

ESG WEBCAST

MAKE A DIFFERENCE THROUGH AN ACTIVE ESG APPROACH

SFDR: HOW DOES IT AFFECT THE FUNDS INDUSTRY
AND CARMIGNAC?



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Stewardship Director



Pathway to Sustainable Finance EU

Today's Focus: The European Commission's Sustainable Finance Package



① DISCLOSURES

- ▶ **Integration of sustainable risks in due diligence** and report **principle adverse impacts** on sustainability
- ▶ **Publish policies**
Engagement, remuneration, risk management, organisation and governance



② TAXONOMY

- ▶ **Focused on Environmental objectives**
Climate change mitigation and adaptation, water and marine resources, circular economy recycling, pollution prevention, healthy ecosystems
- ▶ **Establish the degree of Environmental Sustainability**
Protect investors and avoid greenwashing



③ MIFID II

- ▶ **Fund manager identifies fund's target markets**
Does this fund have E or S characteristics and objective?
- ▶ **Fund advisor identifies end clients ESG preferences**
Avoids misselling of ESG fund for a non ESG preference



④ CARBON BENCHMARKS

- ▶ **Standardisation of Low Carbon and Positive Carbon benchmarks**
Funds with emissions targets can use the benchmarks



1) Sustainable Finance Disclosure Regulation (SFDR)

The EU Sustainable Finance Disclosure Regulation (SFDR)

What's the purpose?

To increase transparency on sustainability among financial institutions and market participants by **standardising sustainability disclosures**. This will improve industry-wide comparability and prevent greenwashing.

What is it?

Disclosure requirements at firm and product level (where applicable).

Regulatory Background

This law will be officially implemented on March 10th 2021 (Level 1) and applies to financial market participants (FMPs) and financial advisors (FAs) whose business is in Europe, non-EU FMPs who do business in the EU or sell products to the EU and non-EU firms that sub-manage EU assets or Funds.

What does this mean in practice?

All FMPs will need to report on two levels:

1. Disclosure about sustainability information **at firm level** (Articles 3 – 5)
2. Information on the 'sustainable' **products** they offer, if applicable (6 – 11)

For each level there are **general** and **specific** disclosure requirements. These are set out in the level 2 Regulatory Technical Standards (RTSs), which provide further detail to ensure firms take a consistent approach in their methods of collecting and disclosing information. Final draft published 5 February 2021

Summary of Required Disclosures (EU)2019/2088

Disclosure Level	Article	Purpose	Disclosure Content	Disclosure Location	Availability of RTSs*
FIRM:					
All FMPs	3	Demonstrate sustainability approach	FMPs and Financial Advisors publish policies on the incorporation of sustainability risks	Website	None
	4		<u>Comply or explain:</u> statement on due diligence policies regarding the principal adverse impacts on sustainability factors . Mandatory for entities with over 500 employees.	Website	2 on content, methodology and presentation
	5		Information on remuneration policies and their consistency with the incorporation of sustainability risks	Website	None
PRODUCT:					
All products	6	Product classification	<u>If/ how the following is met, and in the case it is not met, explain why:</u> a) <i>Integration of sustainability risks into advise and investment decisions</i> b) <i>Assess the likely impacts of sustainability risks on financial returns</i>	Pre-contractual materials	None
	7	Demonstrate sustainability approach	<u>Comply or explain:</u> information on the incorporation of the principal adverse impacts at product level. Effective from September 2022.	Pre-contractual materials	None
Classified ESG or Sustainable products	8	Product classification	<u>If / how the following is met:</u> a) <i>'Environmental or social characteristics promoted by the financial product'</i> b) <i>'No significant harm to the sustainable investment objectives'...</i>	Pre-contractual materials	2 RTSs on content and presentation
	9	Product classification	<u>If/ how the following is met:</u> a) <i>'Sustainable investment objective of the financial product'</i> b) <i>'No significant harm to the sustainable investment objectives'...</i>	Pre-contractual materials	2 RTSs on content and presentation
	10	On-going monitoring	Description of the extent to which the product characteristics or objective have been met (monitoring of objectives)	Website	1 RTS on content and presentation
	11	Supporting information	Description of the objective/characteristics + information on the methodologies used to assess, measure and monitor the product characteristics/objective + Article 8, 9 and 10 information	Periodic report	1 RTS on content and presentation

Source: AMF

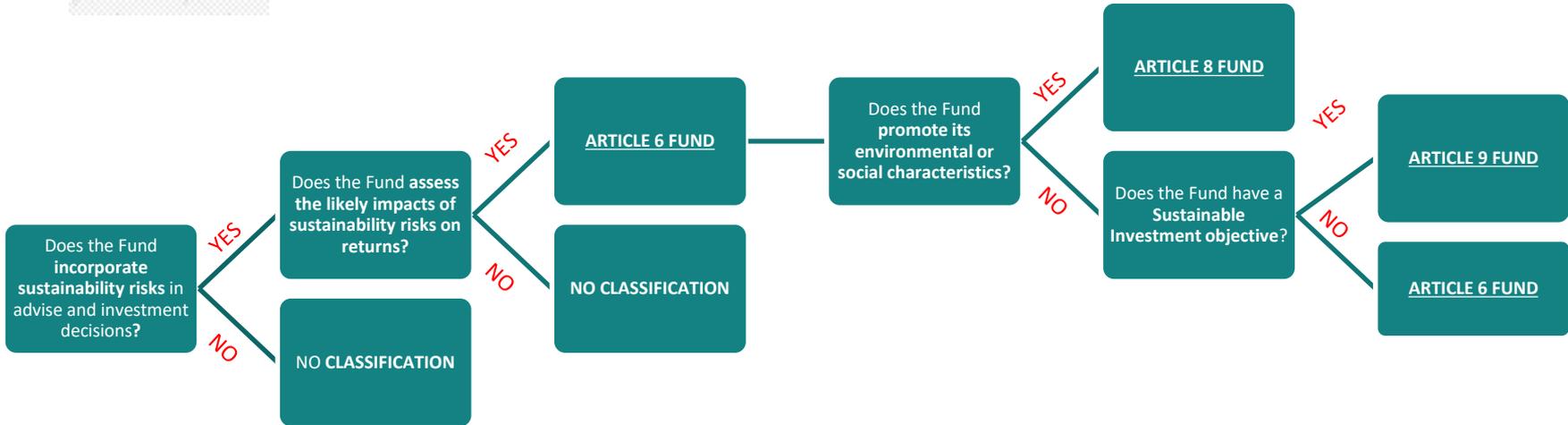
*Regulatory Technical Standards (RTS) are specifications on the disclosure requirements
Source: <https://eur-lex.europa.eu/eli/reg/2019/2088/oj>

Which Fund Classification

Article 6, 8 and 9 Funds



Sustainable investment means an investment in an economic activity that contributes to an **environmental or social objective**, provided that the investment **does not significantly harm any environmental or social objective** and that the investee companies follow **good governance practices***



Article 6 : Sustainability risks and potential impacts clauses

- Integration of Sustainability risks in the investment decisions
- Identify potential impacts of sustainability risks on the returns of the Company

How do we do that?

EXCLUSIONS – avoid the risks of unsustainable, harmful activities

- ▶ Controversial weapons, tobacco, adult entertainment, thermal coal producers and power generating companies that are not Paris accord aligned

ANALYSIS – assess the ESG criteria and risk, factor in what is material

- ▶ The proprietary ESG research system of Carmignac, START, combines raw company data, impact, controversy and proprietary scoring to identify ESG risks
- ▶ Proprietary analysis to help monitor and gauge the financial materiality of sustainability risks on an investee company's financial return
- ▶ Coverage of above 90% of corporate bond and equity holdings.

ENGAGEMENT – engage and exercise our shareholder rights

- ▶ Raise awareness and engage on specific environmental, social or governance thematic, a sustainable impact, controversial behaviour or during proxy voting decisions.
- ▶ 100% voting participation commitment to express our view related to ESG issues and our standards.

Where is this noted?

- ▶ In our fund prospectuses that are categorized Article 6*

Article 8 & 9 the final draft RTS (02/02/2021)

One one significant difference!

Characteristics E and S with good Governance (Article 8)	Sustainable objective (Article 9)
<p><i>The information shall be presented in summary format in the order and made up of the following sections titled:</i></p> <ul style="list-style-type: none">a) 'What environmental and/or social characteristics are promoted by this financial product?';b) 'What investment strategy does this financial product follow?';c) 'What is the asset allocation planned for this financial product?';d) 'Does this financial product take into account principal adverse impacts on sustainability factors?';e) 'Can I find more product specific information online?'; andf) where an index is designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the financial product, 'Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?'	<p><i>The information shall be presented in summary format in the order and made up of the following sections titled:</i></p> <ul style="list-style-type: none">a) 'What is the sustainable investment objective of this financial product?';b) 'What investment strategy does this financial product follow?';c) 'What is the asset allocation planned for this financial product?';d) 'Does this financial product take into account principal adverse impacts on sustainability factors?';e) 'Can I find more product specific information online?';f) for a financial product referred to in Article 9(1) of Regulation (EU) 2019/2088, 'Is a specific index designated as a reference benchmark to meet the sustainable investment objective?'; andg) for a financial product referred to in Article 9(3) of Regulation (EU) 2019/2088, 'Does the financial product have the objective of a reduction in carbon emissions?'

AMF doctrine and SFDR matrix

	SFDR Article 6- Implement Sustainability risks ie ESG analysis and assessment	SFDR Article 8 - Financial products promoting environmental or social characteristics	SFDR Article 9 - Financial products having sustainable investment as their objective
<p>AMF Category 1 - funds integrating ESG criteria “based on a significantly engaging methodology”</p> <p>FRENCH LABEL => automatically funds Art 8 our 9 (Communication centrale)</p>	X	<p>Methodology E and S characteristics Proof of E and S Central in Investment strategy Prospectus and KIID</p> <p>Full explanation in Marketing, Prospectus and KIID >20% Universe reduction or other rationale like >50% Energy Transition 90% ESG coverage Significant measurable objectives Methodology and Limit to approach</p>	<p>Specify sustainable objective Measure it Central in Investment strategy</p>
<p>AMF Category 2 - funds integrating ESG criteria with an approach “not based on a significantly engaging methodology”</p> <p>Could be funds Art 6 our 8 (Communication réduite)</p>	<p>May refer to ESG considerations in KIID, ESG/SRI not in name Methodology and objectives, secondary to strategy Limit to approach Concise marketing less that 10% Article 8 and Category 2- AMF - RISK OVER COMMUNICATING</p>		X
<p>AMF Category 3 - funds that do not belong to either one of the first two categories</p> <p>Not in either category</p>	<p>Assess ESG risk in investment decisions and financial return</p> <p>Mention only proportionality in prospects, not KIID No mention in marketing material</p>	X	X

EU Regulation : Carmignac Fund mapping SFDR and « Doctrine AMF »

Objective moving in a higher AMF category and higher SFDR Article

	SFDR Article 6 - Implement Sustainability risks ie ESG analysis and assessment MINIMUM STANDARD	SFDR Article 8 – PROMOTES ENVIRONMENTAL Or SOCIAL CHARACTERISTICS	SFDR Article 9 - Financial products having sustainable investment as their objective IMPACT
AMF Category 1 - funds integrating ESG criteria “based on a significantly engaging methodology”		CE, PE, CPE, CEMP, CFG, CGC, CGE, CEE	CGG, CEMD
AMF Category 2 - funds integrating ESG criteria with an approach “not based on a significantly engaging methodology”		CCNE	
AMF Category 3 - funds that do not belong to either one of the first two categories	CS, PS, CFB CI, PI, CP, PP CIL, CED, CELS, CGLS, CCR, CGB, CPR		

Our SRI and ESG thematic product range

		EUROPE 			EMERGING MARKETS (EM) 				GLOBAL 
		CP* Grande Europe	CP* Patrimoine Europe	C** Euro Entrepreneurs	C** Emergents	CP* Emergents	CP* EM Patrimoine	C* China New Economy	CP* Grand-children
SRI	Asset class	Equities	Multi-Asset	Equities	Equities	Equities	Multi-Asset	Equities	Equities
	SRI Focus	SDGs ¹	SDGs ¹	Entrepreneurship	Positive screening	Positive screening	Positive screening	Positive Screening	SDGs ¹
	Label(s)	 			 				 
	EU classif.	Art.8	Art.8	Art.8	Art.8	Art.8	Art.8	Art.8	Art.8
	Ext. exclusions								
	Low carbon								

		EM 	GLOBAL 	
		CP* EM Debt	CP* Green Gold	CP* Family Governed
ESG thematic	Asset class	Emerging Bonds	Equities	Equities
	ESG Focus	ESG trajectory	Climate Change mitigation	Governance
	Label(s)			 
	EU classif.	Art.9	Art.9	Art.8
	Ext. exclusions			
	Low carbon			

CP*: Carmignac Portfolio (SICAV fund)
C*: Carmignac (FCP)



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



Belgian Label Towards Sustainability
For further information, please visit: <https://www.towardsustainability.be/>
¹SDGs: Sustainable Development Goals

Prospectus, Reporting and Websites

Carmignac prospectus example of Article 8 fund

Carmignac Portfolio Grande Europe

PART A: THE SUB-FUNDS OF CARMIGNAC PORTFOLIO

Part A, "The Sub-Funds of CARMIGNAC PORTFOLIO" – 1

CARMIGNAC PORTFOLIO GRANDE EUROPE	
Launch date	This Sub-Fund was launched on 30 June 1999.
Investment objective	The Sub-Fund's objective is to outperform its reference indicator over a recommended investment horizon of five years.
	In addition, the Sub-Fund seeks to invest sustainably for long-term growth and implements a socially responsible investment approach. Details on how the socially responsible investment approach is applied is described in the extra-financial analysis section below and can be found on the following websites: www.carmignac.com and https://www.carmignac.lu/en_GB/responsible-investment/template-hub-sri-thematic-funds-4526 ("Carmignac Responsible Investment website").
	This Sub-Fund is an actively managed UCITS. The investment manager has discretion over the composition of its portfolio, subject to the stated investment objectives and policy.

Extra-financial analysis

Extra-financial characteristics

This Sub-Fund has (E) environmental and (S) social characteristics and promotes investment into companies which follow good governance practices in accordance with article 8 of the Sustainable Finance Disclosure Regulation ("SFDR").

Type of approach

The Sub-Fund applies either best-in-universe or best-efforts approach for each investment theme. The Sub-Fund employs an active voting policy and active engagement in its investments. For details, please refer to voting and engagement policies available on Carmignac Responsible Investment website.

Implementation of extra-financial analysis in the investment strategy

The Sub-Fund undertakes a holistic view to managing the sustainability risk by identifying and assessing the sustainability risks related to its investments and their stakeholders.

The extra-financial analysis is implemented in the investment strategy by undertaking activities described below whereby the Sub-Fund's investment universe is actively reduced by at least 20%:

- (1) Negative screening for Energy- and Ethical-related exclusions.
- (2) Relative screening using third party ESG research and proprietary analysis to ensure a satisfactory level of ESG ratings.
- (3) Positive screening for companies making a deemed positive contribution to 4 main sustainability goals: basic needs, empowerment, climate change, and natural capital.
- (4) Exclusion of companies that contribute negatively to the aforementioned goals referred to in item 3.

Furthermore, the Sub-Fund applies binding negative company-wide and norm-based screening to exclude certain sectors and activities. For details, please refer to exclusion policy available on Carmignac Responsible Investment website.

Examples of extra-financial criteria (not exhaustive)

Environmental: sourcing and suppliers, energy type and efficiencies, water at waste management, carbon emissions data, water usage per revenue.

Social: human capital policies, client data protection and cyber security.

Governance: board independence, management committee composition and skills, minority shareholder treatment and remuneration. Corporate behavior concerning accounting practices, tax and anti-bribery.

Warning on the limits of the approach that has been adopted

The Sub-Fund's sustainability risk may differ from the sustainability risk of the Reference indicator.

Investment universe on which extra-financial analysis is applied

The extra financial analysis is applied in normal circumstances to at least 90% of equity holdings and corporate bond issuers.

CO2 emissions

The Sub-Fund aims to achieve carbon emissions 30% lower than the reference indicator as measured by carbon intensity (tCO2/ mUSD revenue; aggregated at portfolio level; Scope 1 and 2 of GHG Protocol). Results are reported in the Company's annual report. For details, please refer to climate policy available on Carmignac Responsible Investment website.

Designation of benchmark

The Sub-Fund has designated its reference indicator as a reference benchmark. The reference indicator is a general market index and used as a benchmark to compare the Sub-Fund's sustainability performance, including carbon emissions, with the benchmark performance. The results are published on a monthly basis on the Carmignac Responsible Investment Website. A description and methodology and composition of the benchmark can be found in the Reference Indicator section above.

The Regulatory Technical Standards of the ESAs (RTS)



Sustainability-related disclosures

Carmignac Portfolio Grande Europe

- a. **Summary:** This Fund has (E) environmental and (S) social characteristics and promotes investment into companies which follow good governance practices in accordance with **Article 8** of the Sustainable Finance Disclosure Regulation ("SFDR").
- b. **No sustainable investment objective:** This Fund promotes environmental or social characteristics, and the Fund partially invests in sustainable investments. While the principal adverse impact indicators referenced in the Annex 1, of the Regulatory Technical Standards (RTS) are not currently specifically monitored until the ratification of the RTS, environmental harm and social harm can be identified and are monitored alongside the alignment to environmental and social goals as seen through the UN Sustainable Development Goals (SDGs) which is found in the quarterly Sustainability report published on the fund webpage and the Carmignac Responsible Investment website. Investments are screened to exclude companies that do not respect OECD business norms and UN Global compact principles on business and human rights.
- c. **Environmental or social characteristics of the financial product:** This Fund promotes environmental and social characteristics.
- d. **Investment strategy:** The Fund's objective is to outperform its reference indicator (Stoxx Europe 600) over a recommended investment horizon of five years. This Fund is an actively managed UCITS. The investment manager has discretion over the composition of its portfolio, subject to the stated investment objectives and policy. The Fund seeks to invest in companies that exhibit strong reinvestment rates and recurrent profitability. In addition, the Fund seeks to invest sustainably and implements a socially responsible investment approach. Details on how the socially responsible investment approach is applied is described in the extra-financial analysis section below and can be found on our [website](#) and our [Responsible Investment web page](#).
- e. **Proportion of investments:** The Fund's allocation to companies that contribute to environmental and social characteristics can be identified in the Quarterly Sustainability Report.
- f. **Monitoring of environmental or social characteristics:** The environmental and social characteristics of the fund are monitored and published monthly via an ESG factsheet, and in the Quarterly Sustainability report through the review of environmentally and socially harmful companies, the alignment to SDGs as measured by a company's % revenue involvement and the carbon emissions measurement. The Fund's annual report includes an assessment of ESG scores and carbon emissions compared to the Fund's reference indicators as well as a discussion on the key engagements made during the year.
- g. **Methodologies:** There are three manners in which the Fund establishes environmental and social characteristics. Negative screening through precise exclusion thresholds of energy sector companies and socially harmful sectors such as tobacco and arms and those with poor management of ESG risks are excluded from the investment universe by a minimum of 20%. Positive screening identifies companies positively contributing to the environment and society. Carbon emissions are monitored and published monthly to maintain a low carbon approach of 30% lower carbon emissions in the Fund compared to its reference indicator. Please consult the SRI guidelines for a full description of the Fund ESG process.

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h. Data sources and processing: The Fund uses several data sources that most particularly are aggregated into the Carmignac proprietary ESG System START. The sources are S&P Trucost for carbon data, TR Refinitiv for raw company ESG data, MSCI and Impact-Cubed for impact and SDG alignment data, ISS Ethix for UNGC and OECD Business and Human Rights Norms screening. The proportion of the data that is estimated can be found on the Quarterly Sustainability Report.

i. Limitations to methodologies and data: The Fund's sustainability risk may differ from the sustainability risk of the Reference Indicator.

j. Due diligence: Over 90% of the Funds' assets (listed equities, and corporate bonds if relevant) are assessed for ESG score and risks. Proprietary analysis is combined with the EBG scoring process of Carmignac's proprietary system START. ESG analysis is verified under the 3rd party independent audit process as part of the national sustainability labels' requirements.

k. Engagement of policies: Carmignac operates active voting and engagement policies that reflect their environmental, social and governance themes. The voting participation target is 100% of all possible votes. An Engagement plan is established to identify engagements with companies in which we are invested that show poor management of ESG related risks, where Carmignac has identified a specific theme, or where a specific impact or investigation of a controversy is required.

l. Designated reference benchmark: The Fund has designated its reference Indicator (Stoxx Europe 600) as a reference benchmark. The reference indicator is a general market index and used as a benchmark to compare the Fund's sustainability performance, including carbon emissions, with the benchmark performance. The results are published on a monthly basis on our [Responsible Investment web page](#). A description and methodology and composition of the benchmark can be found in the Prospectus.

- **Fund inception date:** 30/06/1999
- **Reference indicator:** Stoxx 600 (Reinvested net dividends)
- **ISIN code (A EUR acc share class):** LU0099161993

Recommended minimum investment horizon:

1	2	3	4	5	6	7
Low risk					Medium risk	

*For the A EUR acc share class, Risk Scale from the KIID (Key Investor Information Document). Risk 1 does not mean a risk-free investment. This indicator may change over time.

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Sustainable outcomes: a guide using SDGs and revenues

Carmignac Portfolio Grande Europe A EUR Acc
Luxembourg SICAV sub-fund

PROFESSIONALS ONLY

M. Denham

FUND SUSTAINABILITY QUARTERLY REPORT
DECEMBER 2020

Report Overview

In addition to analysing financial metrics, we recognise the importance of assessing the sustainability of our investments. We do this by reviewing a company's operational practices (ESG indicators), their products and services' societal and environmental value (outcomes), and their alignment to achieving the UN Sustainable Development Goals (SDGs). Business activities have both positive and negative impact that varies in scale, by comparing the Fund with its Reference Indicator, which demonstrates the good, as well as the potential harm, associated with our active investment approach.

PROFILE

- Fund Inception Date: 30/09/1999
- Fund Manager: Mark Denham since 01/11/2016
- Fund AUM: €604M
- domicile: Luxembourg
- Reference Indicator: Stovx 600 (Financial Net Dividends)
- Base Currency: EUR
- Fund Type: UCITS
- Legal Form: SICAV
- SICAV Name: Carmignac Portfolio
- Fiscal Year End: 31/12
- Subscription/Redemption: Daily
- Order Placement Cut-Off Time: Before 16:00 CET (EST)
- Marketing Category: Europe Large-Cap Growth Equity
- SDG** Fund Classification: Article 8

Portfolio ESG indicators & outcomes

Many indicators can illustrate company sustainability performance. We focus on a subset that we believe are relevant, and for which we have coverage, for reporting ESG risks, opportunities and outcomes.

HOW TO INTERPRET THIS GRAPH:
The centre of the circle corresponds to the lowest relative value, and the outer edge the maximum relative value, for each factor. The area outside the Reference Indicator (RI) line indicates positive ESG-related and outcomes performance versus the RI. Conversely, the area inside the RI line indicates negative performance versus the RI. For example, in the case of 'Carbon efficiency', if the Fund line is further towards the outer edge of the graph than the RI line, the Fund is more carbon efficient than its RI.

Please see the **Understanding the Graphs and Data Methodology** sections for further information.

Source: Impact Capital and S&P Focuss as at 31/12/20. **For the above class Carmignac Portfolio Grande Europe A EUR Acc. Risk Daily from the KIID (see Investor Information Document). Risk: 1 does not mean a risk-free investment. This indicator may change over time. **Reference Indicator: Stovx 600 (Net). Sustainable Finance Disclosure Regulation (SFDR) 2019/2086. For more information please refer to Impact Data on our website: https://www.carmignac.it/it_IT/SDG.

PROFESSIONALS ONLY

FUND SUSTAINABILITY QUARTERLY REPORT - DECEMBER 2020

Portfolio SDG alignment versus Reference Indicator

Companies can impact society and the environment both positively and negatively through the products they sell and services they offer. This impact can be shown by mapping the products and services to the UN's Sustainable Development Goals (SDGs) and calculating the weighted average of revenue exposures for each SDG. This exercise is also completed for the Reference Indicator, which is subtracted from the Fund result to determine the net active SDG alignment. For more information regarding the SDGs please visit: <https://sdgs.un.org/goals>.

% SDG alignment vs. Reference Indicator (Misaligned <0%/ Aligned >0%)**

HOW TO INTERPRET THIS GRAPH:
This graph is based on revenue calculations for companies with products and services that are deemed to be either aligned or misaligned to the SDGs. Negative values indicate lower alignment of the portfolio to an SDG than the Reference Indicator (RI). Positive values indicate higher alignment of the portfolio to an SDG than the RI. Each company revenue stream is considered either aligned, misaligned or neutral for each SDG. For example, in the case of SDG 1 "No poverty", +10% means that on a net basis, the portfolio is 10% more aligned to eliminating poverty, compared to the RI, -10% means that on a net basis, the portfolio is 10% less aligned to eliminating poverty than the RI.

Please see the **Data Methodology** sections for further information.

Source: Impact Capital and S&P Focuss as at 31/12/20. **In order not to influence SDG alignment attribution, business activities that are common to SDG 13 Climate Action and SDG 7 Affordability and Clean Energy are identified under SDG 7. **Reference Indicator: Stovx 600.



2) Taxonomy

EU Taxonomy Summary

What's the purpose?

To help identify which business activities are environmentally friendly, and thus help companies, project promoters and issuers access green financing to improve their environmental performance and avoid greenwashing.

What is it?

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**.

Regulatory Background

The **Taxonomy Regulation (TR)**, formed in December 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.

What does this mean in practice?

The Taxonomy defines what it means if an economic activity*:

- makes a substantive contribution to one of six environmental objectives (see right)
- provides % revenue/capex/opex for each relevant activity
- meets the technical standards as set out in the technical report Taxonomy
- does no significant harm (DNSH)** to the other five, where relevant;
- meets minimum safeguards (e.g., OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights).

This enables managers to accurately reflect the environmental good associated with financial products

Environmental objectives



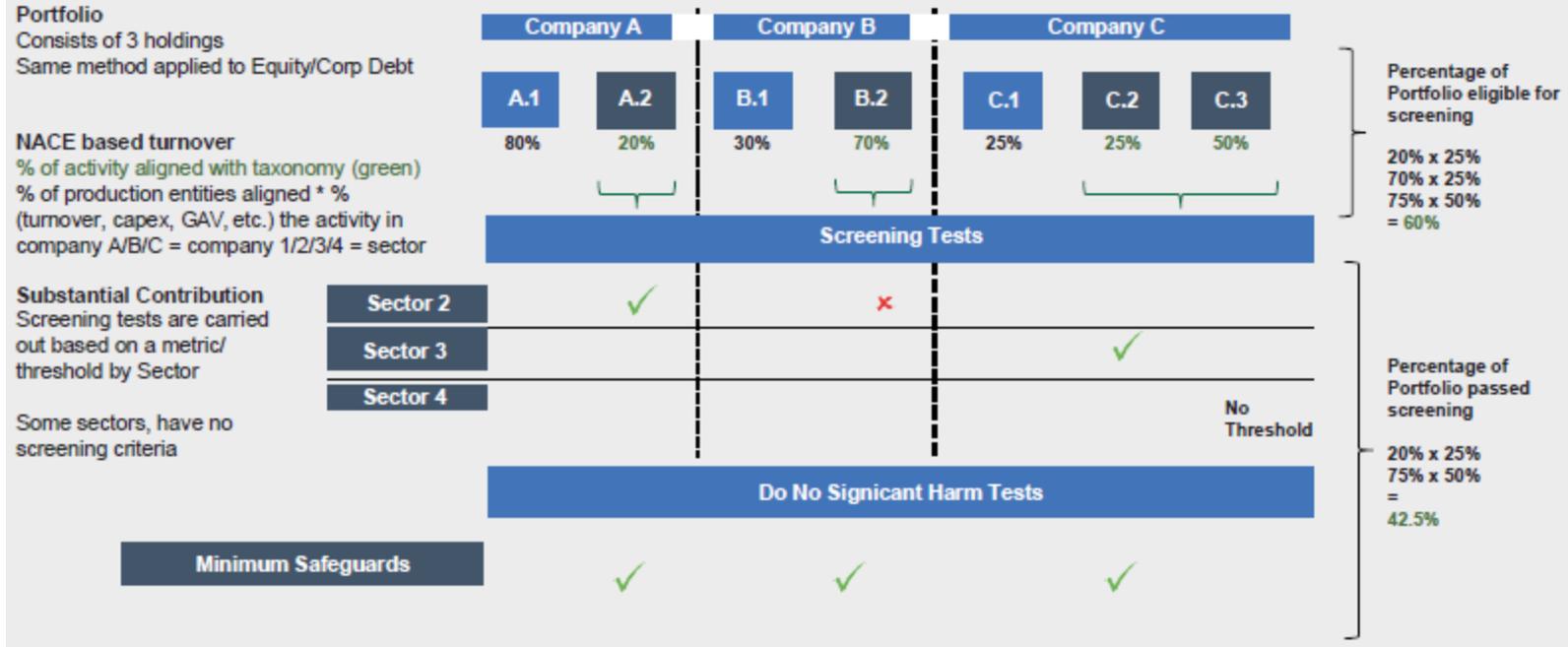
** for more information please visit: https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomyannexes_en.pdf

* by setting out performance thresholds, referred to as 'technical screening criteria'

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Taxonomy alignment

Figure 12: Assessing a portfolio for Taxonomy alignment – 1





3) MIFID II

MIFID II amendments Summary

What's the purpose?

Introduces non- financial objectives in the MiFID II framework. Investment firms providing financial advice and portfolio management –mandatory assessment of clients sustainability preferences . Integrates sustainability risks as well as strengthens conflict of interest

What is it?

Two delegated acts:

1) **Product governance obligations** and 2) as regards the integration of sustainability factors, risks and preferences into certain **organisational requirements and operating conditions** for investment firms

Regulatory Background

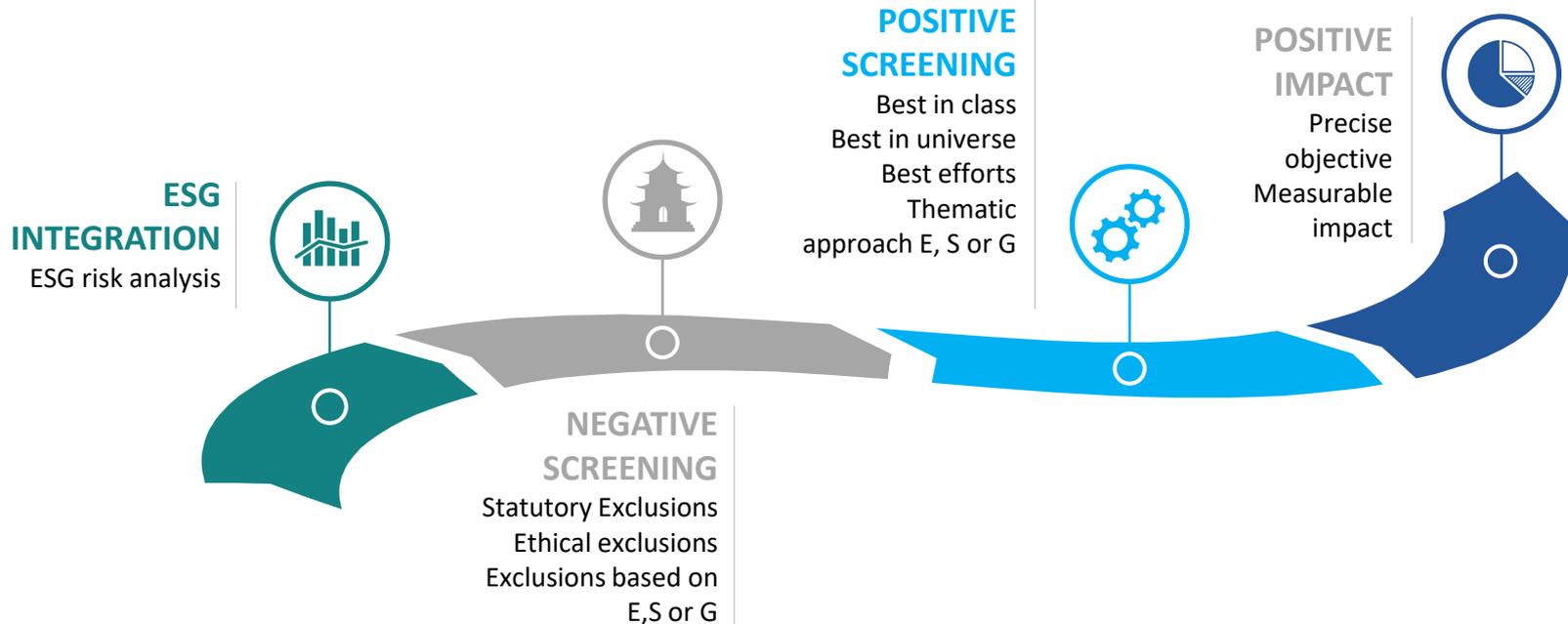
Amends Delegated Regulation (EU) 2017/565

What does this mean in practice?

These Delegated Acts aren't final texts yet. Implementation will take 12 months; they will be published in the Official Journal EU:

- ▶ **Categorizes funds Article 8 and Article 9 SFDR**
- ▶ **AM identifies potential target market** for each fund and each client group, each preference and distributes accordingly
- ▶ **No mis selling-** clients' interests are not compromised as a result of commercial or funding pressures
- ▶ **Prepare a report to the client** that explains how the recommendation to this client meets his investment objectives, risk profile, capacity for loss bearing and sustainability preferences (ex-post information disclosure).
- ▶ Investment firms shall take into **sustainability factors** and **account sustainability risks**

The Sustainability Path: Will Investors Know What Their Preferences Are?



FinDatEx EMT

Also includes German and AMF categories in the interim

DATA (consistent with TPT & EPT for common data point)	DEFINITION	CODIFICATION
05105_Intended_Compatible_With_Clients_Having_Sustainability_Preferences	Discloses if the product is developed with the aim of being compatible with clients having Sustainability preferences: Neutral C = preferences for products having ESG Characteristics O = preferences for products having Sustainable Objectives	Neutral or C or O

What Do You Need To Verify in Your Due Diligence?



**PROSPECTUS
GUIDELINES
WHAT ARE THE
OBJECTIVES?**

**CLEAR MARKETING
DOCUMENTS
CLASSIFICATION
FUNDS
REPORTING**

**HOW ARE
SUSTAINABILITY
GOALS
IMPLEMENTED AND
MEASURED**

**ACTIVE VOTING
SHAREHOLDERS
RIGHTS
ENGAGEMENT**

**LABELS
FRENCH ISR,
BELGIAN QUALITY
STANDARDS...**

**ORGANISATION,
GOVERNANCE**

Appendix

Regulatory checklist EU Sustainable Finance

Regulation	Classification	Article	Prospectus	Website	Periodic reports
SFDR (EU)2019/2088	Minimum standards	Art 6 funds , Art 3	All SICAV and FCP fund range	<ul style="list-style-type: none"> • 100% ESG integration • Firm level company and country exclusions • 100% voting • Company disclosure document 	<ul style="list-style-type: none"> • Annual Carbon, ESG and Engagement statements in annual report ALL FUNDS
	Environmental and Social Characteristics	Art 8 Funds Art 10 (Website), Art 11 (Periodic report)	9 funds: CGE PE CGC CFG CPE CEMP SICAV prospectus CEE CE CCNE FCP	<ul style="list-style-type: none"> • SRI guidelines (process disclosure) • ESG and carbon monthly factsheet • Quarterly Sustainability reporting (03/21) • Fund disclosure document (03/21) 	<ul style="list-style-type: none"> • ESG and carbon monthly factsheet • Quarterly Sustainability reporting (03/21) • Yearly ESG &HR reporting
	Sustainable Objective	Art 9 Funds Art 10 (Website), Art 11 (Periodic report)	2 funds : CGG CEMD SICAV	<ul style="list-style-type: none"> • SRI guidelines (process disclosure) • ESG sovereign monthly factsheet CEMD • Quarterly Sustainability reporting (03/21) • Fund disclosure document (03/21) 	<ul style="list-style-type: none"> • ESG sovereign monthly factsheet CEMD • ESG and carbon monthly factsheet CGG • Quarterly Taxonomy calculations CGG
	Principal Adverse Impacts	Art 4,7	Principal Adverse Impacts statement publication (fund, Article 7)) (02/21)	<ul style="list-style-type: none"> • Principal Adverse Impacts opt out statement publication (entity, and all funds 	
Taxonomy (EU)2020/852	Environmental investments	Art 3, 5, 6, 9, 10	CGG, and low carbon E characteristics funds - 30% Carbon intensity below benchmark (6 funds)	<ul style="list-style-type: none"> • Description of Taxonomy methodology in CGG RI Guidelines 	<ul style="list-style-type: none"> • ESG and carbon monthly factsheet • Quarterly Taxonomy calculations (Q2, 2021) • Quarterly Sustainability reporting (03/21)

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MSCI ESG Research has developed a proprietary methodology in order to issue Carbon Portfolio Analytics, which is based on are based on a variety of aggregation methodologies of the underlying covered holdings from the portfolio in-scope. MSCI ESG Research collects carbon emissions (in other words, greenhouse gas emissions) data for the companies in our coverage universe. Data is collected once per year from most recent corporate sources, including Annual Reports, Corporate Social Responsibility Reports or websites. In addition, MSCI ESG Research uses the carbon emissions data reported through CDP (formerly the Carbon Disclosure Project) or government databases when reported data is not available through direct corporate disclosure. When companies do not disclose data, MSCI ESG Research refers proprietary methodologies to estimate Scope 1, Scope 2, Upstream Scope 3, and Downstream Scope 3 carbon emissions. By incorporating estimation in the methodologies used, Carmignac acknowledges that metrics determined could be assessed as relative rather than objective. Nevertheless, Carmignac confirms that the use of MSCI ESG Research permits to identify and follow the carbon emission of portfolios in comparison to relevant reference indicator or low carbon benchmark defined.

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