FLASH NOTE

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Carmignac's ESG expectations: a guide for our investee companies

Author(s)
Marion Plouhinec

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In recent years there has been a significant evolution in the sustainable investment landscape, and at Carmignac, we acknowledge it is sometimes difficult for companies and clients to understand the expectations of asset managers when it comes to ESG (Environmental, Social and Governance) considerations and how to navigate them.

As such, **we are pleased to publish our inaugural guide to our ESG priorities: Carmignac's ESG expectations:*a guide for our investee companies***.

In line with Carmignac's sustainable investment and active ownership strategy, we explain in a transparent way how we think investee companies across our equity and bond holdings should approach the appropriate integration of ESG considerations into their strategies, policies and behaviours and our ESG priorities for 2023 and beyond. As a responsible investor and steward of our clients' assets, **we believe it is important to be transparent on these expectations as they inform our approach to sustainable investing, engagement and voting**.

The publication of this document is also an**opportunity for us to explain our own approach to ESG**. As an independent and high-conviction investor, **we have chosen to prioritise our ESG focus on the following three core themes, Climate, Empowerment and Leadership**that are important to our business and in which we feel we can make a tangible difference:

CLIMATE

We believe that climate change poses an existential threat to the planet and its people. It is also a key source of systemic risk for our economies and the financial markets.

EMPOWERMENT

We believe that companies cannot successfully operate without appropriately balancing the interests of their stakeholders.

LEADERSHIP

We believe that a robust leadership underpins the long-term performance and success of any corporation.

Carmignac' ESG Expectations

A guide for our investee companies

Download the report

Our approach explained

This new ESG Expectations document contains our general expectations of investee companies that are the basis of our sustainable investing as well as active ownership activity. However, **we do not take a principled approach to the application of these expectations and our high-conviction style means we always take individual company circumstances into account**.

The expectations **inform the proprietary assessment** made by our equity and fixed income investment teams on the ESG profile of each issuer through our exclusive ESG ratings and research system START (System for Tracking and Analysis of a Responsible Trajectory)[1] . Our conviction for our three priority themes is also reflected in our investment proposition including our thematic fund range. **In 2022, Carmignac launched Carmignac Portfolio Human Xperience, which invests in companies with both superior employee and customer satisfaction levels (aligned with our Empowerment theme)**. This fund completed our existing thematic fund range composed of Carmignac Portfolio Climate Transition (aligned with our Climate theme) and Carmignac Portfolio Family Governed (aligned with our Leadership theme).

Stewardship at Carmignac

Carmignac's ESG expectations document comprises a non-exhaustive list of considerations we take into account in our approach to **engagement** with our investee companies. **In 2022 Carmignac engaged with 67 investee companies in 81 engagement meetings, with 58% of our engagements on our thematic Climate-Empowerment-Leadership topics**. Through engagement we seek to encourage our investee companies to further embed ESG considerations into their strategies as well as to encourage them to evidence appropriate management of ESG risks and opportunities.

Lastly, the criteria presented in each of the "Carmignac's voting guidelines" sections provide the detail of how we may **use our voting rights** by voting against the investee companies who do not meet our expectations. **In 2022, of the meetings in which we voted, Carmignac voted against the management of investee companies at least once at 55% and made a vote of support for 75% of resolutions filed by shareholders**[2] .

1. 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. For more information, please consult our ESG Integration Policy: https://carmidoc.carmignac.com/SRIIP_INT_en.pdf

2. Source: Carmignac using ISS data. Proxy votes for the period between 1st January 2022 and 31st December 2022. Data includes all votes of Carmignac's two legal entities: Carmignac Gestion and Carmignac Gestion Luxembourg.

Marketing communication. Please refer to the KID/KIID, prospectus of the fund before making any final investment decisions. This document is intended for professional clients.

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