



CARMIGNAC
INVESTING IN YOUR INTEREST

CARMIGNAC VOTING POLICY **APRIL 2022**

As an active and independent asset manager, Carmignac is committed to efficiently manage our investors' assets over the long term. Investing taking into account Environmental, Social and Governance (ESG) considerations into our investment analysis is inherently linked to achieving this purpose. Whilst Carmignac only invests in companies in which we have conviction, we are also active owners. We believe it is our fiduciary duty to our clients to actively encourage our investee companies to improve their approach regarding the incorporation of material ESG criteria into their long-term strategy and take into account a broad set of stakeholders. We effectively do so by regularly engaging with them and exercising our voting rights.

OUR COMMITMENT TO VOTING

The exercise of our voting rights using proxy voting is an essential part of Carmignac's commitment to active ownership and we take our responsibility seriously. This is reflected in our ambitious objective of 100% voting participation for all votes cast on behalf of our clients across shareholder and bondholder meetings.

Our approach to voting is primarily defined by taking into account the interests of investors whose assets we manage over the long-term. Proxy voting is an important component of Carmignac's stewardship strategy as it is an essential tool that we can use to influence our investee companies. Having an active and conviction-based approach to investment 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.

This means Carmignac may vote against the management of a company where:

- The investee company does not align with our ESG best practice expectations set out in our voting policy; or
- In line with the escalation process described in our Shareholder Engagement Policy, ¹we want to put additional pressure on the company to complement an engagement or because an engagement has not been successful.

We have put in place processes and policies such that our voting practices reflect our objective of maximising long-term returns for investors and our own values and practices around specific ESG themes, in line with our focus on the following three themes: Climate change, Empowerment and Leadership.

VOTING PROCESSES

Carmignac's 2022 voting policy applies consistently to all entities of Carmignac and to both our equity and non-equity holdings.

¹ https://carmidoc.carmignac.com/ESGEP_INT_en.pdf

LISTED EQUITY

The Portfolio Manager (PM) is ultimately responsible for taking the voting decision. They review the resolutions and are responsible for sending the final voting instruction for each shareholder meeting of the companies included in their funds, in line with the process described below.

In line with our commitment to encourage our investee companies to have robust ESG policies and behaviours, we have decided to leverage on the principles set in the Sustainability Policy ²defined by our proxy provider Institutional Shareholder Services (ISS) as the basis for our voting decisions. This also contributes to ensure the consistency of our voting decisions across all our equity holdings.

ISS' Sustainability Policy is used to inform the PM's voting decision around the issues surrounding a company's proxy proposals. However, it is not their only source of information and additional resources may be used such as:

- **Carmignac's voting guidelines:** they define our overall stance on vote issues. For more details, please see further below.
- **Recommendations of Carmignac's Responsible Investment (RI) team:** whilst PMs are responsible for the voting decision, Carmignac's RI team provides an extra layer of valuable input and expertise on votes deemed "key". For more details, please refer to the section below on the role of the RI team in the voting process.
- **Views of Carmignac's Sectorial Analysts:** the depth of their sector expertise can be useful to understand a company's circumstances in more details.
- **Engagements:** we might use engagement records of previous proactive engagements with a company to inform our judgment. Proxy voting issues may also trigger an engagement by the RI team. For more details on our approach to engagement, please consult our public Shareholder Engagement Policy³.
- **Other third-party research:** such as for example sell-side research.
- **A company's individual circumstances.**

Taking into account these various and important sources of information, the PM takes an informed voting decision which they communicate via email to Carmignac's Middle Office team who is in charge of the execution of the vote. The rationale for all votes is documented internally to ensure an appropriate audit trail is maintained.

For companies held across many portfolios, a consensus is established on the voting decisions, with the PM who has done the original lead investment analysis as the key driver to decision-making. In the circumstance where views differ, the Head of the Equity team takes the final decision.

A key differentiator of Carmignac's approach is that we do not adopt a standardised, "box-ticking" approach to voting. The ISS Sustainability Policy and our proxy voting guidelines are used to define and inform our stance on vote issues. However, the PM retains the ability to override the ISS vote recommendation.

² <https://www.issgovernance.com/policy-gateway/voting-policies/>

³ https://carmidoc.carmignac.com/ESGEP_INT_en.pdf

THE ROLE OF THE RI TEAM IN THE VOTING PROCESS

In 2022, we reviewed our voting process to better structure the provision of inputs by the RI team on votes by introducing a prioritisation system for votes deemed “key”. This new process was put in place to ensure the RI team focus their time and resources on the review of the most significant and contentious meeting resolutions within our main holdings.

A “key vote” is:

- A vote related to a company which is considered a main holding. This is determined based on a list agreed internally by our main stakeholders including the Managing Director of Carmignac UK who leads and sponsors our responsible investment activity, our Stewardship Director and our equity investment team; and
- A recommendation to vote against management is set under the recommendation of the ISS Sustainability Policy.

For all key votes, the RI team analyses the resolutions, researches the issues in line with the process described above and provides a vote recommendation to the PM. The recommendations provided by the RI team are an important factor in the final voting decision of the PM, however they are free not to follow these recommendations and make the ultimate voting decision. As mentioned above, the rationale for all votes is documented internally to ensure an appropriate audit trail is maintained.

USE OF PROXY PROVIDERS

Since 2015, Carmignac has been using the services of external proxy voting provider ISS to manage the voting process and to provide vote-related research and recommendations. As explained above, our proxy provider’s research and analysis is used to inform the judgment of our RI and portfolio management teams on proxy voting-related issues. ISS’ Proxy Exchange voting platform is used by our Middle Office team to cast our votes.

An annual review of our proxy provider’s organisation (e.g. composition of research teams), research quality and future developments around proxy voting data takes place in a due diligence meeting. These meetings are attended by representatives of our proxy provider, members of the RI team (including our Stewardship Director) and members of our Middle Office team who are responsible for the good execution of our votes via ISS’ ProxyExchange platform.

However, please note that we do not wait for our annual due diligence meeting to provide feedback to our proxy provider. Our feedback is continuous during the year and takes place as issues arise. Identified issues can be for example around the timing of the delivery of the research or any other operational issues.

STOCK LENDING

In order to manage the portfolio efficiently, generate capital or additional income for the funds, and/or protect its assets and liabilities, each fund may use techniques and instruments involving transferable securities and money market instruments, such as securities lending and borrowing transactions.

Carmignac has implemented a model that generates additional revenues into the funds without any impact on the fund management side. In particular, a sell order coming from portfolio manager initiates an automatic recall of the security lent in order to settle the trade in a timely manner. Hence, the fund can recall the securities at any time. The monitoring of this activity remains under the supervision of the Middle-Office Funds and Trading Desk of Carmignac Gestion.

Our policy is not to lend out more than 20% of our positions. To ensure we vote all our positions, Carmignac's policy is to recall all securities for voting on all ballot items. We can exercise daily recall on every position.

BONDHOLDER MEETINGS

Whilst they are a rare opportunity, Carmignac aims to vote all bondholder meetings from 2022. Bondholder votes tend to take place through extraordinary shareholder meetings and focus on financial topics. Therefore, we do not take a policy approach and a case-by-case approach is used.

As for equity votes, the PM is responsible for the voting decision. They may request for the views on the RI team if deemed appropriate.

The execution of bondholder votes is undertaken by our Middle Office team and takes place via ISS' ProxyExchange platform.

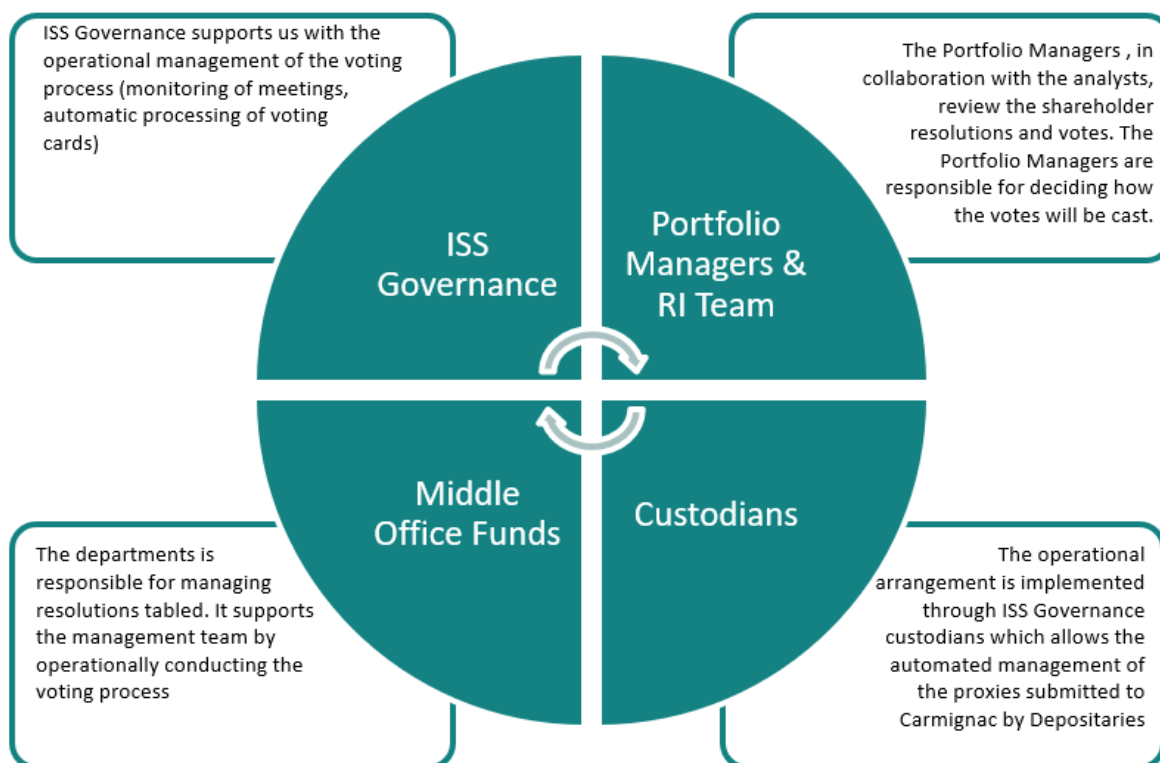
MANAGING POTENTIAL CONFLICTS OF INTEREST

Identify, manage and mitigate both actual and perceived conflicts of interest is essential to Carmignac's activities, so that investors understand their interests are always put first. Additionally, the management of conflicts is important in building long-term relationships with the companies in which we invest, as in order to drive change and have an impact on the market, we need to be seen as a trusted, fair and transparent investor.

There are a number of potential conflicts inherent in the corporate governance activity undertaken at Carmignac. A summary of Carmignac's Conflicts of Interest Management Policy ⁴is available on our website and a full policy is available on request. This policy is commensurate with the size, structure, nature, importance and complexity of Carmignac's business.

⁴ https://www.carmignac.com/en_US/article-page/regulatory-information-1788

OUR VOTING PROCESS ILLUSTRATED



VOTING GUIDELINES

Carmignac's approach to voting aims to favour the exclusive interests of the investors.

We are a signatory to the Principles for Responsible Investment (PRI) ⁵supported by the United Nations. Therefore, we ensure that these principles are also taken into account in the voting process.

The ISS Sustainability Policy selected by Carmignac pays special attention to resolutions on ESG issues. The relevant voting recommendations aim to ensure standardised reporting by the issuers, to develop adherence of companies to norms, standards, and codes of conduct implemented by international organisations and to promote greater disclosure and transparency from companies.

Furthermore, the voting recommendations defined by ISS and submitted to Carmignac have the following objectives:

- Greater disclosure of corporate environmental policies including climate change and greenhouse gas or toxic emissions;
- Greater transparency of social policies concerning workplace discrimination, corporate board diversification, human rights, and adherence to norms, standards, and codes of conduct; and

⁵ <https://www.unpri.org/>

- Detailed reporting on sustainable business practices including recycling, subcontracting and sustainable exploration of raw materials (wood and water), preservation of protected areas, renewable energy, and incorporation of sustainability-related performance metrics into the performance and compensation of senior management.

As described above, Carmignac leverages on the research and policy provided by ISS. We also review our votes to make sure they align with the following guidelines:

- The establishment of a basis for an effective corporate governance framework;
- The responsibility and accountability of the Board of Directors;
- The respect of shareholders' rights;
- Fair treatment of minority shareholders;
- The consideration of different stakeholders in corporate governance;
- Transparency and equal distribution of information;
- The development of fair remuneration principles consistent with companies' economic perspectives;
- The adherence to relevant norms, standards, and codes of conduct implemented by international organisations on ESG.

OUR COMMITMENT TO TRANSPARENCY

Carmignac is committed to the transparency of our stewardship activities. In line with the requirements of the European Union's Shareholder Rights Directive II (SRD II), Carmignac provides its investors and the public access to the following information on our website:

At firm-level:

- An annual Stewardship Report⁶ containing an explanation of how Carmignac has exercised its voting rights, including our processes around the vote decision and how we use the information provided by our proxy provider. It also includes a report of our voting activity with statistics and case studies on significant votes.
- Two annual vote disclosure reports⁷ for all votes cast for our funds registered within our two legal entities: Carmignac Gestion and Carmignac Gestion Luxembourg. These two separate reports contain the detail of the shareholder meetings to which our two legal entities participated in, including the vote instructions cast at resolution level.
- Our annual United Nations-sponsored Principles for Responsible Investment reporting⁸
- A periodic newsletter⁹ which includes key voting statistics as well as engagement statistics and case studies.

⁶ https://www.carmignac.com/en_US/responsible-investment/template-hub-policies-reports-4528

⁷ https://carmidoc.carmignac.com/SRIVPRCG_INT_en.pdf; https://carmidoc.carmignac.com/SRIVPRCL_INT_en.pdf

⁸ Our latest available report is publicly available on their website: <https://www.unpri.org/signatories/reporting-and-assessment/public-signatory-reports>

⁹ https://carmidoc.carmignac.com/SRIQVER_INT_en.pdf

At fund-level:

- For all our funds that have a French “Label ISR”, Carmignac publishes the yearly vote records for the fund as well as the number of engagements carried out by Carmignac with investee companies comprised in the fund. Please refer to the individual fund pages on our website for more details¹⁰.

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¹⁰ https://www.carmignac.com/en_US/our-funds