2023: OUR ACTIVE STEWARDSHIP ILLUSTRATED

18/01/2024

As a long-term investor, we engage in regular dialogue with the companies in which we invest to encourage them to improve their practices for taking environmental, social and governance (ESG) criteria into account. Find out how our active approach to stewardship was borne out in 2023:

60% Engagements held	**95%** Of meetings voted	**52%** Of meetings where Carmignac voted against management at least once*

Carmignac is committed to aligning its dialogue strategy with five types of engagement: engagement on ESG ratings, thematic engagement, impact engagement, engagement on controversial behaviour, and engagement on proxy voting decisions.

Over 2023, we initiated dialogue with investee companies **60** times and covered three types of engagement.

Over 2023, Carmignac voted against the management of our investee companies at least once at **52%** of meetings voted.

Find out how we specifically engaged with two investee companies during 2023.

ANTA SPORTS

Sector: Apparel
Region: China

Carmignac is an equity investor in the company[1].

Engagement objective
In line with our engagement policy, we noted that the company has quit the Better Cotton Initiative, and we wanted to clarify whether the company will continue to source cotton produced Northwest China's Xinjiang Uygur Autonomous Region.

Engagement method
In October 2023, we held a videocall with the Company's investor relations representatives as part of their quarterly ESG investor call.

Engagement summary
We engaged with the company on their approach surrounding responsible sourcing of cotton.

The company has several processes in place to manage their supply chain. Firstly, they have a supplier management handbook which has standards in place, which suppliers need to abide by. Secondly, they also said that they perform suppliers audits on areas such as health and safety and chemical management, which extend beyond tier 1 suppliers to tier 2 and 3.

The company said that they are unable to comment on their decision to leave the Better Cotton Initiative given that it is a political topic, and they will not be able to rejoin the initiative until it stops saying that there is forced labour in Xinjiang. They said that this is a political matter and avoided speaking about the topic with regards to the human rights due diligence process they have in place for their cotton supply chain.

Outcome and next steps
Human rights in the supply chain are a material risk for the company. The engagement call gave us some insight into the company's practices. However, we were unable to get a clear answer to our question during the call. Therefore, we are continuing to engage with the company and will have another call with them in early 2024.

ENI SPA

Sector: Energy
Region: Europe

ENI is a fixed income holding in our funds[2].

Engagement objective
We organised this call with ENI for two reasons:
- Obtain an update from them on the situation with their ownership in a controversial asset in Nigeria (5% ownership in SPDC JV with Shell, Total and ENI);
- An update on the progress of their climate transition following inflationary pressures on energy markets and cost of renewable developments following macroeconomic events.

Engagement method
We organised a direct call with the company.

Engagement summary

We organised this call with ENI to first obtain an update on their ownership in a controversial asset located in Nigeria (5% ownership in SPDC, JV with Shell, Total and ENI) which has faced serious environmental violations due to oil spills. ENI sold most of their Nigerian activities to Oando (Nigerian O&G) last month, all but their 5% stake in the SPDC JV. The reason for this, as explained by ENI, is due to portfolio management decisions and contractual constraints (as Oando is already part of this SPDC JV). The company provided an extensive update on the situation and steps taken, in a recently published report. They also confirmed that they are in direct contact with ISS over the next steps that could allow the removal of the controversy flag (other than selling the asset, as this is not currently envisaged from their side).

The second reason for the call was to understand the implications of the current macro environment (high energy prices, high cost for new renewable projects with supply chain constraints) on their short/medium/long term ambitions to transition away from fossil fuels towards renewable technologies. ENI has one of the most aggressive transition plans in the O&G industry making the current macroeconomic outlook a potential factor in them reconsidering their strategy. The company has assured as that this is not the case, and they are firmly committed to reaching their short-term goals (50% upstream CO2 reduction by end of next year, 65% upstream CO2 reduction by 2025, 30% CAPEX towards Low carbon projects by 2026). They were however unable to comment on the incremental cost that will be incurred from higher renewable project costs, guidance for this will be provided in their 2023 iteration of their Climate report. Currently, CAPEX towards low carbon projects is at 25% but is targeted to increase to 70% in 2030 and 85% in 2040. In other avenues, ENI was very vocal about the large progress they've made towards developing new biorefineries to feed the increasing demand for sustainable aviation fuels (procurement contracts have already been secured with large airlines). Following this conversation, we remain satisfied with the progress the company is making towards its transition. We will have more insight on the macroeconomic impacts in next year's reporting.

Outcome and next steps

The outcome is positive, although no clear progress has been achieved since we last spoke to the company. ENI still owns 5% in the controversial JV, and no changes to the company's climate transition plans (targets). In this case, no change is positive given the circumstances. We will analyse their FY 2023 disclosures when made available and revert back to the company with any comments and concerns in H1 2024.

[1]As of 29th December 2023: Carmignac China New Economy, Carmignac Emergents, Carmignac Portfolio Emerging Patrimoine, Carmignac Portfolio Evolution, Carmignac Portfolio Flexible Allocation 2024, Carmignac Profil Réactif 100, Carmignac Profil Réactif 50, Carmignac Profil Réactif 75, Carmignac Portfolio China New Economy, Carmignac Portfolio Emergents.

[2]As of 29th December 2023: Carmignac Credit 2025, Carmignac Credit 2027, Carmignac Credit 2029 Carmignac Alts ICAV Carmignac Credit Opportunities, Carmignac Portfolio Flexible Bond, Carmignac Portfolio Credit, Carmignac Portfolio Evolution, Carmignac Portfolio Flexible Allocation 2024, Carmignac Portfolio Global Bond, Carmignac Patrimoine, Carmignac Profil Réactif 100, Carmignac Profil Réactif 50, Carmignac Profil Réactif 75, Carmignac Sécurité, Carmignac Portfolio Patrimoine, Carmignac Portfolio Sécurité, FP Carmignac Unconstrained Global Bond.

CARMIGNAC GESTION 24, place Vendôme - F-75001 Paris - Tél : (+33) 01 42 86 53 35 Investment management company approved by the AMF Public limited company with share capital of € 13,500,000 - RCS Paris B 349 501 676.

CARMIGNAC GESTION Luxembourg - City Link - 7, rue de la Chapelle - L-1325 Luxembourg - Tel : (+352) 46 70 60 1 Subsidiary of Carmignac Gestion - Investment fund management company approved by the CSSF.

Public limited company with share capital of € 23,000,000 - RC Luxembourg B 67 549