CONFLICTS OF INTEREST POLICY STEWARDSHIP

JULY 2023

CONFLICTS OF INTEREST WITHIN STEWARDSHIP ACTIVITIES

REGULATORY CONTEXT

At the Carmignac Group (the "Group"), we expect our business activities to be conducted honestly and with integrity. Any interaction with our clients and other third parties should be carried out in line with our ethical principles. Where we can't prevent a conflict of interest, we try to identify and manage conflicts which could harm our clients' interests.

OUR COMMITMENT

We're committed to identifying and managing the risk of conflicts of interest to make sure that we treat our clients fairly and comply with laws and regulations. As part of this, the Group considers conflicts involving all Group companies (whether regulated by a national competent authority or unregulated) and those that could involve individuals. These include, for example:

- Group directors, managers, or employees on a temporary or permanent contract of employment or secondment;
- Other people or companies used by the Group to provide investment and related services (for example consultants).

WHAT IS A CONFLICT OF INTEREST?

Situations of conflict of interest may arise in the context of the provision of investment services, or related services, or the management of a collective investment scheme. Sometimes circumstances may arise where our duties to clients differ from what is best for the Group or for another client. This is a conflict of interest.

The Group takes its responsibility to identify and manage conflicts of interest fairly between us and our clients, or between two or more different clients very seriously.

WHEN COULD A CONFLICT OF INTEREST AFFECT YOU AS A CLIENT?

A conflict of interest could result in the Group having an unfair advantage over a client or between one client and another client. For the purposes of this document, we will concentrate purely on the **conflicts that may arise in the conduct of our stewardship activities**. Other potential conflicts are illustrated in further detail in our Conflicts of Interest Policy.

STEWARDSHIP RELATED CONFLICTS

On occasion, we may encounter conflicts of interest related to our stewardship activities. It is incumbent on the Group Investment Team and the Sustainable Investment Team (the "SI Team") to identity and manage such conflicts, in line with the wider Group Conflicts of Interest Policy. In all such instances, our objective is to ensure that these conflicts are identified and managed appropriately, to ensure our clients best interests are served.

Some non-exhaustive examples of conflicts that may arise in relation to stewardship activities are provided below:

- *Contrasting objectives and investment horizons of different asset classes of the same issuer (e.g., bonds or equity) and/ or different holdings across the capital structure;*
- *Funds' and investment mandates' respective interests diverging from each other;*
- *Voting recommendations from the SI Team against the management of companies held in our portfolios may impact the Investment team's interaction with investee companies and*
- *Differences between the Group's Stewardship Policy and investors' stewardship policies;*

Several of the above potential conflicts are addressed below in further detail:

- Asset classes

Group Portfolio Managers ("PMs") within either Equities or Fixed Income may have different viewpoints on the strategy of an investee company. For example, over capital allocation (increase investment or return surplus capital to shareholders) and on distributions (debt reduction vs buybacks or dividends). At the Group we always act in the best interests of our clients, and where a conflict of this nature may arise the fixed income and equity teams, would act separately as appropriate for their respective clients.

- A divergence of opinion between PMs within the Investments Team and the SI Team on ESG expectations or the stewardship activities of the Group is represented using an example from 2022:

Resolution topic	Racial equity or civil right audits. This case study illustrates how we manage conflicting views in our voting process.
Region	North America
Summary	A shareholder-led resolution was filed at a Healthcare benefits company's AGM contained in our equity portfolios. This resolution[1] requested that the board of directors oversee a third-party audit which assesses and produces recommendations for improving the racial impacts of its policies, practices, produces and services. In line with our Voting Policy this vote was considered a "key vote", and this triggered a review by the SI Team. After reviewing the wording of the proposed resolution and supporting statement of the proponent, in line with our Voting Guidelines, the SI Team recommended a vote in favour of this resolution to the investment analyst and to the PM.
Issue	Several shareholder-led resolutions were filed on this topic in 2022 to focus the company's attention on their role in creating or sustaining racial disparities. These audits are usually undertaken by law firms or civil rights experts. Once the analysis is done, the auditors work with companies to publish reports with their findings and recommendations. The rationale for the SI team's recommendation was: • An audit would allow shareholders to see whether the company's commitments and actions are working in practice.

1 Resolution 6 - Oversee and Report a Racial Equity Audit, at the company's AGM held on 18 May 2022

	• This independent review could help the company understand what it could do better on the issue including an assessment of whether it is contributing to racial disparities. • It was not an overly burdensome or prescriptive resolution; the company may appoint who they want (usually a law firm) to carry out the audit and decide on its scope. The Investment Analyst, PM and the Head of Equities expressed concerns with the proposed resolution. They noted the efforts already undertaken by the company to improve diversity, equality, and inclusion. This included a USD 50m pledge on the topic made just a year before the filing of the shareholder resolution. The Company questioned whether an audit was necessary at this stage given the recent commitments made. In addition, they also had concerns around the lack of clarity of the resolution and the scope of the audit. The Head of Equities and Director of Stewardship identified a conflict between the views of the SI Team and of the PM. As no agreement was found, they raised the issue to Carmignac's board member and director ultimately responsible for sustainable investment issues, Maxime Carmignac.
Outcome	After consultation with both parties, the decision was taken to support the resolution given its alignment with our Empowerment theme and our Voting Guidelines and sufficient assurances regarding the impact of the support for the resolution on other interactions with the company.

- Interest of clients diverge on issues being voted

Potential conflicts can arise in relation to the voting activities where the Group is voting on resolutions on behalf of a position held within the funds under management. The Group owes each of its clients a duty of care with respect to all services undertaken on their behalf. We place our clients' interests ahead of our own and undertake activities and cast proxy votes in a manner consistent with the best interests of all clients.
We remain open to receiving feedback from our clients on how to improve our Voting Policy, as well as discussing their preferences regarding our approach and expectations on ESG topics and AGM resolutions. As voting is key to the effective exercise of our stewardship responsibilities, we believe the exercise of our engagement strategy is more efficient if we retain the ability to vote at the shareholder meetings of the companies, we are invested in. In addition, given our relatively small size, it is logistically more efficient to cast all the voting rights in the same direction.

However, should a client express the wish to direct their own voting rights, we would review their request and seek to accommodate it on a best-efforts basis. Please note that currently, all our clients vote in line with the Carmignac Voting Policy including Guidelines.

We can vote differentially and will assess the voting of shares against each client mandate. If client interests diverge, then we will vote accordingly, but this is a rare event.

Case from 2022: voting Carmignac funds

Issue	In 2022, the SI Team identified that Carmignac funds were entitled to vote for resolutions related to the SICAV Carmignac Portfolio for which Carmignac Gestion Luxembourg is the management company in our ISS ProxyExchange Platform. Given the potential conflict inherent to voting for our own funds, we decided to cast a manual 'do not vote' instruction via our ProxyExchange Platform. The issue was raised internally by the Stewardship Director to Carmignac's Legal and Compliance departments.
Outcome	Following internal discussions, we requested our proxy provider ISS applies an automatic 'do not vote' instructions for these funds.

- Differences between the Group's Stewardship Policy and investors' stewardship policies

The SI Team is structured to mitigate and manage potential conflicts of interest to enable to act to achieve the best outcome for all clients. The Head of SI Team reports directly to UK Managing Director – who is a member of the Carmignac board. The SI Team does not share line management reporting lines with any of the investment teams, including the Equity or Fixed Income teams. The independent reporting line allows the team to form a view that are in the long-term interests of Carmignac clients, notwithstanding the investment time horizon and strategy of the underlying portfolio.

HOW DO WE DEAL WITH CONFLICTS OF INTEREST?

The Group has implemented procedures which seek to prevent any potential conflicts of interest occurring. Where we are not able to prevent a new conflict of interest between us and our clients and conflicts between our clients, our procedures, and the Conflicts of Interest Policy detail how we identify and review these.

TRAINING

The SI Team holds regular training sessions with the Investment and Sales Teams and the Product Specialists to ensure that a consistent ESG approach, which is defined across the entities of the Group, is communicated. It is noted that within different asset classes and funds, there are specificities in ESG approaches, therefore, the ESG training sessions allow for a level of consistency to be maintained when meetings with investee companies and clients are held.

CONCLUSION

If you require further information on how the Group manages potential conflicts of interest in relation to its stewardship activities, please review the Conflicts of Interest Policy in the first instance.

DISCLAIMER