ENERGY-CLIMATE LAW

ARTICLE 29

Carmignac Emergents

Disclaimer:

This document is a translation of the specific report related to the article 29 from the French law “Energy-Climate” ("the report") of the fund, which was prepared in French. The translation is provided for informational purpose only and is not intended to be legally binding.

In the event of any discrepancies, inconsistencies, or misunderstandings arising from the translation, the original version of the report shall prevail.

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I. Information on the strategy for aligning with the international targets for limiting global warming set out in the Paris Agreement

In January 2020, Carmignac became a signatory to the TCFD (Task Force on Climate-related Financial Disclosures) and we have built our Climate Report and our commitments on this subject around the 4 pillars of the TCFD: Governance, Strategy, Risk Management and Performance Indicators. Carmignac measured the physical and transition climate risks of its portfolios in 2023 and will publish its TCFD reports in June 2024 as required by UK regulations.

To go further, and in the context of the Energy-Climate Act, Carmignac Gestion SA, which includes the Carmignac Emergents fund, wishes to frame its climate policy with reference to Article 2 of the Paris Agreement (2015), which stipulates :

> "a) Keep the increase in global average temperature well below 2°C above pre-industrial levels and continue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change;
> b) Increase the capacity to adapt to the adverse effects of climate change and promote climate resilience and low greenhouse gas emission development, in a manner that does not threaten food production; and c) Make financial flows compatible with a trajectory towards low greenhouse gas emissions and climate resilient development."

Secondly, in light of Article 4 of the Paris Agreement, Groupe Carmignac is taking the lead as an asset manager and contributing to the effects of climate change mitigation both in our operations as a company, and in the companies in which we invest. With investments in both developed and emerging markets, we recognise that developing countries are not progressing at the same speed, and we are committed to using our influence to encourage best practice, clarity and transparency in the climate policies of the companies in which we invest. The Carmignac Group relies heavily on the TCFD framework to engage with companies to understand their governance, strategy, risk management and actions in relation to their climate ambitions, objectives and impacts. The Carmignac Group recognises that reducing carbon emissions in companies' operations, products and services, as well as direct and indirect upstream and downstream emissions, can be a long-term process. This is why Carmignac Gestion SA, in its capacity as management company of Carmignac Emergents, is seeking to commit to a roadmap detailing a progressive approach to emissions reduction over the long term, with emissions targets set in line with the European Union's targets for 2030, and then every five years thereafter with the ambition of achieving net zero emissions by 2050. A detailed description of this roadmap will be provided in this report. In 2023, the monitoring of the Carmignac Emergents portfolio led us to develop a new approach to measure the alignment of our strategy with the Paris Agreement, which will be implemented in 2024. This approach is described in the report below.

a. Carmignac Gestion SA's intentions for incorporating the quantitative objectives of the Energy-Climate Act in line with the Paris Agreement

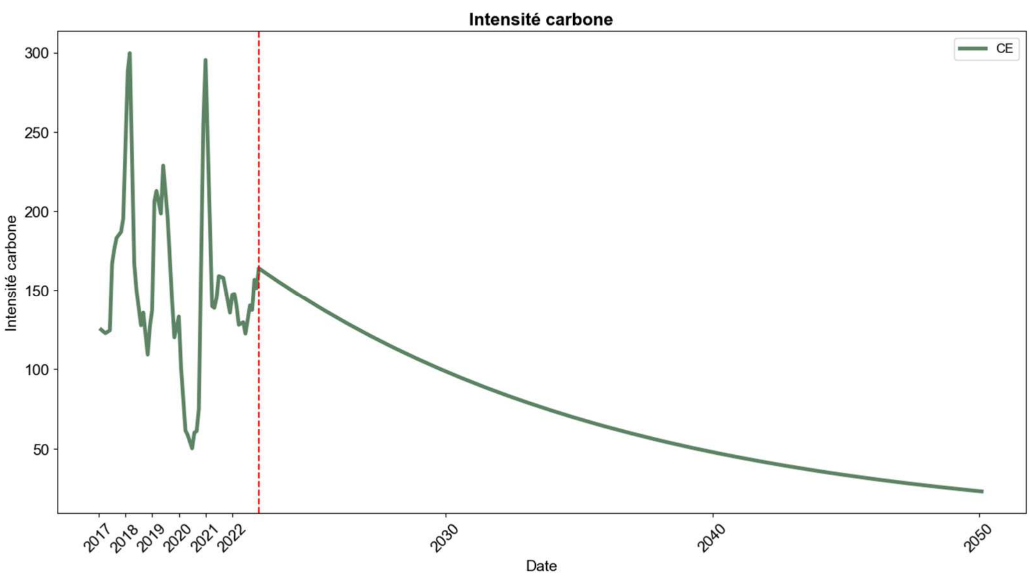
The following actions were taken in 2023 as part of our strategy to align with the Paris agreements:

- Application of a 12-month monitoring process starting on 30 June 2022 of the portfolio's alignment with the Paris Agreement over different periods, with different market conditions, inflation levels, oil prices and portfolio constructions. At the end of 2023, 6.74% of the portfolio was aligned with the 1.5°C scenario of the Paris Agreement.
- Extension of calculations of alignment with the Paris Agreement measured in degrees for all Carmignac Group portfolios, including equity, bond and diversified funds.
- Implementation of the impact of physical climate risks and those inherent in the transition in the carbon emissions alignment targets.
- Gradual introduction of measurement of scope 3 carbon emissions as data coverage and accuracy improve. At the end of 2023, the fund's scope 3 emissions were 164,292 TCO_2e based on average quarter-end data.
- Application of a target approach at entity level for Carmignac Gestion SA, approved by our senior management.
- In 2023, we also developed a new approach to align with the Paris agreements, which will be implemented in 2024. Within this framework, we have set a carbon emissions reference year for Carmignac Gestion SA (as a consolidation of the funds of which Carmignac Gestion SA is the title company) and the other funds that are within the scope of this report at 31 December 2023. The reference year chosen for our strategy of alignment with the Paris agreements is 2018.

b. Our quantitative targets for 2030

In order to structure our approach to the objectives of alignment with the Paris Agreement. In 2023, we used the Paris Aligned Investment Initiative (PAII), the Cimate Transition Benchmark (CTB) and the Paris Alignment Benchmark (PAB).

OBJECTIVE 1: Introduce from 2024 an absolute annual average decrease of 7% in CO_2 intensity, which translates into a ~40% reduction in CO_2e intensity by 2030 for the Carmignac Emergents fund.



OBJECTIVE 2: Declare carbon emission reduction targets from 2030 for 2035, 2040, 2045 and 2050.

At 29 December 2023, the percentage of MSCI ESG data available on the carbon emissions of Carmignac Emergents assets was **99[1] %.**

c. External methodology used to assess the alignment of the investment strategy with the Paris agreements

In 2023, we used the following methodology to assess the alignment of the investment strategy with the Paris agreements.

CARBON INTENSITY METHODOLOGY
1. Start with the amounts corresponding to the market value of the positions in the portfolio. 2. Apply the DCF (Current Value of Investment) adjustment to the market value amount (the DCF factors are assumed to be the same for each year). 3. Eliminate short positions and positions in non-business assets 4. Reallocate the market values of positions in companies without EVIC (enterprise value including cash) or carbon emissions data to positions with such data. 5. Reallocating market values to a value of €1 million. 6. Calculate the percentage of portfolio held... 7. Calculate the contribution to total greenhouse gas emissions 8. Add the contributions to total greenhouse gas emissions to obtain the overall carbon intensity of the portfolio. 9.

d. The impact of Carmignac's climate policy on the investment process

COMMITMENT

Carmignac is actively involved in climate change issues, using the TCFD framework as a basis for commitments and monitoring of climate change objectives.

FOLLOW-UP

Total carbon emissions and carbon intensity are monitored at all times by investment managers, analysts and the responsible investment team using the Global Portfolio Monitoring system, a real-time dashboard of portfolio positions, financial and extra-financial data. This enables real-time management of the carbon footprint in relation to the fund's benchmark.

REPORTING

[1] Sum of long positions for which emissions data are available

Since 2023, the responsible investment team has been working with the investment teams to improve expertise in carbon footprint monitoring. The responsible investment team has set up a quarterly review of the portfolio, which will then be presented to the manager from the first quarter of 2024.
These checks contain a range of climate data, including the ClimateVar, PAIs, CO2 emissions including scope 3, revenue alignment with the European taxonomy and the percentage of the portfolio aligned with the Paris agreements.

ALIGNMENT WITH THE PARIS AGREEMENTS

We have designed a new approach, which will be implemented during 2024, to measure the alignment of our investment strategy with the Paris agreement. This approach calculates the fund's current and historical emissions based on the current composition of the portfolio. We have chosen 2018 as the reference year in order to have enough history to make the model more complete. The calculation shows the rate of decarbonisation of the companies in the fund since the reference year. To be in line with the ambition of zero net emissions by 2050, we have set the following emission reduction targets vs 2018: -50% by 2030, -60% by 2035, -70% by 2040, and -85% by 2045. The fund's decarbonisation figures will initially be measured on a quarterly basis to ensure that the fund is aligned with the first target to be reached in 2030.

e. Policy implemented with a view to phasing out coal and unconventional hydrocarbons

PLAN TO PHASE OUT COAL AND NON-CONVENTIONAL ENERGY SOURCES

In line with growing concerns for the environment and the risk of non-performing or isolated assets, we have implemented a coal mine exclusion policy since 2018. Carmignac has also extended its exclusion threshold for coal-fired power generation companies in its SRI fund range to all Carmignac funds in October 2020. Last but not least, Carmignac has committed to a total exit from all coal-related investments from 2030.

STRATEGY FOR PHASING OUT COAL BY 2030

Carmignac is committed to phasing out all coal-related investments in OECD countries and the rest of the world over the long term. If future coal-related investments are allowed under Carmignac's exclusion policy, a total withdrawal from coal mines and coal-fired power generation companies will be implemented by 2030, with an effective tolerance threshold of 0%.

COAL MINING

Very limited investment opportunities and not to the financing of new mines. Since 2018, Carmignac has excluded companies that generate more than 10% of their revenues from thermal coal mining or produce more than 20 million tonnes of thermal coal . Exceptionally, consideration may be given to investing in mining companies producing more than 20 million tonnes of thermal coal per year, but for which coal mining is not the core business, and which make a positive contribution to the energy transition through other business activities. We are committed, through our equity and corporate debt investments, not to directly finance companies that are planning new coal mining projects. If, through acquisitions, an investee company becomes involved in new coal mining projects, Carmignac, through its portfolios, will divest from these companies within a defined timeframe. Faced with the urgency of climate change, Carmignac is encouraging companies to make credible commitments to reduce their dependence on coal mining within a rolling 2-year period in order to bring their activities into line with the Paris Agreement.

COAL-FIRED ELECTRICITY GENERATORS

Working with companies to reduce CO2 emissions as much as possible. Carmignac recognises the importance of encouraging companies to reduce their reliance on coal-fired power generation in order to align their activities with the Paris Agreement. To this end, we have adopted the gCO2/kWh criterion, following the threshold recommended by the International Energy Agency (IEA) to keep the global temperature increase below 2 degrees, as set out in the Paris Agreement:

	2019	2020	2021	2022	2023	2024	2025
Max. gCO2/kWh	429	408	393	374	354	335	315

Source: Central labelling agency, https://towardssustainability.be/public/RevisedQS_Technical_20220928.pdf, page 27

EXIT FROM NON-CONVENTIONAL ENERGY SOURCES

Carmignac will strive to implement a non-conventional energy exit plan for its investments across the fund range, in line with the 2030 coal exit plan. However, for investments in non-OECD countries, a 2040 exit plan is more appropriate given the greater dependence on hydrocarbons in developing countries and the slower pace of transition.

II. Information on the strategy for alignment with long-term biodiversity objectives :

a. Our biodiversity objectives

At the level of the Carmignac Group, we recognise the importance of taking biodiversity issues into account and the importance of raising financial players' awareness of issues related to the erosion of biodiversity.

Carmignac fully understands the central role of nature, embodied in biodiversity and ecosystems, as essential to human existence and a good quality of life. However, the weight of growing populations and their environmental impact has unfortunately not had the same virtues.

As the 2019 IPBES report rightly describes:

> "In most places, people are now receiving more food, energy and materials than ever before, increasingly at the expense of nature's ability to provide these resources in the future, and frequently undermining nature's many other contributions, from regulating water quality to providing a sense of place. The biosphere, on which humanity as a whole depends, is being altered to an unprecedented degree on every possible scale. Biodiversity - diversity within species, between species and of ecosystems - is declining faster than at any time in human history.

Carmignac has taken the measure of this deterioration to frame its biodiversity policy within its investments with reference to the objectives of the 1992 Convention on Biological Diversity:

1.

LA CONSERVATION DE LA DIVERSITÉ BIOLOGIQUE

2.

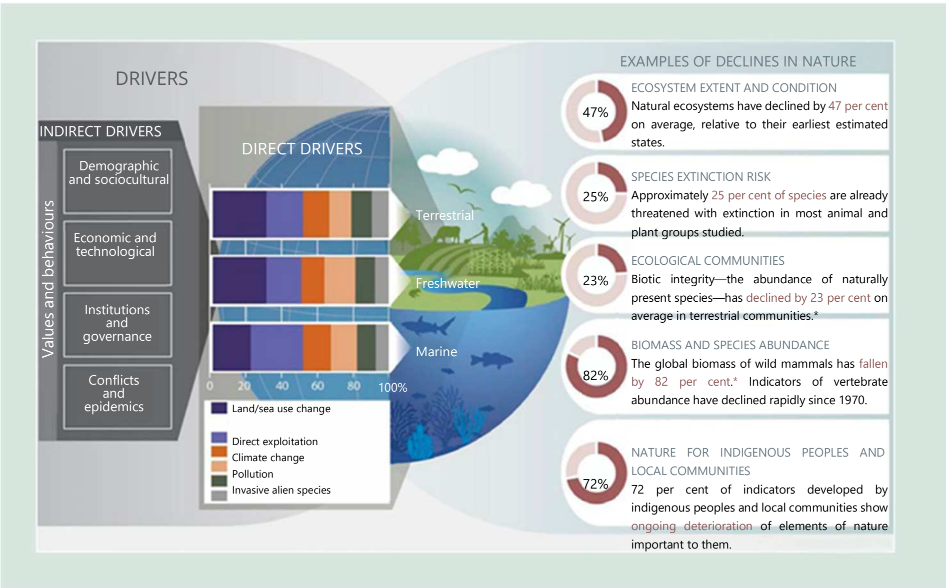
L'UTILISATION DURABLE DES ÉLÉMENTS CONSTITUTIFS DE LA DIVERSITÉ BIOLOGIQUE

3.

LE PARTAGE JUSTE ET ÉQUITABLE DES AVANTAGES DÉCOULANT DE L'UTILISATION DES RESSOURCES GÉNÉTIQUES

In order to raise awareness of the biodiversity risk inherent in our investments in a global universe within three main asset classes (equities, corporate and sovereign debt), Carmignac has been informed by the work carried out by the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES).

Thanks to their assessments, political support, capacity and knowledge building, communication and awareness raising, we have been able to identify the 5 pressures on the survival of biodiversity as defined by IPBES: land and sea use change, direct exploitation of organisms, climate change, pollution and invasive alien species.



Source : https://ipbes.net/sites/default/files/2020-02/ipbes_global_assessment_report_summary_for_policymakers_fr

Explanation of the IPBES report :

> "The summary above shows examples of declines observed in nature worldwide, highlighting the loss of biodiversity caused by direct and indirect factors of change.
>
> The direct factors (changes in land and sea use, direct exploitation of organisms, climate change, pollution and invasive alien species) are the result of a set of deep-rooted societal causes. These causes may be demographic (e.g. human population dynamics), socio-cultural (consumption patterns), economic (trade), technological or related to institutions, governance, conflicts and epidemics.

These are indirect factors, which are themselves underpinned by societal behaviours and values. The coloured bands represent the relative global impact of direct drivers on (from top to bottom) terrestrial ecosystems, freshwater ecosystems and marine ecosystems, based on an estimate derived from a systematic global review of studies published since 2005. Changes in land and sea use and direct exploitation explain more than 50% of the global impact on terrestrial, marine and freshwater ecosystems, but each factor has a dominant influence in certain contexts. The circles illustrate the extent of negative anthropogenic impacts on different aspects of nature for various time scales, based on a global synthesis of indicators".

b. Carmignac Emergents' exposure to biodiversity-related risks

Through our strategy of addressing key negative impacts, we are committed to measuring the impacts of companies within our portfolios, as well as our exposure to biodiversity risks. More specifically, in 2023, we measured on a quarterly basis the activities having a negative impact on biodiversity-sensitive areas. In addition, several PAIs (Principal Adverse Impacts) indicators, including the tonnes of water

	Exposure to biodiversity-related risks	Fund assets under management (in € millions)	Assets under management at risk (in € millions)
Carmignac Emergents	**20.90%**	**866 €**	**181 €**

discharges generated by the companies benefiting from our investments, enable us to gradually take account of biodiversity-related issues.

The proportion of assets under management with exposure to biodiversity-related risks is shown in the table below (at 31 December 2023):

c. How we factor biodiversity-related risks into our investment strategy

As part of our strategy to align with long-term biodiversity objectives, we have approached various data providers to enable us to determine the impacts on biodiversity of the underlying investments in the portfolios in our range in a more gradual way. However, analyses are still ongoing. We have identified a major difficulty in assessing the impact of investment decisions on biodiversity due to a lack of data, as quantifying losses in terms of biodiversity in financial terms and identifying investments in favour of biodiversity are less well understood than the fight against global warming.
To make this issue concrete and operational within our portfolios, we have decided to define a strategy based on concrete measures and a target for 2030. Our roadmap is based on the following pillars:

1. The deepening of our ESG approach based on the consideration of environmental issues:

✓ Universe reductions :

o The fund excludes from its investment universe the following sectors that have a negative impact on the environment: oil and gas, power generation, thermal coal production and companies involved in factory farming.

✓ Positive filtering :

o The fund invests at least 80% of its net assets in shares of companies that derive at least 50% of their revenues from goods and services related to, that devote at least 30% of their capital expenditure to, activities that are genuinely aligned with one of the 9 (out of a total of 17) United Nations Sustainable Development Goals , or whose operations are aligned with at least 3 of the 17 United Nations Sustainable Development Goals (see https://sdgs.un.org/goals) whose "clean water and sanitation" and "clean energy" goals are aligned with our biodiversity goal. The minimum levels of sustainable investments with environmental objectives are 5% of the Sub-Fund's net assets.

✓ Review of the indicators on our ESG START research platform with a view to improving them and aligning them with the PAIs indicators, particularly those relating to biodiversity.

✓ Targeted commitments for companies involved in controversial biodiversity issues.

2. **Identifying an effective impact measure that is available for all our investment universes**:

We have chosen a measure that aggregates the results of a negative filter. This filter is determined on the basis of the areas of activity of greatest concern in terms of biodiversity:

a. Companies that produce raw materials that contribute to deforestation (palm oil, soya, beef and wood); or

b. Companies that use commodities that contribute to deforestation (palm oil, soy, beef and timber); or

c. Companies that have been involved in controversies related to deforestation; or

d. Companies operating in or near biodiversity-sensitive areas; or

e. Companies that have been involved in controversies with a serious or very serious negative impact on the environment.

We recognise that this measure is incomplete but consider that it is currently the most widely available data. We reserve the right to change the choice of our key biodiversity indicator as the market architecture improves in this area.

III. Information on how environmental, social and governance criteria are taken into account in risk management:

During 2023, the Sustainable Investment team, in collaboration with the Risk Management team, worked on a quantitative estimate of the financial impact of the main climate risks identified, as well as the proportion of assets exposed, the time horizon associated with these impacts at entity level and the impact on the valuation of the Carmignac Investissement portfolio.

In 2023, we used MSCI data for climate risk analysis. This data, in particular ClimateVar, will be essential for obtaining the climate-related information required for the TCFD regulatory report (at entity and fund level) to be published in 2024. In addition, these new measures provide complementary extra-financial information used in our ESG analysis, due diligence and stewardship activities.

Carmignac takes environmental, social and governance criteria into account in its risk management. For more details on how Carmignac manages sustainability risks for all its funds, including Carmignac Emergents, please refer to the "Article 29 - LEC" report for the Carmignac Gestion entity.