

Voting Policy Statement



Carnot Funds | September 2020

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Carnot Impact beyond ESG



In cooperation with:





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Carnot Capital is an investment management company, specialized in energy and resource efficiency. We founded the company in 2007 in Zurich and received 2013 the permission as an asset manager for collective investments by the Swiss Financial Markets Supervisory Authority FINMA.

We manage the equity funds Carnot Efficient Energy and Carnot Efficient Resources performing a sustainability examination ESG. We buy stocks of listed companies with products and technologies, that lower the consumption of natural resources. Due to rising scarcity and increasing environmental problems, those companies profit from structural growth. The stock picking is based on a value approach, where the quality of the company is central. We only invest in established, profitable companies with strong balance sheets.

Carnot Impact Investing is a blended approach, which differentiates itself through financial as well as social-ecological performance and by combining these two qualities and revealing the positive effects they have achieved (impact from ESG & SDG mapping).

The name Carnot Capital refers to the French physicist Nicolas Léonard Sadi Carnot (1796 - 1834) who was able to define the maximum physical efficiency of a steam engine. Improving energy efficiency is nothing more than increasing the level of efficiency when converting primary energy to useable energy. To a certain extent, we relate maximizing the degree of efficiency to our investment activities as well: Applying strict risk-return criteria and that's why our creed is: Investments featuring a maximum degree of efficiency. **Carnot Capital**



1. Introduction

Carnot Capital recognizes that portfolio management of the assets of clients, which include stocks, may include an obligation to vote in relation to the stock. If authorized to do so, Carnot Capital will vote in respect of the stock, typically by proxy, in a manner which it reasonably believes to be in the best interest of the client and in line with any specific legal or regulatory requirements in different jurisdictions or markets that may apply. In order to fulfil this responsibility, Carnot Capital has implemented the voting policy set out below.

2. Objective and scope

Proxy voting is subject to strict regulations that typically provide for the establishment of

- appropriate and effective processes for the exercise and documentation of voting rights;
- measures and procedures to
 - monitor corporate events;
 - ensure that voting rights are properly exercised;
 - prevent or manage conflicts of interest resulting from the exercise of voting rights.

The scope of this policy covers all actively managed funds and discretionary mandates managed Carnot Capital unless Carnot Capital has not been authorized to vote on behalf of clients in relation to the assets managed.

3. Applicable rules

The applicable rules in force are defined as the laws and regulations applicable to Carnot Capital in the conduct of its business. The implementation of a proxy voting strategy shall take into account the rules in force at local jurisdictions.

4. Principles

The medium and long-term aim of shareholders' votes is to increase shareholder value, which may include but are not limited to achieving improvements in corporate governance and areas of sustainable business including social, ethical and environmental responsibility. The aim is to support the generation of shareholder value for investors through providing a healthy balance of shareholders with the operating social and environmental context of the business.

Carnot Capital and its portfolio managers pursue established principles which are provided by the proxy voting service providers.

These service providers follow, among others, the following guidelines and principles:

1. OECD Principles of Corporate Governance <http://www.oecd.org/corporate/oecdprinciplesofcorporategovernance.htm>
2. EFAMA Code for External Governance – Principles for the exercise of ownership rights in investee companies <http://www.efama.org>
3. ICGN Global Corporate Governance Principles

5. Different set-ups

Carnot Capital's authorization to exercise or to have voting rights exercised, on behalf of funds and discretionary mandates it manages is set out in the relevant investment management agreement.

There are currently two different set-ups:

5.1 Set-up 1: with proxy voting agents

The portfolio managers, in coordination with the respective management company, are ultimately responsible for determining how to vote and therefore have the discretion to independently decide any final vote on a proposal. For exercising voting rights Carnot Capital takes as a basis the ones by the Fund management engaged Hermes Equity Ownership Services Limited ("HEOS"), Institutional Shareholder Services, Inc. ("ISS"), and Ethos Services SA ("ETHOS") who are specialized in the exercise of voting rights and also provide re-search services.

Voting rights are exercised on the basis of the principles stipulated in the agreements with the agents. These principles must be compatible with the investment policy pursued by each fund and mandate.

The proxy service providers provide Carnot Capital and its responsible portfolio managers with their voting recommendations. The portfolio manager will notify the final proposal to vote in writing and by providing justification for any choices that deviate from those recommended by the engaged proxy voting service provider. The respective management company will validate the justification and coordinate with the depositary bank all further steps. Each deviating advice on the exercise of voting rights must be documented by the portfolio manager and the documentation has to be provided to the management company in each particular case on a timely basis.

The voting of "controversial" proxies of "impactful holdings" can be discussed by the Carnot Capital's Executive board. An "impactful holding" is defined by a larger holding across all portfolio managers (typically 5% of outstanding share capital). A controversial issue could include:

- remuneration topics,
- M&A activities or
- other issues which are regarded as controversial by the voting agents.



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The agents provide Carnot Capital with reports on exercised votes at least on a yearly basis.

5.2 Set-up 2: without previously dedicated proxy voting agents

Doesn't appoint the Fund Management Company or a mandate for Carnot Capital no proxy voting agent, so they are expected to provide Carnot Capital in advance with their respective voting policy to ensure that the principles of voting from the them are equivalent to this policy.

In these cases Carnot Capital reserves the right to appoint a proxy voting agent.

Each exercise of voting rights must be documented by the external asset manager (or its voting agent) including the reason for its voting recommendation. The documentation has to be provided to the management company which will validate them and coordinate with the depositary bank if required.

If Carnot Capital is delegated to vote, Carnot Capital will provide the management company with at least a yearly report on the exercised votes and corresponding documentation

6. Disclosure and update

This Voting Policy Statement is available free of costs for all investors under https://www.carnotcapital.com/_pdf/dokumente/.

This Voting Policy Statement is updated regularly. Changes can be made by Carnot Capitals Compliance or its executive board.

7. Entry into force

This policy statement enters into force on September 1, 2020.