

FLASH NOTE

12.01.2023




2022: a year of active stewardship illustrated

Published

January 12, 2023

Length

 5 minute(s) read

81

Engagements held

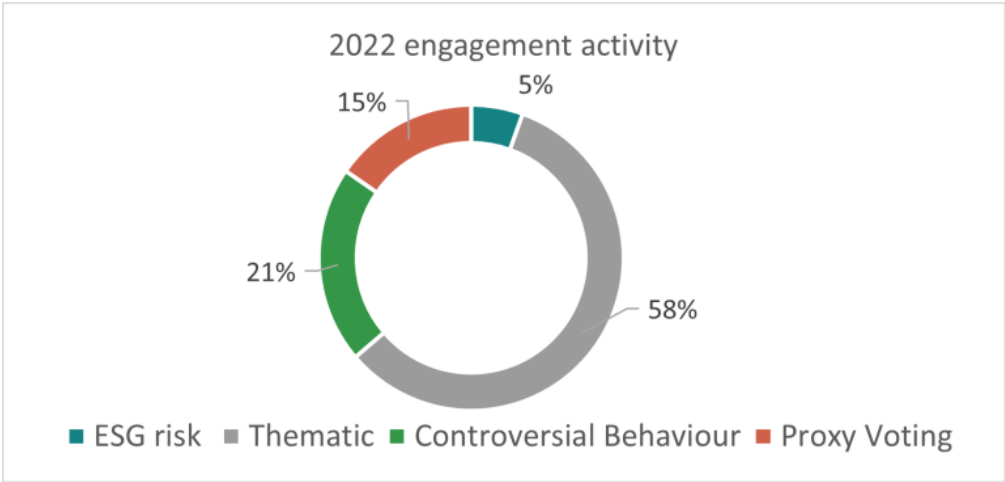
98%

Meetings voted

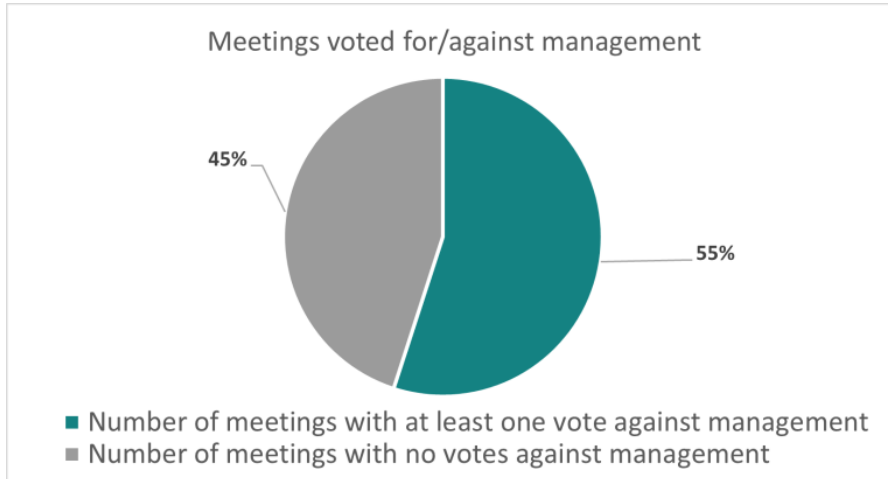
55%

Of meetings where
Carmignac voted against
management at least once

Carmignac held **81** engagements in 2022:



In 2022, Carmignac voted against the management of our investee companies at least once at **55%** of the meetings we voted compared to 41% in 2021:



The engagements presented below were undertaken in Q4 2022.

Experian

Sector: Professional services

Region: Europe

The Company is held in a number of Carmignac's equity funds¹.



Engagement objective

In line with our engagement policy², we noted the Company's involvement in important controversies on the topic of cybersecurity. We were also interested in the Company's approach to data accuracy as this constitutes a material risk for the Company given its activity as a credit bureau.

Engagement method

In November 2022, we held a videocall with the Company's investor relations representatives.

Engagement summary

We engaged on the following topics:

Cybersecurity: we asked questions around the Company's learnings from the cyber breaches it has experienced, the governance structure around cybersecurity as well as the processes in place such as third-party assurance. The Company considers cybersecurity is an issue for the entire Company, not just for a few. Initiatives have been undertaken to ensure there is a sufficient level of awareness and responsibility among their workforce through training and initiatives to integrate cybersecurity awareness in the Company's culture. The Company has dedicated cybersecurity teams on both a global and regional level, but cybersecurity is also ultimately a responsibility of the audit committee. Regarding the board's skillset on the topic, the nomination committee actively seeks to appoint board members with experience on the topic and current board members also undertake regular training. Lastly, the Company hires external firms on an annual basis to test the robustness of their systems, this includes the ad-hoc hiring of hackers for testing purposes.

Data accuracy of credit ratings: the Company's view is that, beyond compliance with regulation, it is in its commercial interest to ensure the accuracy of the data it holds. We discussed the due diligence the Company undertakes when it onboards a new data provider including testing and monitoring. We also discussed its approach to empowering consumers, for example through the introduction of innovative functionalities to allow consumers to review their score and flag any inaccuracy more easily.

Outcome and next steps

Cyber security as well as data accuracy are material risks for the Company. This engagement call gave us an insight into the Company's practices as well as a better understanding of the policies and processes it has put in place to manage and mitigate those material risks. We will keep monitoring the Company's actions on these two topics. We decided not to change the Company's rating under our proprietary ESG assessment system START as we deemed the overall rating of B remains appropriate.



Teva Pharmaceutical Industries

Sector: Pharmaceuticals

Region: Middle East

The Company is held in a number of Carmignac's fixed income funds⁴.

Engagement objective

We have been engaging regularly with the Company since 2020, especially given their involvement in industry-wide controversies. The objective of this engagement was to assess the Company's progress on the resolution of the controversies and provide our feedback.

Engagement method

In October 2022, we held a videocall with the Company's investor relations representatives.

Engagement summary

We discussed the Company's recent settlement in relation to the industry-wide opioid issue for an amount of over USD 4 billion to be paid over a 13-year period. The settlement also involves the provision of pharmaceuticals to help treat the people affected by the opioid crisis.

We also discussed its approach to resolving the industry-wide price fixing issues. The Company has identified the source of the issue, chosen to settle a number of cases in US States and has strengthened the training provided to employees in sales-related roles as well as managers on the topic.

Regarding its involvement in controversies, we discussed the material impact these issues have on the Company's reputation and financials as well as our expectations around the management of controversies. We also encouraged the Company to engage with third party ESG rating agencies to ensure the agencies' assessment and analysis correctly reflects the nature of the controversies and the Company's actions to resolve them.

The Company is a generics business that produces a significant number of low-price products. It therefore has little control over the labelling. In addition, it has historically had a high level of Merger & Acquisition (M&A) activity, which has brought around issues retrospectively.

In terms of its approach to handling controversies and the reputation implications these issues have, due being more indebted than a number of peers, the Company has less ability to settle claims upfront and therefore the controversies tend to go on for longer.



Regarding the actions taken by the Company, since their restructure in 2017, there has been no further significant M&A activity. It has also streamlined its business, reinforced its compliance policies and processes, and created a number of synergies across its business which makes it easier to manage the Company and therefore potentially reduce risk.

Outcome and next steps

The opioid case settlement has now been agreed but other litigation cases continue. Therefore, we expect the Company will remain involved with controversies going forward. We also note that their low-cost drugs bring about social benefits through enabling access to medicines.

Following the call, the ESG Analyst assessed the Company's START ESG⁵ rating of B and considered it remains appropriate at this time, therefore no changes were made. We will continue to monitor the Company's responses to the ongoing controversy issues as well as our engagement with them as a fixed income investor.

¹As at the date of the engagement reported (November 2022) and the date of publication of this case study (January 2023). Equity funds are Carmignac Grande Europe and Carmignac Portfolio Europe Patrimoine. ²https://carmidoc.carmignac.com/ESGEP_INT_en.pdf

³The 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 consult our ESG Integration Policy: https://carmidoc.carmignac.com/SRIIP_INT_en.pdf

⁴As at the date of the engagement reported (October 2022) and the date of publication of this case study (January 2023). Fixed income funds are Carmignac Credit 2025, Carmignac Credit 2027, Carmignac Portfolio Evolution, Carmignac Portfolio Global Bond, Carmignac Patrimoine, FP Carmignac Patrimoine, Carmignac Portfolio Patrimoine Europe, Carmignac Sécurité, Carmignac Portfolio Sécurité, Carmignac Profil Réactif 50, Carmignac Profil Réactif 75, Carmignac Profil Réactif 100.

⁵The 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 consult our ESG Integration Policy: https://carmidoc.carmignac.com/SRIIP_INT_en.pdf



To find out more on our responsible investment philosophy, please visit our Responsible Investment section:

Responsible Investment

This is a marketing communication. This document is intended for professional clients

This material may not be reproduced, in whole or in part, without prior authorisation from the Management Company. This material does not constitute a subscription offer, nor does it constitute investment advice. This material is not intended to provide, and should not be relied on for, accounting, legal or tax advice. This material has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any securities or interests referred to herein or for any other purposes. The information contained in this material may be partial information and may be modified without prior notice. They are expressed as of the date of writing and are derived from proprietary and non-proprietary sources deemed by Carmignac to be reliable, are not necessarily all-inclusive and are not guaranteed as to accuracy. As such, no warranty of accuracy or reliability is given and no responsibility arising in any other way for errors and omissions (including responsibility to any person by reason of negligence) is accepted by Carmignac, its officers, employees or agents. Reference to certain securities and financial instruments is for illustrative purposes to highlight stocks that are or have been included in the portfolios of funds in the Carmignac range. This is not intended to promote direct investment in those instruments, nor does it constitute investment advice. The Management Company is not subject to prohibition on trading in these instruments prior to issuing any communication. The portfolios of Carmignac funds may change without previous notice. UK: This document was prepared by Carmignac Gestion and/or Carmignac Gestion Luxembourg and is being distributed in the UK by Carmignac Gestion Luxembourg UK Branch (Registered in England and Wales with number FC031103, CSSF agreement of 10/06/2013). In Switzerland: the prospectus, KIIDs and annual report are available at www.carmignac.ch, or through our representative in Switzerland, CACEIS (Switzerland), S.A., Route de Signy 35, CH-1260 Nyon. The paying agent is CACEIS Bank, Paris, succursale de Nyon/Suisse, Route de Signy 35, 1260 Nyon. Copyright: The data published in this presentation are the exclusive property of their owners, as mentioned on each page. 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 € 15,000,000 - 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