
Responsible Investment Guidelines

Carmignac Portfolio Green Gold

March 2021



Carmignac's Overarching Sustainable Framework¹



- Our operations are Carbon neutral 2019²
- Office Environmental practices
- UNPRI signatory 2012

- Climate Change
- Human Capital
- Entrepreneurship

- Tobacco Free supporter
- Coal exclusions and total coal exit 2030
- Energy investments aligned to Paris Agreement

- All portfolio managers and analysts are responsible for ESG integration

- Fulfil our fiduciary duty
- Represent our shareholders rights

- Rigorous 3rd party audit
- French ISR³
- Belgian Towards Sustainability³

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

¹ All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744

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

RI Labels: Not all Carmignac funds are concerned with this statement

³ French Label ISR. For further information, please visit <https://www.llelabelisr.fr/en/>

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

⁴ The proprietary ESG system START combines and aggregates market leading data providers ESG indicators. Given the lack of standardisation and reporting of some ESG indicators by public companies, not all relevant indicators can be taken into consideration. START provides a centralised system whereby Carmignac's proprietary analysis and insights related to each company are expressed, irrespective of the aggregated external data should it be incomplete.

Carmignac Portfolio Green Gold Objectives

OUR COMMITMENT TO INVESTORS

GENERATING ATTRACTIVE RISK-ADJUSTED RETURNS

- ▶ **Outperform our reference indicator (MSCI AC WORLD NR (USD)) over a recommended investment horizon of five years.**

WHILE HAVING A POSITIVE ENVIRONMENTAL CONTRIBUTION

Invest in companies that

- ▶ participate towards climate change mitigation & decarbonization efforts through reduced CO₂ emissions
- ▶ help transition to EU Zero emissions by 2050 Target

Invest at least 60% of assets in companies whose activity contribute to climate change mitigation and positive environmental change (Sustainable objective in accordance with article 9 of the Sustainable Finance Disclosure Regulation (“SFDR”))



Our Focus on the Environment

A Fund with a sustainable objective, classified as Article 9 Fund under the SFDR EU regulation

TARGET

- ▶ Article 9 Fund under the SFDR EU regulation seeking to contribute to climate change mitigation and deliver positive environmental change through reduced CO₂ emissions
- ▶ Deliver sustainable long term positive externalities
- ▶ Activities closely aligned with the EU Taxonomy & UN Sustainable Development Goals*



PROCESS

- ▶ Invest in leading innovative, growth companies trying to bring a solution to environmental issues by:
 - ▶ *providing low carbon solutions*
 - ▶ *enabling emissions reductions*
 - ▶ *undertaking activities that contribute to a transition to net zero emissions by 2050*

REGULATORY FRAMEWORK*

- ▶ The EU Taxonomy



* For illustrative purposes only. Please refer to Glossary Source: Carmignac, <https://eur-lex.europa.eu/eli/reg/2019/2088/oj> , March 2021

Our Investment Themes

Low carbon solution providers

« Green Energy »

Green Solution Enablers

« Green industries »

Energy transition

« Transitioners »

Low carbon Products & Services that are actively provide solutions for a cleaner and greener world

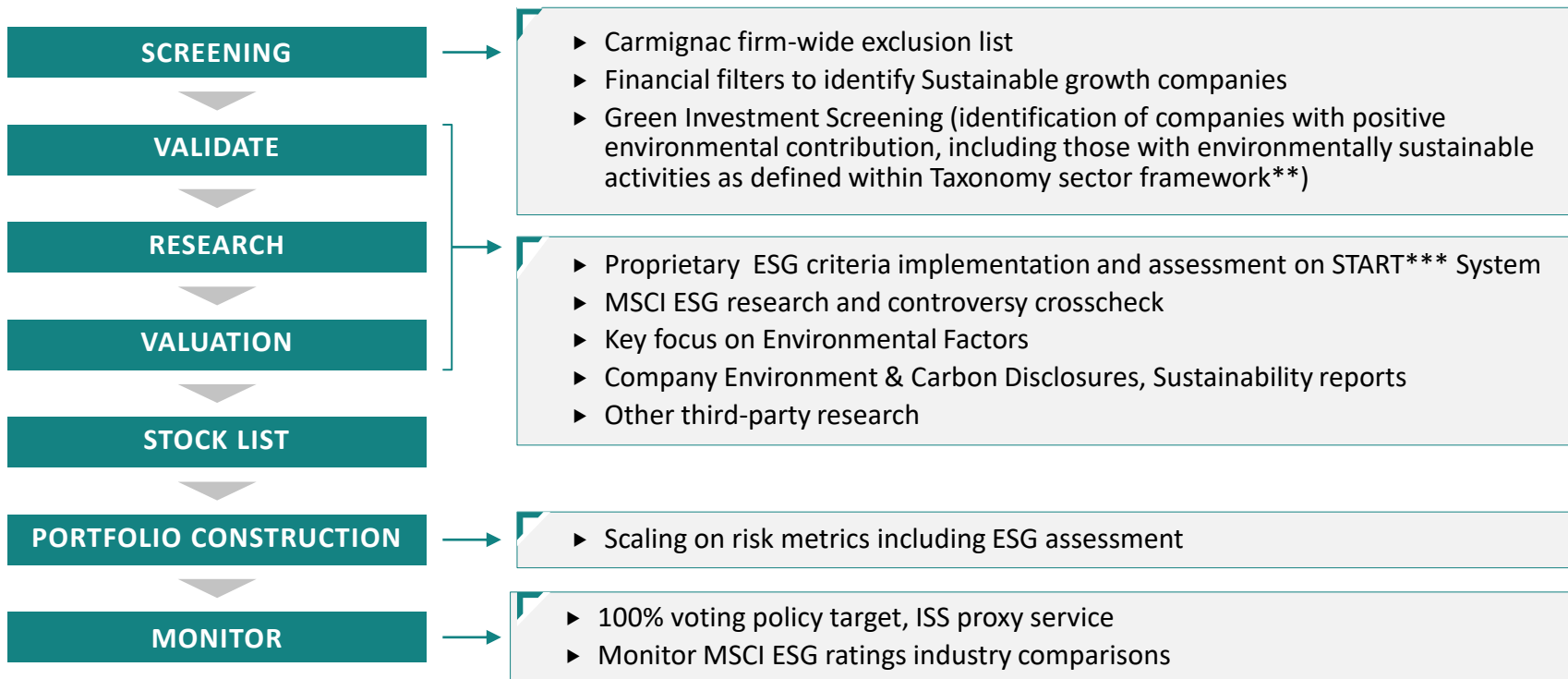
Products & Services that enable other activities to provide low carbon solutions or achieve emissions reduction

Companies with the highest CO₂ reduction potential to lower emissions, and decarbonize but are not currently operating at that level

ESG criteria are an integral part of the investment process*

*Minimum 90% of portfolio holdings are analysed for ESG risks and opportunities
Portfolio composition may vary over time
Source: Carmignac, 2020 Source: Carmignac December 2020

ESG is Integrated into the Investment Management Process*



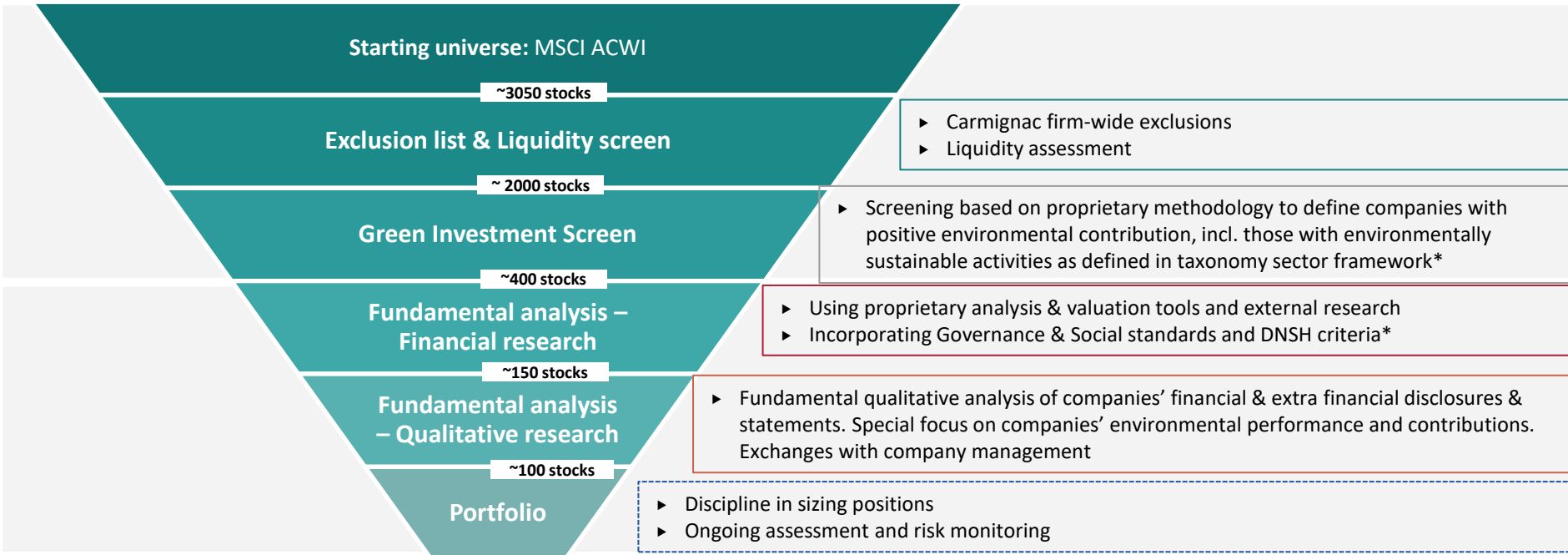
*All the funds and underlying issuers are not concerned by this statement. For more details, please refer to: https://www.carmignac.lu/en_GB/responsible-investment/in-practice-4744

** For more information please refer to related slide. https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf

***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.

Source: Carmignac, European Commission, Dec 2020

The Investment Process: A Combination of Proprietary, Fundamental and Environmental Contribution Analysis



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Green Gold

*For more information on Taxonomy Framework & and Do No Significant Harm criteria please refer to the Glossary https://ec.europa.eu/knowledge4policy/publication/sustainable-finance-teg-final-report-eu-taxonomy_en
https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf

Our Sustainability Guidelines



PORTFOLIO CONSTRUCTION OBJECTIVE

- ▶ Sustainable objective in accordance with article 9 of the Sustainable Finance Disclosure Regulation (“SFDR”) **to invest at least 60% of assets in companies whose activity contribute to climate change mitigation and positive environmental change.**
- ▶ The investment universe to measure the sustainable objective has been composed using proprietary analysis to identify companies with revenues from economic activities that qualify as environmentally sustainable according to EU Taxonomy standards (Regulation EU 2020/852).
- ▶ The Fund does not have a specific carbon emissions to cleaner sources target but seeks to invest in companies that 1/offer low carbon or 2/enable the green supply chain or 3/those that are transitioning their energy production/ Sources needs



INTEGRATION OF ESG CRITERIA AND ENGAGEMENT WITH COMPANIES

- ▶ Minimum 90% of portfolio holdings are analysed for ESG risks and opportunities
- ▶ ESG research system START* used to centralise raw ESG Data, proprietary scoring and revenue impact
- ▶ We commit to a strengthened dialogue with companies to improve their approach to ESG issues aligned with our corporate themes**



VOTING POLICY ENGAGEMENT

- ▶ An objective of participation rate of 100%

*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.
Source: Carmignac, <https://eur-lex.europa.eu/eli/reg/2019/2088/oj> March 2021

Carmignac Portfolio Green Gold's Sustainable Objective

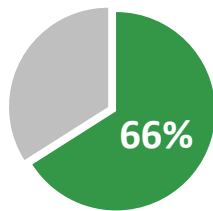
Our Sustainable Objective Explained

Carmignac P. Green Gold Strategy seeks

- ▶ to invest sustainably for long-term growth and pursues a thematic approach for a positive environmental contribution
- ▶ to invest at least 60% of assets in companies whose activity contribute to climate change mitigation and positive environmental change.
- ▶ The investment universe to measure the sustainable objective has been composed using proprietary analysis to identify companies with revenues from economic activities that qualify as environmentally sustainable according to EU Taxonomy standards (Regulation EU 2020/852).

Carmignac Portfolio Green Gold SICAV Subfund Prospectus March 2021

Carmignac P. Green Gold exposure to environmentally sustainable activities as defined in Taxonomy sector framework² as of 31/12/2020



Taxonomy sector framework & Methodology explanation*

Step 1

- ▶ **Verify company business activities** are identified within the Taxonomy standards NACE³ classification

Step 2

- ▶ **Confirm the reported % revenues** per company stated through proprietary analysis

Step 3

- ▶ **Identify companies risk mitigation** of potential environmental controversies that may harm other climate goals of the Taxonomy activities referred to as Do No Significant Harm (DNSH)⁴ through controversy screens and proprietary analysis

Step 4

- ▶ **Safeguard companies' adequate social policies and practices** in place through Norms based screening which includes International Labour Organization's work principles

Limitations to our methodology

1. *Given the Taxonomy Delegated Act for financial participants in not voted into law yet and the regulation for nonfinancial companies' disclosures is not applicable before 2022, the portfolio Taxonomy alignment is calculated principally by % revenue involvement, and may only include technical standards threshold assessment when available*
2. *The recommended calculations of DNSH as stated in the Taxonomy technical report may be limited to qualitative judgments in the short term in the absence of company disclosure*

Source: 1. For more information regarding the EU Taxonomy standards

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf

2. In number of issuers. European Commission, Carmignac, Bloomberg Portfolio and Watchlist Analytics NACE, 31/12/2020

3. For more information on NACE methodology : https://ec.europa.eu/eurostat/statistics-explained/index.php/NACE_background

4. For more information regarding Do No Significant Harm

https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf Page 29-35

Exclusions Across All Funds



Exclusions

Our exclusions policy

Our exclusion list contains companies and sectors that are excluded due to their **activities** or their **business norms**.

This policy applies to **all funds** where Carmignac acts as an investment manager

Firm-wide hard restrictions

(transactions are prohibited and blocked on trading tools)

- ✘ **Controversial weapon manufacturers** that produce products that do not comply with treaties or legal bans*
- ✘ **Tobacco producers, wholesale distributors and suppliers** with revenues over 5% from such products
- ✘ **Thermal coal miners** with over 10% revenues from extraction or 20 million tonnes from extraction
- ✘ **Power generators** that produce more CO₂/kWh than the defined threshold**
- ✘ **Adult entertainment and pornography** producers and distributors with over 2% revenues from such product
- ✘ **International Global Norms violations** including OECD Business Principle, ILO Principles and UNGC Principles.

*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

**In line with the 2 ° C scenario suggested by the IEA or new coal/nuclear build or Gas>30%, Coal >10%, Nuclear >30% revenues if CO₂ data not available

Please refer to Carmignac's exclusion policy for further detail
https://www.carmignac.lu/en_GB/responsible-investment/policy
Exclusion lists are updated on a quarterly basis

<h2>Taxonomy</h2>	<p>The Taxonomy Regulation (TR), (Dec 2019) creates a legal basis for the EU Taxonomy. The TR sets out the framework and environmental objectives for the Taxonomy, as well as new legal obligations for financial market participants, large companies, the EU and Member States. The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy. The Taxonomy sets performance thresholds (referred to as 'technical screening criteria') for economic activities which:</p> <ul style="list-style-type: none"> • make a substantive contribution to one of six environmental objectives • do no significant harm (DNSH) to the other five, where relevant; • meet minimum safeguards (e.g., OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights). <p>The performance thresholds will help companies, project promoters and issuers access green financing to improve their environmental performance, as well as helping to identify which activities are already environmentally friendly.</p> <p>https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf</p>
<h2>NACE</h2>	<p>NACE is the acronym used to designate the various statistical classifications of economic activities developed since 1970 in the European Union (EU). NACE provides the framework for collecting and presenting a large range of statistical data according to economic activity in the fields of economic statistics (e.g. production, employment, national accounts) and in other statistical domains.</p> <p>Statistics produced on the basis of NACE are comparable at European and, in general, at world level. The use of NACE is mandatory within the European statistical system.</p> <p>For more information on NACE methodology: https://ec.europa.eu/eurostat/statistics-explained/index.php/NACE_background https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/sustainable-finance-taxonomy-feedback-and-workshops_en.pdf</p>
<h2>Do No Significant Harm (DNSH)</h2>	<p>An activity contributing to climate change mitigation must avoid significant harm to climate change adaptation and the other four environmental objectives: 3. Sustainable use and protection of water and marine resources 4. Transition to a circular economy, waste prevention and recycling 5. Pollution prevention and control 6. Protection of healthy ecosystems</p> <p>https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf Page 29-35</p>
<h2>Climate change mitigation</h2>	<p>Climate change mitigation' means the process of holding the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels, as laid down in the Paris Agreement;</p> <p>https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32020R0852&from=EN Article 2</p>
<h2>Decarbonisation</h2>	<p>Decarbonisation is the term used for the process of lowering the amount of greenhouse gas emissions produced by the burning of fossil fuels. Generally, this involves decreasing CO2 output per unit of electricity generated. Reducing the amount of carbon dioxide occurring as a result of transport and power generation is essential to meet global temperature standards set by the Paris Agreement</p>
<h2>UN SDGs</h2>	<p>The Sustainable Development Goals are a collection of 17 interlinked goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.</p> <p>https://sdgs.un.org/goals</p>

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CARMIGNAC GESTION – 24, place Vendôme - F - 75001 Paris - Tel: (+33) 01 42 86 53 35

Public limited company with share capital of €15,000,000 – RCS Paris B 349 501 676

CARMIGNAC GESTION LUXEMBOURG – City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel: (+352) 46 70 60 1

Subsidiary of Carmignac Gestion. UCITS management company (CSSF authorisation of 10/06/2013).

Limited company (SA) with capital of €23,000,000 – Registration no.: RC Luxembourg B67549