3RD QUARTER 2023: OUR ACTIVE STEWARDSHIP ILLUSTRATED

01/12/2023

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 the third quarter 2023:

18%	**99%**	**51%**
Engagements held	Of meetings voted	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[1].

Over the third quarter of 2023, we initiated dialogue with investee companies **18** times and covered two types of engagement.

In the third quarter 2023, Carmignac voted against the management of our investee companies at least once at **51%** of meetings voted.

Find out how we specifically engaged with two investee companies during the third quarter 2023:

COCA-COLA ICECEK (CCI)

Sector: Consumer staples
Region: Middle East

Through managed portfolios, Carmignac holds[1] a bond linked to ESG constraints (*Sustainability-Linked Bond or SLB*) issued by CCI.

Engagement objective
CCI produces, distributes and sells sparkling and still beverages of The Coca-Cola Company across Turkey, Pakistan, Kazakhstan, Azerbaijan, Kyrgyzstan, Turkmenistan, Jordan, Iraq, Syria, Uzbekistan and Tajikistan.

As an investor in CCI's-first issued SLB, we wanted to monitor the issuer's progress on the Sustainability Performance Target (SPT) set. In addition, we noted their low MSCI rating which contrasted with the higher Carmignac proprietary START[2] score of "C" (ranging from A-E). This triggered an engagement with the issuer.

Engagement method
We held a call with the Issuer's IR representatives and Head of Sustainability.

Engagement summary
The focus of this engagement was to assess the Issuer's approach to integrating sustainability considerations in its strategy, as well as to linking sustainability targets to financing. The sustainability pledges of CCI and of The Coca-Cola Company, its second largest shareholder, are very similar but also differ to take into account their business models as well as local and cultural considerations.

The SPT consists in a reduction in water use to 1.47 litres of water withdrawn per litre of product produced by 31 December 2027 from a baseline of 1.69L/L in 2020. Failure to do so will lead to a coupon step-up of 50 bps. We engaged with the issuer on the progress made against this target and how it is concretely working to achieving it. We note that the issuer works in collaboration with public authorities and also especially Non-Governmental Organisations (NGOs).

We welcome the issuer's annual reporting on progress made against the target as well as verification by an independent third party, as this allows investors to efficiently monitor its progress.

Our assessment of the issuer's approach to social-related topics identified areas for improvement which we engaged on. This included a request that it reports on progress against its overall commitment to be 100% compliant with its human rights policy. We also noted an increase in the number, as well as the severity of lost time incidents in 2022. This is explained by a change in its approach to reporting this data which involves more granularity in its reporting. Lastly, they also explained the challenges the company faces regarding diversity targets, given the nature of its business operations and the countries in which it operates.

Outcome and next steps
This engagement allowed us to monitor the issuer's progress on the SPT target. It also contributed to our assessment of the Issuer's ESG performance and validated the issuer's START rating of "C."

L'ORÉAL

Sector: Consumer staples
Region: Europe

Carmignac is an equity investor in the company[3].

Engagement objective
As part of our ESG strategy and in line with our engagement focus, we monitor this Issuer's environmental and social strategy.

The Issuer is a significant holding in our portfolios. We monitor it to ensure it continues to have a strong commitment to source responsibly, phase out undesirable chemicals and design environmental standards into products.

Engagement method
We had a face-to-face meeting with the Environmental Leadership Director and other company representatives.

Engagement summary

The meeting was an opportunity for Carmignac to provide feedback to the Issuer on its sustainability strategy. The issuer has set ambitious targets in place on environmental and social KPIs, and we acknowledge its progress so far.

We highlight below the key points of the discussion:

- Living wage in the supply chain;
- Product safety;
- Biodiversity targets;
- Usage of biobased products;
- Sustainable packaging.

Outcome and next steps

This engagement allowed us to monitor the Issuer's progress on its sustainability targets.

We were encouraged that, unlike some peers, the Issuer has set targets in its supply chain, in addition to its own operations. Also, the Issuer has made significant progress in increasing the usage of bio-based products and introducing refillable products.

We did note, however, that on its social supply chain living wage target commitments, the work has just started and therefore, we will continue to observe this topic for further developments.

This engagement contributed to our assessment of the Issuer's ESG performance and validated the Carmignac proprietary START[2] rating of "A" (ranging from A-E).

[1]As at 30 September 2023: Carmignac Credit 2025, Carmignac Credit 2027, Carmignac Portfolio Credit.

[2]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 refer to our website.

[3]As of 30th September 2023: Carmignac Absolute Return Europe, Carmignac Alts ICAV-European Long Short, Carmignac Global Active, Carmignac Investissement, Carmignac Investissement Latitude, Carmignac Patrimoine, Carmignac Portfolio Evolution, Carmignac Portfolio Family Governed, Carmignac Portfolio Flexible Allocation 2024, Carmignac Portfolio GrandChildren, Carmignac Portfolio Grande Europe, Carmignac Portfolio Human Experience, Carmignac Portfolio Investissement, Carmignac Portfolio, Patrimoine, Carmignac Portfolio Patrimoine Europe, Carmignac Profil Réactif 100, Carmignac Profil Réactif 50, Carmignac Profil Réactif 75, FP Carmignac European Leaders, FP Carmignac Global Equity Compounders, FP Carmignac Patrimoine.

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