FLASH NOTE

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Investor of conviction, investor of action: takeaways from the 2022 voting season

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The end of an active voting season[1] is an opportunity for Carmignac to comment on the highlights of the season and report on how we voted at the shareholder meetings of our investee companies.

During this 2022 voting season

97%

Carmignac voted 97% of votable meetings

59%

Carmignac cast at least one vote against management at 59% of the meetings we voted

12%

votes were cast against the management of the companies we invest in, a small increase versus 10% over the same period in 2021

Exercising our voice by voting against management … what next?

We use our vote to signal concerns to management but this often does not stop here and we can seek to complement the vote by an engagement to provide detailed feedback to the company on the concerns that triggered a decision to vote against.

This was especially the case during this voting season regarding management 'say on climate' resolutions, where the management of our investee companies asks shareholders to approve their climate policy or report.

Glencore

At mining company **Glencore**'s Annual General Meeting (AGM) held on 28th April 2022, **we voted against the Climate Progress Report**[2] due to concerns around the plan regarding the medium to long-term management of their coal assets.

Despite strong emission reduction targets and a large portion of their operations/capital expenditure focused around extracting transitional metals, we believe the company should have a clearer pathway for scope 3 emissions reductions. After our vote, we notified the company of our decision.

This was followed by an engagement meeting on 21st June held jointly by the Responsible Investment team and the Portfolio Manager of Carmignac's Green Gold fund with the company's investor relations and Head of sustainability to explain our concerns and set out our expectations. The company received about 23% of votes against this resolution[3].

Under the provisions of the UK Corporate Governance Code, this level of dissent above 20% is considered significant. The company is therefore expected to consult with shareholders and provide, in the six months following the AGM, an update on the views received from shareholders and actions taken.

Total Energies

We also **voted against oil & gas company TotalEnergies' Sustainability and Climate Transition Plan**[4] at their AGM held on 25th May 2022.

Whilst we welcomed the company having a net zero 2050 commitment, we have concerns around current short- and medium-term targets and their alignment with this goal.

In addition, we expect scope 3 emission targets to cover all of their products not just those relating to oil products. We provided this feedback directly to the company's investor relations during a call held after the AGM, on 13th June.

The resolution received support, with only 11 % of shareholders voting against[5] .

Active ownership on the rise

Overall, the 2022 voting season saw a strong increase in active ownership by investors through the filing of a significant number of shareholder resolutions[6] at our investees' AGMs.

This was particularly the case in the US market where the Securities and Exchange Commission (SEC) implemented new rules[7] which make it harder for companies to block the filing of shareholder proposals.
In the European market, we noted that some attempts to file shareholder resolutions on the agenda of the AGM of some of our investee companies were blocked.

The TotalEnergies example
(France)
The board of **TotalEnergies** took the decision not to include a shareholder proposal filed by 11 shareholders on the topic of its climate strategy as it deemed the resolution "encroaches on the public policy competence of the board of directors to define the Company's strategy"[8].

The group of shareholders referred the issue to the French financial market authority (Autorité des Marchés Financiers or AMF) who declared itself incompetent on the matter. The President of the AMF however separately expressed his wish to see the legislator intervene on the topic.

We see this as a first push by shareholders towards improving shareholder democracy in this market.

This trend towards an increase in shareholder resolutions is reflected in our voting statistics. **Carmignac voted 165 resolutions filed by shareholders** in the first half of 2022 globally, an increase from **104** over the same period last year. **48% of these shareholder resolutions we voted were filed at US investee companies.**

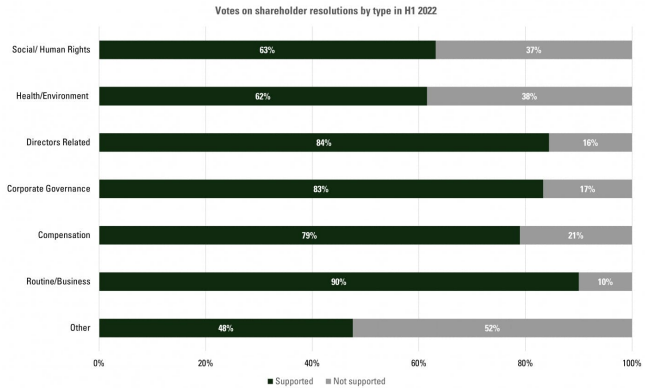
We continued to exercise scrutiny on the quality of these resolutions and their alignment with our Environmental, Social and Governance (ESG) themes of focus:

Climate change
We believe every company must play its part in climate change mitigation;

Empowerment
We believe employees are a company's most valuable asset, when cared for;

Leadership
We believe in long-term value creation from firms that can innovate to constantly provide the best solutions for their clients.

We **supported 75% of all shareholder resolutions submitted to our vote, a small increase compared with the first half of 2021 (71%)**



Source: Carmignac using ISS data. Proxy votes for the period between 1st January 2022 and 30th June 2022. Data includes all votes of Carmignac's two legal entities: Carmignac Gestion and Carmignac Gestion Luxembourg.

At e-commerce US company **Amazon's** AGM held on the 25th May 2022, **we supported 7 of the 15 resolutions put forward by shareholders.** This includes the following resolutions linked to our core ESG theme of **empowerment**:

Resolution 6
commission third party report assessing company's human rights due diligence

Resolution 13
report on protecting the rights of freedom of association and collective bargaining

Resolution 16
commission a third-party audit on working conditions

Our in-person engagement with the company a month before the AGM, helped us understand the steps the company is taking to improve its approach to social and environmental issues and contributed to inform our voting decision. However, among our expectations, we provided feedback to the company that they need to improve the overall transparency on the various environmental and social initiatives they are taking to improve perception issues. Our support for 7 shareholder resolutions is very much linked to this ongoing engagement.

For example, we decided to support resolution 16 which requested that the board of directors of the company commission and independent audit and report of the working conditions and treatment that the company's warehouse workers face. We believe that this topic currently poses reputational risks as well as operational risks from a more limited labour pool, high workforce turnover and high cost of labour force.

Whilst our engagement with the company helped us get a better insight into the actions they are taking to improve conditions, we think a third party audit would increase transparency around the topic and help stakeholders as well as the company more accurately assess the issue.

Whilst none of these resolutions obtained sufficient shareholder approval to pass, we continue to monitor the company's ESG practices and engage with them.

Carmignac's approach

What we are trying to evidence in this piece is that whilst Carmignac has an active and conviction-based approach to investment, this does not prevent us from voting against the management of a company when we think it is appropriate to do so.

We use our voting rights as an opportunity to encourage our investee companies to make improvements aligned with ESG best practices which are in the long-term interests of the company, their stakeholders and ultimately our clients.

For more information regarding our approach to voting, please consult our Voting Policy.

[1] The general meetings of our investee companies tend to be concentrated in the period between March to June, this is what we refer to as the voting season

[2] Resolution 13 - Approve Climate Progress Report

[3] https://www.glencore.com/media-and-insights/news/results-of-2022-agm

[4] Resolution 16 - Approve Company's Sustainability and Climate Transition Plan

[5] https://totalenergies.com/sites/g/files/nytnzq121/files/documents/2022-05/AG2022_Resultats-des-votes-par-resolution_EN.pdf

[6] For instance, please refer to Georgeson's 2022 early proxy season review which describes a 'record number of shareholder proposal submissions': https://www.georgeson.com/us/insights/2022-early-proxy-season-review/

[7] For more details on this, please refer to the speech given by Renee Jones, Director of the Corporate Finance Division at the SEC https://www.sec.gov/news/speech/jones-cii-2022-03-08

[8] https://totalenergies.com/media/news/press-releases/board-directors-totalenergies-promoting-dialogue-its-shareholders

Responsible Investment

We use our voting rights as an opportunity to encourage our investee companies to make improvements aligned with ESG best practices

Consult our policies and reports

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