

TAKEAWAYS FROM THE 2024 VOTING SEASON

11/07/2024 | MARION PLOUHINEC

For Carmignac, the Annual General Meeting (AGM) season represents an opportunity to make our voice heard through voting. In the interest of transparency, we want to share how we voted at the shareholder meetings of the companies we invest in through our portfolios under management.

64%

Votes in support of
shareholder-led resolutions
(52% - 2023)

61%

Of meetings had at least one
vote against management
(54% - 2023)

12%

Of total votes against
management (9% - 2023)

MANAGEMENT RESOLUTIONS : EXECUTIVE PAY

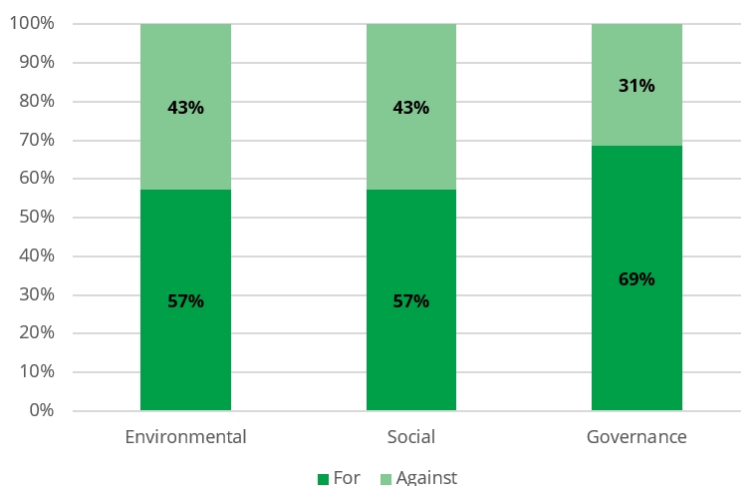
Executive pay is a headline-grabbing topic every year. Indeed, this year's extraordinary USD 50 billion package for Tesla's CEO, Elon Musk, certainly raised some eyebrows! While it's fair to say this was exceptional, there was no shortage of debates this year.

Our pay-package votes are primarily driven by our assessment of the alignment between executive pay and the long-term performance of the business. In other words, we want to ensure that management is sufficiently incentivised to drive the company forward and held to account over its progress.

We voted against **23%** of all remuneration resolutions of our investee companies. This represents an increase compared to 15% last year. The three main reasons were:

- Lack of performance-related metrics. This tends to be a prevalent issue in North America.
- Insufficient performance targets, allowing sizeable reward even in cases of underperformance.
- A box-ticking approach to environmental, social and governance (ESG) factors. Instead, executive pay should be linked to the long-term ESG risks and opportunities that are, or are likely to become, financially material for the company.

SHAREHOLDER-LED RESOLUTIONS



The filling of resolutions by shareholders at AGMs is a fundamental tool in ensuring minority shareholders can hold boards accountable.

During the 2024 voting season, we voted on **146** shareholder-led resolutions (109 in 2023) and we supported **64%** of them (52% in 2023). While it is challenging to compare year-on-year voting data given the evolution in the composition of our portfolios we observed a notable rise in the number of governance-related shareholder-led resolutions. In 2023, we voted on 50 governance-led resolutions, whereas in 2024, this number increased to 83. Our increased level of support for these resolutions also grew from 50% to 69%, which reflects both the improvement in quality and the important contribution they play to the advancement of minority shareholder rights.

One growing trend is the use of AGMs as a forum for confrontation between anti-ESG proponents and those wishing to hold corporations to account for 'doing good', without adequately considering financial materiality of the topic in focus. This is an area of concern given the increasing number of resolutions, on a continuously expanding range of issues, including some of a political nature, risks overshadowing financially material and critical ESG issues.

Given the nuance of these debates, we always take a case-by-case approach to voting on these resolutions. We believe the most appropriate approach is to ensure we only support resolutions which tackle relevant issues, are not overly prescriptive or burdensome, and are genuinely constructive on ESG issues.

Below are some of the significant shareholder-led resolutions we voted on this season. They have received various levels of support¹. A significant level of support, above 30%, for a shareholder-led resolution, or 20% against a management-led resolution sends a strong signal to the board that shareholders expect more action on a specific issue. It is sometimes the only means by which minority shareholders can communicate this. This is especially the case in companies with a shareholder that holds a controlling stake.

IN-FOCUS TOPICS

Technology advancements

For several years, artificial intelligence (AI) has been a key topic for businesses across sectors. But a tension is emerging between companies' commitment to 'safe' development and their commercial incentives. This was a prominent topic of discussion this year, putting the shareholder-oriented versus stakeholder-oriented governance models to the test. The leadership issues at OpenAI towards the end of 2023, were a great illustration. We recognise the significance of this matter and believe that shareholder-led resolutions play a crucial role in demonstrating investor support for responsible AI development and use.

Accordingly, we recently backed a shareholder-led resolution at **Meta's**² 2024 AGM. The resolution called for the board to provide a report evaluating the risks associated with the company's involvement in the dissemination or generation of misinformation and disinformation through AI. Additionally, the resolution requested information on the company's plans to address the harmful effects. While the company asserts that the board is responsible for overseeing the risks related to AI-generated content and has implemented relevant policies, we believe the firm and its stakeholders would benefit from such a report. We also took into account the scrutiny of regulators on this topic. Lastly, it was important for us to signal to the company our expectations for the implementation of effective controls in the responsible development of AI. The resolution received approximately 17% of support from shareholders. We think this is a significant level of support, taking into account the significant voting rights of the founder and CEO (approximately 61%).

Future of nutrition

Changing consumer preferences, regulatory advancements, and systemic risk considerations related to unhealthy foods are bringing the future of nutrition to the fore. This is a long-term focus theme for Carmignac.

We supported a resolution on this topic at the AGM of the consumer-staples company **Nestle**³. It called for more transparency from the board regarding its use of the government-endorsed nutrient profiling model. It also requested that a specific target was set for the percentage of sales made up by 'healthy' products.

The company has taken several steps to develop healthy products in its portfolio, including setting a target of increasing healthy product sales by CHF 25-30 billion by 2030. It has also implemented initiatives such as voluntary reporting on the nutritional value of its entire portfolio using a government-backed nutrient profiling model.

We decided to support this resolution to send a signal to the board about the importance of further developing the company's healthy food portfolio strategy. It encourages the board to be more transparent about its ambitions, without being overly prescriptive. The resolution received 11% support from shareholders.

Climate transition

At financial services company, **Capital One's**⁴ AGM, we supported a resolution asking for the company to adopt greenhouse gas emissions targets associated with lending and investment activities. The company does not currently disclose these while a number of its peers have done so already, despite having calculated them internally. This would give shareholders more insight into the company's broader decarbonisation targets. The resolution received approximately 10% support from shareholders.

Home Depot⁵, the world's largest home improvement retailer, has significant exposure to biodiversity and deforestation risks, making this topic material for the company. At its 2024 AGM, we supported a resolution requesting the disclosure of a biodiversity impact assessment. We took into account the company's scores on third-party sustainability surveys, indicating that it would benefit from strengthening its biodiversity assessment and strategy. Additionally, despite the fact that the company has sustainable procurement policies, we note it has been involved in deforestation controversies and believe it should improve its reporting by directly disclosing its efforts to prevent deforestation in its reporting. The resolution received approximately 16% support from shareholders.

Protection of minority shareholders' interests

To demonstrate strong leadership on the board of widely-held companies, we generally expect the role of the CEO and board chair to be kept separate as their responsibilities differ.

Although we approach this on a strictly case-by-case basis, we supported resolutions that ask for the appointment of an independent board chair at financial services company **Intercontinental Exchange**⁶ (30% support from shareholders), industrials company **General Electric**⁷ (12% support), consumer-staples company **Colgate-Palmolive**⁸ (34% support) and materials company **Ecolab**⁹ (34% support) given the size and strategy of these firms.

Another important mechanism for the protection of minority shareholders' interests is the 'one share, one vote' structure that ensures all shares have voting rights and that those rights correspond to the economic value held. We supported resolutions asking for a recapitalisation to one-share, one-vote at big tech companies **Meta**¹⁰ and **Alphabet**'s¹¹ AGMs. The resolutions respectively received approximately 26% and 31% support from shareholders. Again, we think this is quite significant given both companies have a significant shareholder (Zuckerberg holds about 61% of the voting rights at Meta and Page and Brin about 50% of the voting rights at Alphabet¹²).

Empowerment of employees

We believe that employees are key to the success of a company and the financial materiality of employee satisfaction is increasingly recognised. At **Amazon**'s¹³ AGM, we supported a shareholder-led resolution asking for third-party assessment on the company's commitment to freedom of association and collective bargaining, and a resolution asking the company to commission a third-party audit on working conditions. The company is continuously involved in a number of controversies on these two topics. We believe it would be beneficial for shareholders to understand how it is managing these risks. We will also continue to engage with the company on this topic, given the consistent levels of support from shareholders year after year (slightly more than 30% support from shareholders).

WHAT'S NEXT?

We use our vote to signal concerns to the boards of the companies we are invested in but our active ownership activity does not stop here. Through engagement and dialogue with companies, we seek to influence change and complement our voting activity.

For more information on our approach to engagement, please consult our [Engagement Policy](#)¹⁴.

¹The percentage levels of support provided in this document are approximate and have been calculated by Carmignac based on the company's regulatory disclosures.

²Resolution 6 - Report on Generative AI Misinformation and Disinformation Risks, AGM 29 May 2024.

³Resolution 7 - Report on Non-Financial Matters Regarding Sales of Healthier and Less Healthy Foods, AGM 18 April 2024.

⁴Resolution 5 - Adopt GHG Emissions Reduction Targets Associated with Lending and Investment Activities, AGM 2 May 2024.

⁵Resolution 8 - Disclose a Biodiversity Impact and Dependency Assessment, AGM 16 May 2024.

⁶Resolution 4 - Require Independent Board Chair, AGM 17 May 2024.

⁷Now GE Aerospace. Resolution 4 - Require Independent Board Chair, AGM 7 May 2024.

⁸Resolution 4 - Require Independent Board Chair, AGM 10 May 2024.

⁹Resolution 4 - Require Independent Board Chair, AGM 2 May 2024.

¹⁰Resolution 5 - Approve Recapitalization Plan for all Stock to Have One-vote per Share, AGM 29 May 2024.

¹¹Resolution 9 - Approve Recapitalization Plan for all Stock to Have One-vote per Share, AGM 7 June 2024.

¹²Source: company proxy statement.

¹³Resolution 12 - Commission Third Party Assessment on Company's Commitment to Freedom of Association and Collective Bargaining and resolution 17 - Commission a Third Party Audit on Working Conditions, AGM 22 May 2024.

¹⁴ https://carmidoc.carmignac.com/ESGEP_INT_en.pdf

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