

FLASH NOTE

31.05.2022



An active start in the year

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Length
🕒 3 minute(s) read

19

engagements held

100%

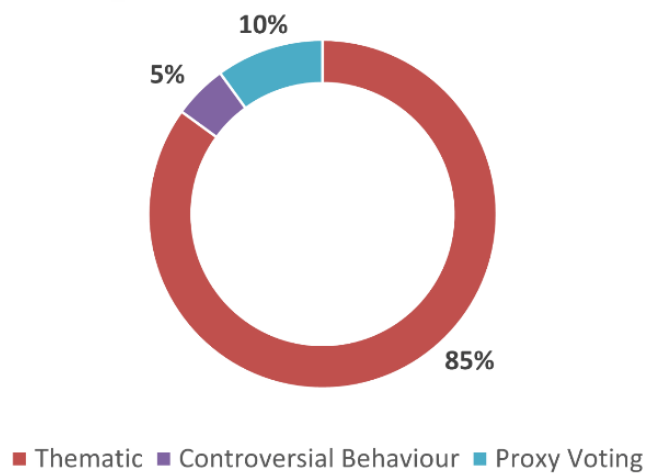
meetings voted

60%

of meetings where
Carmignac voted against
management at least once

Carmignac held **19** engagements with **16** investee companies in the first quarter of 2022:

Q1 2022 engagement
activity



In Q1 2022, Carmignac voted against the management of our investee companies at least once at **60%** of meetings voted:

Meetings voted for/ against
Management



- Number of meetings with at least one vote against management
- Number of meetings with no vote against management

Engagement Case Studies

James Hardie





JamesHardieTM

Sector: Building Materials

Region: Asia Pacific

As at the date of the engagement, in January 2022, the company is held within a number of Carmignac's credit portfolios.



Engagement objective

In January 2022, we decided to engage with the company given concerns following the public announcement of the board's decision to dismiss the company's CEO for having "extensively and materially breached the James Hardie Code of Conduct".

In line with our engagement strategy described in our Shareholder Engagement Policy¹, the Responsible Investment (RI) team defined the engagement strategy and objectives with our fixed income Portfolio Manager (PM).

Engagement method

Following the announcement, the RI team requested a call with the company's investor relations team. Our last engagement with the company's investor relations was in August 2021 to discuss the company's sustainability approach and trajectory, following the release of their 2021 report.

Engagement summary

Such a level of transparency from the Board around the reasons for the CEO's dismissal is not common. We exchanged with the company's investor relations representative to find out more about the circumstances around the Board's decision to terminate his role at the company and understand the reasons which pushed its members to be transparent about it. Given the seriousness of the issue, we suggested the Board should consider an internal review into the company's culture.

Lastly, we engaged on the issue of succession planning. A frank and open relationship at the top between the CEO and the Board Chair is fundamental for a well-functioning governance. Taking into account the Chair's tenure at the Board and his plan to retire before the end of his three-year term, we stated it is often a risk to appoint a CEO first and then change of Board Chair but recognised that, given the circumstances, the Board has no other choice. The investor relations representative was able to speak about the skillset required for the new CEO, the implications of the appointment of a new CEO for the company's strategy, the choice of the interim CEO (former Board Non-Executive Director) and the implications of these changes for the Chair's succession planning.

Outcome and next steps

We will continue to monitor the company on these issues.

¹ Source: Bloomberg data



LG Chem



Sector: Chemicals

Region: Asia

In March 2022, at the time of the vote, the company's equity was held within a number of Carmignac's portfolios.

Engagement objective

In 2020, the company decided to split-off and list its electric battery business, which was an important component of its business and therefore its market value especially considering the shift of the auto industry towards electric vehicles. Whilst LG Chem would retain ownership of LG Energy Solution (LGES), we believed the split off would not benefit minority shareholders such as Carmignac.

Engagement method

Very early on, as part of his regular dialogue with the company, our Emerging Markets Portfolio Manager (PM) shared Carmignac's concerns directly with the company's investor relations. Given the seriousness of our concerns, in June 2021, he took the rare step of sending an email to the company's CEO setting out our expectations for the company to take into account minority shareholders' interests. However, the IPO of LGES subsequently took place in January 2022.

Engagement summary

Since then, we noted that the IPO of LGES in the Korean market has not benefitted the minority shareholders of LG Chem by resulting in the significant destruction of LG Chem's share price.

The equity team's concerns around the ability of the Board of LG Chem to protect the interests of all

minority shareholders was discussed at a weekly equity meeting in presence of the Responsible Investment (RI) team. In order to signal our disappointment to the Board, we decided to escalate our stance in line with our Shareholder Engagement Policy¹.

The RI team recommended to the PM a vote against the renewal of the mandate of the CEO of the company at the Annual General Meeting (AGM) of shareholders on the 23rd of March 2022 (resolution 2 - elect Shin Hak-Cheol as Inside Director). They agreed that this approach was appropriate. We also decided to send a formal letter to the Board signed by our Head of Equities to explain the rationale behind our vote.

Outcome and next steps

The decision to vote against the renewal of the CEO and the letter were acknowledged by the company. Carmignac was not the only investor who voted against the renewal of the company's CEO. We noted reports indicating that one of the company's largest shareholder at the time of the AGM also voted against his re-election at the March 2022 AGM.

So far, these votes have not triggered any change in the strategy of LG Chem. In May 2022, given our concerns and the lack of action from the Board, we decided to reduce our investment position in the company.

¹ Source: Bloomberg data

² https://carmidoc.carmignac.com/ESGEP_INT_en.pdf

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

Responsible Investment



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