funds with a Socially Responsible approach

Carmignac also offers a range of funds that adopt a Socially Responsible approach noted in the funds' prospectuses. Negative screening, through Norms based, ethical and climate related exclusions, and positive social and environmental screening, active voting policy and low carbon emissions policies have been adopted within the strategies. There are also an increased range of ESG thematic funds.

The fund information can be found in the following links or through our dedicated Responsible Investment (RI) web page.
https://www.carmignac.lu/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526

<u>SRI Funds</u>

- **Carmignac Portfolio Grande Europe (European Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-portfolio-grande-europe-a-eur-acc

- **Carmignac Emergents (Emerging Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-emergents-a-eur-acc

- **Carmignac Portfolio Emergents (Emerging Markets – Equities)**
  https://www.carmignac.fr/en/carmignac-portfolio-emergents-f-eur-acc

- **Carmignac Portfolio Emerging Patrimoine (Emerging Markets – Mixed)**
  https://www.carmignac.fr/en/carmignac-portfolio-emerging-patrimoine-a-eur-acc

- **Carmignac Portfolio Family Grandchildren**
  https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-grandchildren/a-eur-acc/fund-overview-and-characteristics

- **Carmignac Portfolio Patrimoine Europe**
- https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-patrimoine-europe/a-eur-acc/fund-overview-and-characteristics

<u>Thematic Funds</u>

- **Carmignac Portfolio Family Governed**
  https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-family-governed/a-eur-acc/fund-overview-and-characteristics

- **Carmignac Portfolio Green Gold**
  https://www.carmignac.lu/en_GB/funds/carmignac-portfolio-green-gold/a-eur-acc/fund-overview-and-characteristics

Emerging market funds: Carmignac Emergents, Carmignac Portfolio Emergents and Carmignac Portfolio Emerging Patrimoine are under the scope of this Transparency Code.

Within challenging regions and sectors in terms of ESG risks, such as emerging markets, we see an ESG approach even more indispensable to mitigate short, as well as, long term risks. Consequently, for our emerging market funds Carmignac Emergents, Carmignac Portfolio Emergents and Carmignac Portfolio Emerging Patrimoine, the whole investment process is emphasizing sustainability - not only in terms of ESG but also financially, looking at countries, sectors' growth prospects, companies' debt levels, countries' balance of payments, etc.

In addition to the carbon monitoring described for the mainstream funds, the socially responsible funds objective is to offer low carbon portfolios which is monitored through our ESG system START and our carbon data source portal. The fund seeks to achieve a carbon emissions target of 30% below its reference indicator measured in carbon intensity (tCO2/ M USD, converted in Euros, Scope 1 and 2, GHG Protocol).

1.5. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
□ ECCR – Ecumenical Council for Corporate Responsibility ◘□ EFAMA RI WG □ European Commission's High-Level Expert Group on Sustainable Finance □ ICCR – Interfaith Center on Corporate Responsibility ◘ National Asset Manager Association (RI Group) ◘ PRI - Principles For Responsible Investment	□ CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) □ Climate Bond Initiative □ Green Bond Principles □ IIGCC – Institutional Investors Group on Climate Change □ Montreal Carbon pledge □ Paris Pledge for Action □ Portfolio Decarbonization Coalition □ Other (please specify) ◘ Climate Action 100 +	□ Access to Medicine Foundation □ Access to Nutrition Foundation □ Accord on Fire and Building Safety in Bangladesh □ Other (please specify) UN Women's Empowerment Initiative ◘Tobacco Finance Free pledge	□ ICGN – International Corporate Governance Network □ Other (please specify) ◘ Share Action

☐ SIFs - Sustainable Investment Fora ◘ Other ▪ AFG, France SRI working group ▪ IA, UK SRI working group ▪ ALFI, Luxembourg SRI Working group	◘ TCFD		

1.6. What is the total number of SRI assets under the company's management?

- Assets under management implementing ESG criteria: 34.29 billion euros
- Assets under management offering a Socially Responsible approach: 2.4 billion euros

Source: Carmignac, as of 30/09/2020

2. General information about the SRI fund(s) that come under the scope of the Code

2.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

At Carmignac, we believe that ESG incorporation is not only a "green tag", or a "nice to have". Indeed, we believe that an asset manager's number one fiduciary duty to its investors is to mitigate as much risk as it can identify. This very resolutely includes risks associated with poor governance, shareholder underrepresentation, irreverence to social issues such as health and safety, and environmental challenges. ESG implementation can be, and often has been, a driver of long term performance as it goes hand in hand with sustainability.

Asset managers, like us at Carmignac, managing the savings of investors, often their future pension, have to see long term and not short term. As such, companies that decide to favour short term success at the cost of higher ESG risks (or any other higher risk) may encounter difficulties in making profitable investments over the long term.

2.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

The Portfolio Managers and Analysts are responsible for ESG analysis. In addition, the ESG analyst takes an active role in ESG assessment, as well as in the engagements necessary following on from ESG risk identification, controversies or affiliation related collective enagements. During the due diligence directly with Corporations as part of the investment rationale, ESG risk and opportunities are identified and discussed. External ESG data sources are aggregated as discussed on our START platform from the following data providers: Trucost, Refinitiv, MSCI and ISS.

Corporate bond analysts as well as the equity portfolio manager and ESG analyst also respect the requirement for ESG assessment for each issuer. Relevant ESG risks and opportunities are evaluated and documented within the investment rationale and on our ESG system START, during issuer roadshows, and should it be relevant after reporting season. MSCI ESG research can be used as an addition to proprietary research if necessary. Corporate bond selection respects the firm wide exclusions across the mainstream funds and also wider exclusions within the Socially Responsible funds where applicable. When a controversy occurs during the investment, mainstream analysts, Portfolio Managers and the ESG analyst engage directly with the management of the issuer to determine, either, a resolution to the controversy or an exit from the investment.

2.3. What ESG criteria are taken into account by the fund(s)?

Depending on the geographic region and sector, ESG criteria may vary. The START System incorporates 31 ESG indicators that compose the companies scoring sorted in percentiles within the same peer groups. However here are the most common elements the Portfolio Managers and Analysts assess in the investment rationale:

- **Environment:** The scope of Carmignac's interest includes the impact of companies on the environment and their ability to propose services and products which respond to environmental challenges and particularly climate change. Environmental issues which the investment team considers and renders transparent could include companies' treatment of carbon emissions, pollution, waste, and water usage.

- **Social:** Carmignac focuses on monitoring the impact of companies with all of their stakeholders (suppliers, employees, consumers) across the value chain and the increasing public expectations of social responsibility. Social issues the firm considers could include all types of employment abuses, staff turnover metrics, diversity, work place health and safety, income distribution, and product safety.

- **Governance:** Carmignac focuses on the enhanced value created by companies that encourage governance ethics. Governance issues the firm considers could include any tendency towards uses of bribery and corruption, government's involvement and impact on management, board independence, executive compensation, and anticompetitive practices.

  In addition to 30+ ESG indicators of company data that can be monitored on the Carmignac proprietary ESG system START, the Funds under the scope of this Transparency Code track the progress of 5 specific E, S, G and Human Rights indicators for the fund, a set of quantifiable data points established as performance measures. They seek to compare and manage the evolution of these indicators against the reference index and across companies. They also serve to drive further research and corporate engagement.
  The ESG & HR report can be accessed at https://www.carmignac.co.uk/en_GB/funds/fp-carmignac-emerging-patrimoine/a-gbp-acc-hgd/documents-and-reports and https://www.carmignac.co.uk/en_GB/funds/carmignac-emergents/a-eur-acc/documents-and-reports.

2.4. What principles and criteria linked to climate change are taken into account in the fund(s)?[2]

Carmignac has made climate awareness a formal component of its investment process, joining the efforts undertaken as part of the Cop21 initiatives and adhering to Energy Transition Rule No 173 of the Monetary and Financial Code of the French government (L533-22-1 du Code Monétaire et Financier). Through a diversified investment policy that is not constrained by its benchmarks, our Funds underweight sectors with high carbon emissions, particularly coal industry and Utilities. Besides, investing in sustainable technologies is a key priority for our Funds.

Carmignac Emergents and Carmignac Portfolio Emergents have committed to a target of 30% minimum lower carbon intensity than their reference indicators as measured by tCO_2/ M USD (Scope 1 and 2, GHG Protocol) from October 2020. Secondly, the portfolio manager screens companies that are providing sustainable solutions as will be described later.

Please see in **3.2.** how these criteria are integrated into our portfolio construction.

[2]Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697

2.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

The investable universe is first built by a top down country selection with healthy macro-economic fundamentals, high domestic growth and sound current account balances and balances of payments.
Once a country has been selected for its sustainable positive fundamentals, sectors are picked based on under-penetration, which ensures investments are viable long term in terms of growth. The investment process puts emphasis on capital-light companies offering attractive and sustainable free cash flow generation capable of self-financing their growth. The equity investment universe in all 3 funds under the scope of this Tranparency Code is reduced from around 1365 emerging country companies by the country, underpenetration, sustainable free cash flow and low gearing screening to 578 stocks.

For Carmignac Emergents and Carmignac Portfolio Emergents, the exclusions derived from ESG criteria further reduce the investable universe from approximately 580 stocks after the financial screening to approximately 460 names after screening on ESG criteria. For Carmignac Portfolio Emerging Patrimoine, the exclusions derived from ESG criteria further reduce the corporate bonds investable universe from approximately 318 issuers after the financial screening to approximately 254 names after screening on ESG criteria. This corresponds to an elimination of over 20% of companies based on ESG factors, reviewed quarterly and compliant with the specifications of the French SRI Label.

ESG Integration for the equity investments

Once a country has been selected for its positive fundamentals and has been scored using our proprietary qualitative Sustainability assessment for sovereign bond choices, sectors are picked based on under-penetration, which ensures investments are viable long term in terms of growth. This naturally favours sustainable themes, such as improving living standards, innovation, clean technologies, financing the future, etc. At a company level, the financial criteria of low net debt and sustainable free cash flow generation, tends to mechanically weight the portfolio away from highly polluting or controversed industries. In addition to tobacco, coal, unconventional energy and conventional oil based energy company exclusions, all arms companies, pure play adult entertainment companies, meat processing companies are also excluded from the equity investment universe. Conventional and unconventional oil based energy companies are not excluded from the debt portion of the Carmignac Portfolio Emerging Patrimoine Fund.

Negative screening that is described below is applied either through the hard exclusions implemented across the fim and fund level, or the exclusion of companies for their controversial activities or events of the recent past.

The ESG analysis follows the same principles as for the mainstream funds. ESG analysis allows the investment team to mitigate ESG related risks and to engage with companies should risks be indentified. Each company is analysed for ESG risks, which is permitted through the platform START that aggregates raw ESG indicators that are then sorted into percentiles within common peer groups. The proprietary score is monitored alongside the MSCI ESG ratings.

Written assessments are noted in our front office system Mackey RMS which also contains the START system which is updated usually annually or when controversies or ESG related events occur. A dialogue with the company directly enables any questions regarding ESG related risks to be answered.

ESG opportunities are also identified. Companies, as they improve governance practices, either through the pressure from shareholders or the increasing Western-like stringent rules of emerging market stock exchanges provide good investment opportunities. Whilst traditional ESG ratings may still not reflect the improvement in companies practices, we do take the opportunity to invest in companies that are making 'best efforts' to mitigate such risks. Other improvements in environmental or social practices may also lead to investments in what have been controversed companies in the past.

Negative Screening

The fund universe is refined by the application of Negative Screening within the front office portfolio management system which prevents investments in companies that are involved in the following sectors and activities :

1) **Carmignac firm-wide exclusion list:**

- Controversial weapon manufacturers which make 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 or 20 million tonnes from extraction
- Power generators that produce more CO2/kWh than the defined threshold** or do not publish their CO2 emissions despite having coal power plants
- 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.

2) **Carmignac Emergents, Portfolio Emergents and Emerging Patrimoine exclusion list:**

Energy Exclusions

- 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 limited to 3% of the portfolio assets*
- Power generation companies* must not exceed 408 gCO2/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

*Only for the equity portfolios and equity part of Carmignac Portfolio Emerging Patrimoine

Ethical 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

*Only for the equity portfolios and equity part of Carmignac Portfolio Emerging Patrimoine

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 companies *that have a minimum 40% of renewable and or gas revenues*
(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 l .
Exclusion lists are updated on a quarterly basis
Source Carmignac, October 2020

Positive screening

We align our criteria to seeking investments in activities that are underpenetrated in the market in which they operate with the objectives to seek investments within the four themes: financing the future, financing sustainable & innovative technologies and improving living standards. Therefore particular attention is given to the manner in which companies can positively contribute to these aims.

ESG integration of the corporate bond part of Carmignac Portfolio Emerging Patrimoine

The fund manager may invest, according to existing opportunities, in both investment grade and high yield bonds, provided that the average minimum rating is BBB-/Baa3. The Emerging issuer universe (around 650 single issuers) is filtered for liquidity, credit rating and spread which reduces the universe to around 320 issuers. Secondly the number of issuers are filtered on ESG criteria: by excluding issuers involved in E, S or G controversies and by applying the firm wide exclusion list as detailed in the mainstream approach 1.4). An extended specific fund exclusion list is also applied at the corporate bond level: tobacco, coal (10% revenues), adult entertainment, meat processing companies as noted above. The investable universe contains around 254 issuers.

Sector allocation of corporate bonds depends on Carmignac’s core macro-economic scenario as well as on the underpenetrated sector screening. Once allocation choices have been made, the portfolio manager will select the issuers that are the most relevant. The issuer selection process is focused on benefiting from spread reduction while minimizing the default risk. During this phase, the portfolio manager uses Carmignac’s in-house expertise on both equities and fixed income instruments in order to build a dynamic view of credit markets.

The credit team incorporates ESG factors in issuer analysis which is facilitated through the use of the START system which aggregates raw ESG indicators. ESG risks and opportunities are evaluated and documented within the investment rationale should it be relevant after reporting season.
The ESG analyst or the equity portfolio manager can be solicted for detailed ESG analysis and MSCI ESG research can be used as an addition to proprietary research if necessary and if the company is covered by MSCI. For corporate debt, MSCI ratings as well as the proprietary START score are allocated and monitored. Our proprietary analysis completes the ESG integration. Corporate bond selection respects the firm wide and also fund specific exclusions in the fund as stated above (except the energy sector and conventional weapons restrictions). Should there be any ESG-related controversies, the credit team, equity portfolio manager or the ESG Analyst engage with companies to seek resolution.

ESG integration of the sovereign bond part of Carmignac Portfolio Emerging Patrimoine

The team selects countries with healthy macro-economic fundamentals, high domestic growth and sound current account balances and balance of payments.

In order to have a holistic view of the macro-economic environment, the emerging markets team works closely with the Cross Asset team and country experts, and uses proprietary tools to analyse and monitor economic cycles and risks specific to each geographical area. Country selection is made respecting country restrictions/exclusion list and based on positive economic and governance screening.

With the aid of a proprietary Sovereign Sustainability rating the management team seek to identify Social and Governance risks and opportunities. The following indicators are examined through the use of globally recognised impact monitors such as the IMFs fiscal monitor the World Justices' Project Rule of law, Reporters Without Borders World Press Freedom index:

- CO2 per capita
- Share of Renewables
- GDP per capita PPP[1]
- Life expectancy
- GINI
- Education
- Ease of doing business
- Fiscal Position
- Debt as years of Revenue Position
- Current Account Position

These indicators are scored with a positive, neutral or negative score. Even though no hard rule is imposed, should a country be awarded a negative score it would be most likely excluded from the investment universe. This rating is updated on a 6 monthly basis or when a new investment case arises.

The Fixed Income analyst is responsible for the methodology and screening, however the allocation of the score is approved in a collegiate manner.

The team confirms the macro-economic analyses through regular on the ground visits where they get a grasp of the local economic activity and meet government bodies, central bank officials, local entrepreneurs, etc.

Based on the identified macroeconomic trends, the portfolio manager will select the countries for investment.

2.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

MSCI ESG Ratings are our public and portfolio guidelines reference for the portfolio. Where there is no coverage by MSCI, the investment team allocates a rating through the START system. Ratings by MSCI are updated annually or as these ratings updates occur. The overall portfolio is monitored frequently for assessment of average ratings.

Engagements occur directly with companies regarding E, S or G issues and are subject to a specific reporting via email or summary in the front office database (Mackey RMS).

Fund managers, analysts and the ESG analyst engage with companies' management during due diligence before investment decisions are made. For companies we invest in, there are regular discussions and follow up of topics during meetings with the companies.

When controversies occur, fund managers and analysts are responsible for the engagement and follow up with their respective companies. The ESG committee can also request that the fund managers and analysts engage with a company on a specific topic or controversy. These are documented and visible to all investment staff in the front office database (Mackey RMS). Outcomes are usually anticipated within 3 months.

3. Investment process

3.1. How are the results of the ESG research integrated into portfolio construction?

For the Socially Responsible funds, ESG scores are an indication of risk and opportunity but are not used exclusively as the only criteria for investing. The investment universe is also filtered based on financial criteria such as free cash flow yields, return on investment and leverage ratios. Then a negative screening is applied, excluding controversed sectors, such as controversial arms, global norms based restrictions, UN or EU company or country sanction lists, tobacco , coal producers and meat processing companies.

Companies identified as offering sustainable activities may be found within a specific universe (best-in-universe) in quite a non-benchmarked manner. Also, investments may be made in companies that are improving their ESG practices and addressing their previous ESG-related controversies, and for which we believe the companies' valuations will benefit (best-efforts). Companies that manifest financial attributes, but may embody some potential ESG risk, will be sized lower according to its risk.

The monitoring of both MSCI ESG ratings* and our active use of the proprietary ESG sytem START allows the best possible coverage and analysis for ESG risks in our Emerging market investment universe for both equities and bonds. This ensures that a satisfactory level of ESG ratings are monitored regularly and are maintained in the fund as is reported on a monthly basis (published ESG Monthly summary factsheets) .

Positive screening is also performed in search for sectors that are improving governance, societal and environmental conditions. Financing for the future, sustainable technologies, innovative technologies and improving living standards, and technological advancements are some of the key themes identified as Socially Responsible opportunities in our sustainable portfolios.

** 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]The limit defined is rebased in % of the portfolio that has a MSCI ESG rating. For issuers, for which MSCI ESG does not issue any rating, the MSCI ESG Rating from the group the issuer belongs to is used.*

3.2. How are criteria specific to climate change integrated into portfolio construction?[3]

Carmignac Emergents and Carmignac Portfolio Emergents seek very low level of fossil fuel involvement and target a carbon intensity of 30% below its reference indicator as measured by tCO2/ M USD (Scope 1 and 2, GHG Protocol) from October 2020.

While the funds have successfully beat this target, in no way does the fund replicate any low carbon index members or sectors given the fund's very non benchmarked nature. In the portfolio, energy and material companies usually don't pass our first financial criteria assessment which focuses on companies' capacity to self finance their future growth. Secondly, the portfolio management team also applies additional screening in order to minimise exposure to fossil fuels. Coal producers' companies with more than 10% sales directly derived from coal extraction are excluded from the investment universe. Non conventional oil companies deriving more than 1% of total production are also excluded. All oil based conventional energy companies are also excluded (except for Carmignac Portfolio Emerging Patrimoine where conventional and unconventional oil producers can be invested into through corporate bond issues).
Power generators that produce more CO2/kWh than the defined Paris Alignment threshold as mentioned in 1.4, or do not publish their CO2 emissions despite having coal power plants are excluded.

Carbon footprint of Carmignac Emergents as of 30/09/2020:

	Carbon intensity[1]	Fossil Fuels % revenue	Availability of carbon emissions data
Carmignac Emergents	**66.21**	**0%**	**87.1%**
MSCI EM	554.90	2.18%	92.8%
70% of benchmark	388.43	1.52%	N/A

[1] 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.

Carbon footprint of Carmignac Portfolio Emerging Patrimoine as of 30/09/2020 :

	Carbon intensity[1]	Fossil Fuels % revenue	Availability of carbon emissions data
Carmignac Portfolio Emerging Patrimoine	**256.48**	**2.74%**	**86.25%**
MSCI EM	554.90	2.18%	92.8%
70% of benchmark	388.43	1.52%	N/A

[1] 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.

Carbon footprint of Carmignac Portfolio Emergents as of 30/09/2020 :

	Carbon intensity[1]	Fossil Fuels % revenue	Availability of carbon emissions data
Carmignac Portfolio Emergents	**66.11**	**0%**	**86.9%**
MSCI EM	554.90	2.18%	92.8%
70% of benchmark	388.43	1.52%	N/A

[1] 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.

3.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?[4]

MSCI ESG Ratings are our reference for company ratings for portfolio construction guidelines. Where there is no coverage by MSCI, the investment team allocate a rating using the START system. Ratings by MSCI are updated annually. The ratings of the portfolio are updated for these ratings as they occur. The overall portfolio is monitored frequently for assessment of average ratings.

3.4. Has the ESG evaluation or investment process changed in the last 12 months?

A proprietary rating system START has been develepoed and allows a comparative to MSCI ratings, with a broad coverage and aggregated data set and what we believe to be a superior peer group comparing and differentiating the companies by capitalisations, region - EM or DM, and 90 industry groups with 31 ESG indicators if there is coverage.

3.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

In the EM Socially Responsible funds, investments are sought in view of the companies' capacity to positively impacting society. Financing for the future through banks offering access to transaction services and loans (55% of Latin America's population do not have access to bank accounts). A second example could be investing in companies offering sustainable technologies, such as surveillance cameras vastly reducing crime rates. A third example could be raising living standards by investing in transmission companies providing electricity to poor and remote areas as is the case in Brazil (mainly through alternative energy sources). While investment opportunities vary and the component of companies having an impact on society is not subject to a specific quantitative target, this criteria will remain an important investment goal.

3.6. Does (do) the fund(s) engage in securities lending activities?

Our Socially Responsible funds rarely offer securities lending. The holdings are recalled so as to exercise voting rights.

[4] Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

3.7. Does (do) the fund(s) use derivative instruments?

In the Socially Responsible funds, equity derivatives can be used, mainly on the long side to enhance portfolio construction and usually represent a view on macroeconomic change or opportunity. The derivatives are subject to UCITS leverage limits and internal risk controls. Short selling is not practiced in the funds. The derivatives are used mainly for short term horizons.

3.8. Does (do) the fund(s) invest in mutual funds?

The Socially Responsible funds do not normally invest in other mutual funds other than the Carmignac Court Terme money market fund for liquidity purposes. This fund has delegated its management to BNP Mois ISR.

4. ESG controls

4.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?[5]

There are 2 levels of control:

- **First level control**: The Responsible Investment Team ensures the daily support to the Investment team and includes such responsibilities as oversight on appropriate screening and documentation for controversies, external ESG research provider accountability, active voting and engagement framework adherence, maintenance and control of controversed sector exclusion lists, ESG consultant services assessment, investor and statutory communication.

- **Second level control**: As the ESG thematic is fully integrated to the Annual Compliance Monitoring Program, the Compliance and Internal Control Department operate a second level of control and perform yearly reviews on the ESG activity to ensure our statutory, regulatory and commitments as UNPRI signatories are met. Moreover, the Compliance department takes an active role in ensuring company exclusions are adhered to. Excluded companies, sectors, and countries are predefined in our order management system to prevent transactions which compose part of our filtering process. There is no possible breach on stocks listed in our compliance module in Bloomberg (CMGR) as any transaction is automatically blocked.

[5] Reference to Article 173 of the French TECV Act

The exclusions lists exhaustiveness is reviewed each quarter by the Stewardship manager, ESG Analyst and the Compliance department. Ad-hoc reviews are also be done at the discretion of the Sustainability team.

5. Impact measures and ESG reporting

5.1. How is the ESG quality of the fund(s) assessed?

Carmignac assess the ESG ratings of its SRI funds on a monthly basis. The ratings of the portfolio drawn from MSCI ESG ratings are compared against the Fund's benchmark. The distribution of weightings, the top holdings' ESG ratings and the holdings' active weights are also given. This report in English is posted on the Fund's webpages in English sites, but will soon be automated and aggregated into the financial factsheet, in all languages.
Frequent reviews are made by the ESG analyst of the portfolio ratings compared to the proprietary START and MSCI ESG ratings. This enables discussion and discrepanacies to be discussed.

From October 2020 on, the yearly carbon reports will become monthly, showing t CO2/M USD revenue against the benchmark. Fossil fuel % revenues will be displayed in the SRI Guidelines - weighted for each holding - along side the tCO2/ M USD reviues vs the benchmark and the 70% benchmark level to highlight that the 30% target has been met.

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.

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.

5.2. What ESG indicators are used by the fund(s)?[6]

In addition to 30+ ESG indicators of company data that can be monitored on the Carmignac proprietary ESG system START, the Carmignac Portfolio Grande Europe fund tracks the progress of 5 specific E, S, G and Human Rights indicators for the fund, a set of quantifiable data points established as performance measures. They seek to compare and manage the evolution of these indicators against the reference index and across companies. They also serve to drive further research and corporate engagement.
The ESG & HR report can be accessed at https://www.carmignac.co.uk/en_GB/funds/carmignac-portfolio-grande-europe/w-gbp-acc/documents-and-reports

5.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

Carmignac' s mainstream ESG approach and the 7 SRI Funds are identified on Carmignac' s SRI web page:
https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742

Moreover, on each of these 8 Funds' web page, you will find 3 documents related to SRI:
- The "SRI Guidelines" which detail the Funds' SRI approach (from the investment universe screening to the monitoring of the portfolio)
- The "SRI Flyer" which provides an overview of the Funds' SRI approach
- The Monthly ESG summary factsheet

These documents are oriented for retail investors. The annual reports of the Fund contains a full commentary on ESG issues and its ESG assessment.
- The results of the Funds (see **5.1.**) studied for emissions are also thoroughly discussed in the respective Funds' annual reports and in our SRI webpage: https://www.carmignac.lu/en_GB/responsible-investment/snapshot-4742
- Carbon emissions per Million USD invested, total carbon emissions and carbon intensity are detailed. In the annual report of 2020, the Fund carbon emission reference will be Carbon intensity to allow comparison across asset classes together with fossil fuel revenues

Carmignac' s mainstream ESG approach, its specific Socially Responsible Funds and its low carbon approach to Carmignac Portfolio Grande Europe are identified on the Carmignac Socially Responsible website. https://www.carmignac.lu/en_GB/our-funds

GLOSSARY

ESG integration	Assess E, S and G risks and document them as part of investment rationale, engage with companies on ESG topics
Norms based screening	Respects globally recognised exclusions from EU or UN sanction lists
Exclusions	Key hard exclusions are: controversial weapons, tobacco, coal (5-25% revenue limit) and nuclear (soft exclusion) companies
Active voting policy	High level of voting participation (Target 100%)
Carbon emissions analytics	Full report on carbon footprint, attribution analysis, clean tech, carbon risk management, scoring vs benchmark and Low Carbon benchmark
ESG analytics	Full assessment on E, S and G factors , scoring vs benchmark and ESG benchmark
Targeted voting policy 100%	Funds voting participation is close to 100%, subject to a sustainability report, engagement with company when voting against sustainability recommendations
SRI approach	Socially Responsible approach and ESG extra-financial criteria in security selection included in the Fund 's prospectus
SRI label	Recognised SRI label certification and yearly audit by a government approved auditor
Low carbon approach	Carbon emissions close to low carbon target benchmark, fund avoids investments in fossil fuels, thermal coal
Extended exclusions	Additional exclusion lists such as for example adult entertainment, gambling, alcohol, oil sands, coal, animal cruelty
Best in universe	Best ESG practice irrespective of sector
Best efforts	Companies with improving ESG policies
Best in class	Best ESG practice within each sector
Green bond	Participate in sovereign or corporate green bond issues
Positive impact	Investments made into companies with the intention to generate a measurable social and environmental impact alongside a financial return
Thematic approach	Funds with environment or social sustainability themes (renewable energy, promoting healthcare to underprivileged…); often Positive Impact funds

5.4 Please list all public media and documents used to inform investors about the SRI approach to the fund, and include URLs. This should include a link to the detailed, no more than 6 months old, list of holdings of the fund(s).

- Prospectus
- (semi-) Annual report
- KIID
- Fund Fact Sheet (regular basis e.g. monthly)
- ESG monthly summary factsheet
- Dedicated SRI web page(s) at fund level (SRI Flyer, SRI guidelines): https://www.carmignac.lu/en_GB/responsible-investment/snapshot-
- Detailed fund holdings (quarterly reports)

➔ *See in Carmignac Emergents, Carmignac Portfolio Emergents, Carmignac Portfolio Grande Europe and Carmignac Portfolio Emerging Patrimoine Fund Pages*: https://www.carmignac.com/en_US/our-funds

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