Our Sustainability Approach

LAZARD
FRÈRES GESTION

MAY 2025

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Introduction

“By shifting the horizon away from the short term and contributing to a more sustainable economic trajectory, the financial sector can become a powerful force acting in our collective best interest.”

Christine Lagarde

President of the European Central Bank (ECB), speech at the launch of the COP26 Private Finance Hub.

Since its creation, Lazard Frères Gestion has seen investment as a vector for long-term economic, social and human development. The launch in 1998 of the first French ethical SICAV bears witness to our longstanding sensitivity to environmental, social and governance (ESG) issues.

Current societal issues have reinforced our desire to favour a long-term approach, centred on our values, in order to better adapt to the major changes the world is experiencing. The interactions of companies with their social, economic and financial environment, and their stakeholders, determine more than ever their long-term place in the economic landscape.

“More than ever, companies' interactions with their social, economic and financial environment, with their “stakeholders”, determine their lasting place in the economic landscape.”

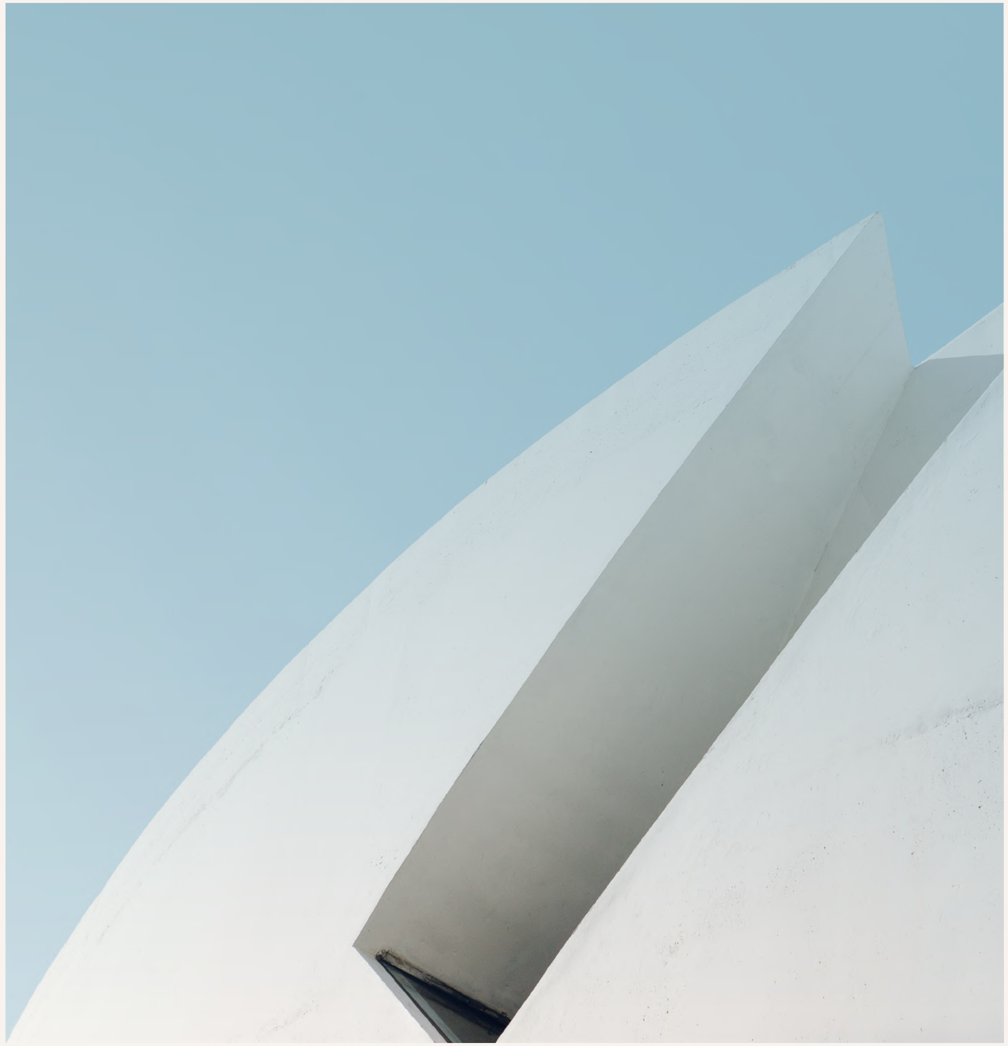
A signatory of the UNPRI since 2015, Lazard Frères Gestion has gradually implemented a reinforced responsible investment process and now incorporates numerous extra-financial criteria into its management. An internal analysis scorecard, coupled with various data provided by specialised partners, has made it possible to develop a rigorous proprietary ESG model that enables us to offer our clients sustainable solutions.

This philosophy is also reflected in our engagement and voting policy. Thanks to an ongoing dialogue with company management and a voting exercise aligned with our principles, Lazard Frères Gestion is able to support and guide companies towards more virtuous behaviour.

At a time of economic and climate uncertainty, we reaffirmed, in 2023, our commitments and our vision of responsible investment by adopting a mission statement. This will guide our engagement as we continue to move forward with our employees towards a sustainable, resilient, high-performance and inclusive economy.

François-Marc Durand

President of Lazard Frères Gestion



Our Philosophy as a Responsible Investor

Trusting *science*

Global warming is a scientific fact. The IPCC predicts that, by 2100, temperatures will have risen by more than 4°C above pre-industrial levels if no effort is made to limit the accumulation of greenhouse gases in the atmosphere. Such a scenario would mean an increase in extreme climatic events, a transformation of our lifestyles and an irreversible decline in biodiversity.

At a time when the planet has already warmed by an average of 1.2°C compared with 1850, each and every one of us has a duty to act to limit global warming to 1.5°C, in accordance with the 2015 Paris Agreement.

Transforming *the economy*

All sectors of the economy are affected. The transition we need does not concern only energy and transport. Agriculture, industry and services must, each in their own way, succeed in reducing their environmental impact, sometimes by totally rethinking their practices or production methods.

At the same time, other environmental, social and societal concerns have taken on a growing role in public debate. Taking into account the well-being of employees and the development of human capital now seems essential if we are to make a successful transition to a sustainable and responsible economy. To this end, good corporate governance seems more essential than ever to reconcile economic vitality with consideration for climate, environmental, social and societal constraints.

Selecting *responsible companies*

As an asset management company, we have the opportunity to support companies that need capital to transform themselves and carry out responsible projects. This financial support gives the most committed companies a competitive advantage. The higher the valuation of a listed company, the lower its cost of capital. In other words, it is easier and cheaper to raise funds.

Conversely, by limiting access to funding for companies with strong negative externalities, we are encouraging them to better integrate the challenges of sustainable development. The incentive to make progress is strong: this is where the real interest of sustainable finance inheres.

This dialogue covers both areas for improvement and areas for vigilance, particularly in terms of climate policy, human capital development and transparency.

Benefiting from *a virtuous circle*

By grasping the challenges of the future, companies become more sustainable. They improve the management of these new risks and identify new opportunities. As a result, we are convinced that investing in them becomes less risky while offering better prospects for long-term performance. The long-term prospects of our strategies are at the heart of our engagement in favour of sustainable economic and social development.

This approach makes it possible to construct a virtuous circle for companies, investors and society as a whole by helping to transform the economy.

Our goals *as a responsible investor*

In a world marked by uncertainty, Lazard Frères Gestion seeks to offer its clients conviction-based management with a long-term perspective. Our investment process takes the form of active management, focusing on rigorous security selection to optimise the risk/return trade-off, in particular by taking into account environmental, social and governance (ESG) parameters.

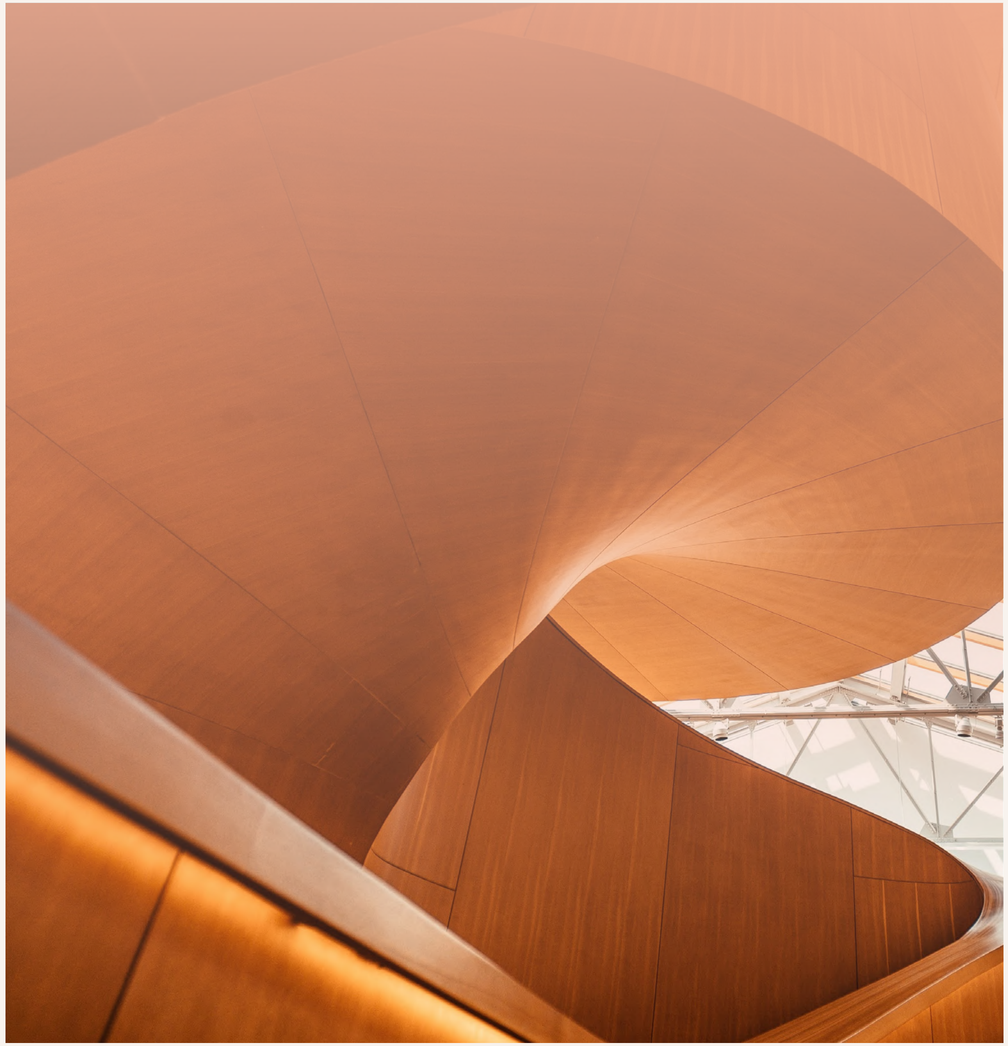
ESG analysis takes into account parameters that we believe are essential to the solidity, stability and financial sustainability of companies. It allows us to identify major issues that are neglected or underestimated by financial analysis, to detect potentially damaging risks for the company and its investors, particularly in terms of climate change, and to spot future opportunities.

Lazard Frères Gestion is convinced that companies that integrate ESG issues into their strategy offer an additional guarantee of resilience and performance over the long term. They are in a better position to take account of all their stakeholders, an essential condition for value creation and long-term competitiveness.

"The inclusion of ESG criteria in the construction and management of our portfolios now concerns all Lazard Frères Gestion teams. Our work processes have been profundly modified to effectively integrate the E, S and G dimensions, meet new regulatory requirements and satisfy the demands of our clients."

Sophie de Nadaillac

Deputy CEO of Lazard Frères Gestion



ESG Governance

An ESG team fully integrated *into the investment teams*

The portfolio manager-analyst model, unique to Lazard Frères Gestion, enables all portfolio managers to include responsible investment practices at the heart of their management. The portfolio manager-analysts are directly responsible for the ESG analysis of companies, their internal ratings, ESG integration and the implementation of engagement measures.

The portfolio manager-analysts and other Lazard Frères Gestion teams are assisted by the ESG team, which comprises the ESG Director and 7 specialists in 4 areas: equity, fixed income, wealth management, and the energy transition. This ESG department reports directly to François-Marc Durand, President of Lazard Frères Gestion.

ESG integration *at every level*

All of the asset management company's activities are now concerned regarding environmental, social and governance issues. The principles of responsible investment are now embedded in our discussions with all our clients, both institutional and private, and in the practices of all key functions: internal governance, research and analysis, portfolio management, risk control and reporting, compliance and client relations.

In this way, Lazard Frères Gestion has put in place a governance structure that enables effective decision-making on ESG issues, while leaving room for dialogue between all the business lines.

In addition, our organisation integrates key performance indicators (KPIs) linked to responsible investment into the performance assessment of team managers and all members of the executive committee. The introduction of these indicators reflects the importance we attach to ESG practices. Indeed, we are continually striving to improve our processes to better align these indicators with our strategic objectives.

Various committees *involving all business lines*

Several decision-making bodies help to structure the processes related to responsible investment decisions:

Chaired by François-Marc Durand, **the Executive Committee** sets the broad guidelines on sustainability issues. It monitors progress on strategic projects and validates the principles, philosophy and new ESG topics. The Executive Committee has a formal discussion with the Head of ESG on a quarterly basis.

EXECUTIVE COMMITTEE
7 managing partners

The ESG Committee is made up of representatives from institutional and wealth management, as well as members of the Marketing, Reporting, Risk Control, Compliance and RFP teams and the Executive Committee. It validates internal policies, processes and methodologies in terms of responsible investment. The ESG Committee meets every fortnight.

ESG COMMITTEE
ESG team and business line representatives

The monthly ESG meeting brings together all the company's business lines. At this meeting, participants follow regulatory developments relating to sustainable investment, update marketing tools and discuss commercial needs and competitive practices. The meeting takes place every month.

MONTHLY ESG MEETING
All business lines of the company

The ESG Risk Committee monitors compliance with internal ESG criteria by reporting alerts in terms of ratios. It validates the ESG parameters to be respected and monitors methodological exceptions. The meeting takes place every month.

ESG RISK COMMITTEE
ESG, Risk, Compliance

Exclusions & Sustainability Policies

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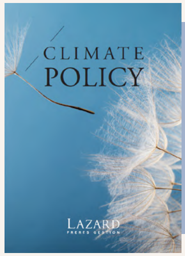
Climate change *policy*

Confident in scientists' projections and aware of everyone's responsibilities, we have developed our investment process to better understand climate change and the risks it entails, and to support companies in their transition to a low-carbon economy.

Our climate policy is based on the following six pillars:



· **Alignment with the Paris Agreement:** target of 2.5°C by 2030 for all Lazard Frères Gestion investments, to be reviewed and adjusted every five years to reach 2°C by 2050

· **Exclusion of thermal coal:** strategy of complete exclusion of thermal coal by 2030

· **Integration of climate research into our analysis:** proprietary analysis scorecard common to equity, fixed income and wealth management

· **Climate, a central element of our engagement policy:** voting and engagement practices that support transparency and the reduction of corporate emissions

· **Transparency and reporting:** publication of numerous reports including carbon emission and alignment indicators

· **Fossil fuels (conventional and non-conventional):** exclusion strategy based on quantitative thresholds, accompanied by engagement with companies on their transition plans

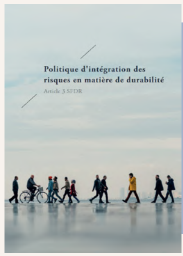
Sustainability risk policy *Article 3 SFDR*

EU Regulation n° 2019/2088 on sustainability disclosure in the financial services sector (SFDR) defines sustainability risk as « an environmental, social or governance event or situation which, if it occurs, could have a material adverse effect, actual or potential, on the value of the investment. »

For companies, sustainability risk can take different forms: destruction of physical capital, reputational risks, legal and regulatory costs, particularly those linked to the introduction of a carbon price.

This sustainability risk is fully integrated by Lazard Frères Gestion in its ESG analysis and its normative and sectoral exclusion policies and controversy monitoring.

Lazard Frères Gestion has published a sustainability risk integration policy (Article 3 SFDR).

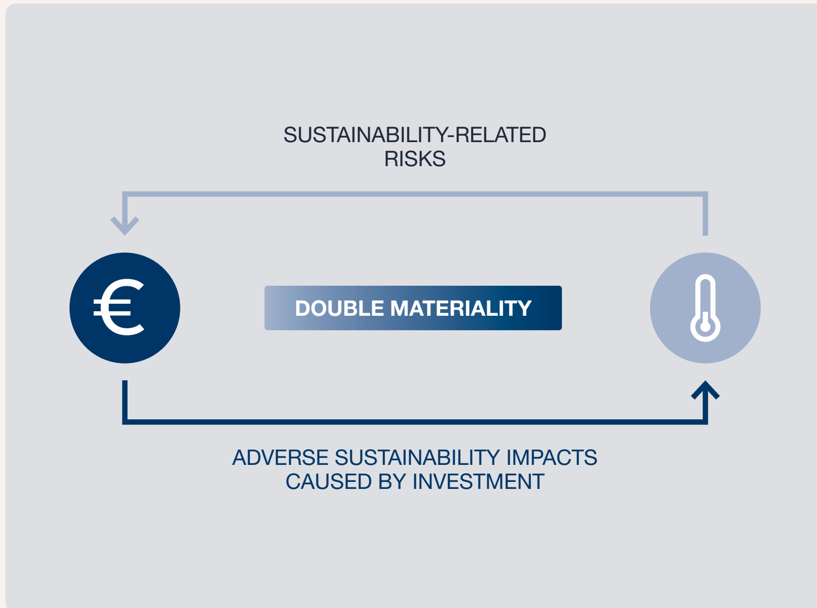


Adverse sustainability impacts *Article 4 SFDR*

Principal Adverse Impacts (PAI) represent, according to the EU regulation n°2019/2088 (SFDR), all the negative effects of investment decisions.

With a view to minimising these negative consequences, Lazard Frères Gestion includes in its ESG analysis and integration model all the PAI indicators defined by the European Commission, such as companies' carbon footprint, their energy consumption, their ability to manage their water consumption responsibly, etc.

Lazard Frères Gestion has published a policy for taking into account negative sustainability impacts (Article 4 SFDR).



Sustainable investment *methodology*

In 2022, Lazard Frères Gestion defined its sustainable investment methodology (SFDR).

We have based our approach on a rigorous interpretation of the definition given by the European Commission in order to select the most virtuous companies in their sectors.

A sustainable investment is an investment in a company that meets three criteria:

Substantial contributions

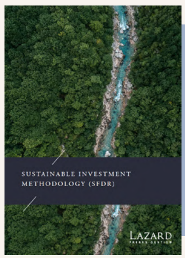
The issuing company must make a substantial contribution to at least one of the ten criteria defined by Lazard Frères Gestion.

Do No Significant Harm principle

The issuing company must comply with the rule set by Lazard Frères Gestion on the fourteen main negative impacts (PAI) in order not to cause significant harm to sustainability factors.

Good corporate governance

The company must comply with the principles of good governance.



Article 29 *of the Energy and Climate law*

In France, the Climate Energy Act applies to asset management companies and funds with more than €500 million in assets under management, with the following objectives:

· Better integration of climate and biodiversity issues into investment policies

· Improved consideration of sustainability criteria in risk management

Lazard Frères Gestion has published:

· A strategy of alignment with the Paris Agreement

· A strategy of alignment with long-term biodiversity objectives

· The financial impact of the main sustainability risks on the valuation of its assets (climate stress test)

Paris Agreement alignment strategy

At Lazard Frères Gestion, in line with our climate policy, we integrate an assessment of climate-related risks and opportunities into our analysis process, taking into account environmental factors and, in particular, greenhouse gas emissions, in our internal ESG scorecard. In addition, thanks to the data provided by our partner MSCI, we are able to assess the carbon exposure of the portfolios we manage and measure their alignment with the well-below 2°C objective set by the Paris Agreement.

We assess the alignment of our investments with the Paris Agreement by measuring the implied temperature increase provided by MSCI. Measuring implied temperature increase provides an indication of how companies and investment portfolios are aligning with global climate goals.

To formalise our strategy for alignment with the Paris Agreement, we have set ourselves a number of short-, medium- and long-term objectives. In particular, **we have set a target of 2.5°C for all Lazard Frères Gestion investments by 2030, which will be reviewed and adjusted every five years to reach 2°C or less by 2050.**

Biodiversity strategy

Preserving biodiversity is a major challenge in which all players in today's world have a role to play. Lazard Frères Gestion has set itself a series of short-, medium- and long-term objectives to integrate the protection of ecosystems into its investment activities and to support companies investing in the fight against biodiversity loss.

Lazard Frères Gestion uses the Moody's ESG Solutions biodiversity footprint indicator to measure the main pressures and impacts on biodiversity as defined by the Intergovernmental Panel on Biodiversity and Ecosystem Services (IPBES).

Normative *exclusions*

Controversial weapons

Context

There is no universally accepted definition of controversial weapons and views differ between countries, regions and institutions. Controversial weapons are most commonly understood as weapons that are indiscriminate and disproportionate in their effects (excessive damage out of proportion to the expected military advantage). In order to restrict or even put a definitive end to the production and use of these weapons, several norms and treaties have been put in place at the international level.

The international conventions and treaties applicable to Lazard Frères Gestion are:

· **the 1997 Ottawa Treaty** (or Anti-Personnel Mine Ban Convention) which prohibits the use, stockpiling, production and transfer of anti-personnel mines and encourages their destruction,

· **the 2008 Oslo Convention** (or Convention on Cluster Munitions) which prohibits the use, production, stockpiling and transfer of all cluster munitions defined as such.

In addition, Lazard Frères Gestion excludes investments in companies involved in the development and production of biological weapons, in accordance with the 1972 **Biological and Toxin Weapons Convention** (BTWC), and the production of chemical weapons, in accordance with the 1993 **Chemical Weapons Convention** (CWC).

Finally, since 2023, Lazard Frères Gestion excludes any company domiciled in a non-signatory country of the Non-Proliferation Treaty (1968) and involved in the **production of nuclear weapons**, using data from our partner MSCI.

Scope

Our exclusionary policy applies to securities involved in the production or sale of weapons prohibited by these Conventions. It also applies to issuers producing and/or disseminating elements essential to their manufacture.

Its scope therefore extends to **cluster munitions, anti-personnel mines, and biological and chemical weapons**.

Lazard Frères Gestion regularly identifies companies involved in these controversial weapons. Based on the information provided by our partner ISS-Ethix, an internal exclusion list is drawn up and monitored by our Risk Control department.

The following criteria are applied to define a company's involvement:

· the company is involved in the development, production, use, maintenance and marketing of the above-mentioned weapons.

· the company is involved in the development, production, maintenance, marketing of a key and specific component of the above-mentioned weapons.

· the company has a shareholding of more than 20% in a company involved in any of the above activities.

Violation of the United Nations Global Compact

Context

As part of the ongoing controversy management process, the ESG team pays particular attention to companies that violate the UN Global Compact Principles.

In the event of a severe, proven and repeated violation of any of the UN Global Compact principles, companies are placed on an exclusion list[1].

Companies that have taken corrective action to remedy a severe level of controversy are placed on a comprehensive engagement list. An engagement process is initiated to decide whether or not the company should be excluded. In the absence of a satisfactory response or after a period of 6 months, the company will automatically be placed on the exclusion list.

In the case of a controversy contested by Lazard Frères Gestion, companies are placed on a monitoring list. They are then subject to an in-depth evaluation and analysis by the ESG team, which results in the drafting of a specific note summarising the main conclusions of the analysis. The list is updated every six months according to new controversies.

A committee of portfolio manager-analysts and ESG specialists submits these three lists to Lazard Frères Gestion's Executive Committee for validation every quarter.

Once the controversy has been resolved and a period of one year has passed, the company will be removed from the three lists.

1. This exclusion applies to all assets managed by Lazard Frères Gestion, with the exception of securities acquired before 2022 on behalf of private clients and which represented, as at 31 December 2021, less than 0.1% of the management company's total assets.

Sectoral *exclusions*

Tobacco

Background

Every year, more than 8 million people worldwide die from tobacco and its consequences[1].

The tobacco industry, in particular, is subject to numerous ESG controversies regarding child labour in tobacco farming, transparency on product composition and deforestation.

As a result, in 2003, nearly 180 countries adopted the World Health Organisation's Framework Convention on Tobacco Control, which aims to drastically reduce consumption by 2025 through new regulations and taxes.

World Health Organization

Scope

In response to these major ESG issues, Lazard Frères Gestion has chosen to implement a tobacco exclusion policy.

Since October 2020, Lazard Frères Gestion no longer invests in companies whose primary activity is the production of tobacco or tobacco-related products.

Our policy does not apply to companies indirectly involved in the tobacco industry via secondary products and/or services (for instance, packaging suppliers, airlines, airport sales services), as their business is not exclusively focused on tobacco.

FCTC
WHO FRAMEWORK CONVENTION ON TOBACCO CONTROL

1. Source: World Health Organization, 2023.

Thermal Coal

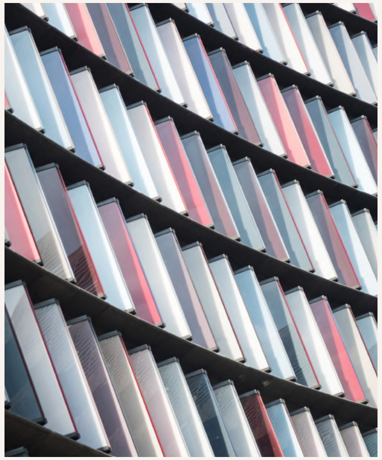
Background

As part of its climate policy, Lazard Frères Gestion defined **a strategy** in 2020 **aimed at phasing out coal by 2030**.

It aims to participate in the fight against climate change and the reduction of human pollution while taking into account the financial risks associated with the stranded assets affected by the energy transition.

Indeed, thermal coal combustion remains the main source of global warming, accounting for more than 29% of total greenhouse gas (GHG) emissions linked to human activities and more than 40% of anthropogenic carbon dioxide (CO_2) emissions in 2019 according to the International Energy Agency[2]. Its reduction will therefore be one of the most effective measures to limit the rise in temperature.

In 2024, Lazard Frères Gestion decided to lower the thresholds of revenue from thermal coal-related activities and the energy mix based on coal from 25% to 10%. This decision is part of the coal phase-out process by 2030.



Scope

Lazard therefore excludes any investment in companies for which:

· Projects concern new thermal coal mines or coal-fired power plants developments

· More than 10% of their turnover comes from thermal coal activities

· More than 10% of the energy mix (per MWh generated) is based on coal

· Annual thermal coal production exceeds 10 MT per year

· Installed coal-fired capacity exceeds 5 GW.

2. https://www.iea.org/reports/coal-2019

PROJECTS AND EXPLORATION

Exclusion of companies with thermal coal mine development or thermal coal power plants projects

ACTIVITIES

Extraction & Production	Power Generation
Annual production greater than *10 MT*	Installed capacities operating on coal greater than *5 GW*
Share of revenues from coal-related activities greater than *10%*	Share of power generation mix from coal greater than *10%*

Lazard Frères Gestion reserves the right to update the data provided by the Global Coal Exit List (GCEL) used for the exclusion of thermal coal. In this context, certain companies mentioned in the list may be reinstated to our investable universe if the latest available data indicates compliance with the stated thresholds. Conversely, if Lazard Frères Gestion's portfolio managers or ESG specialists become aware that a company in the portfolio exceeds these thresholds, the position will be sold within three months.

These thresholds do not apply to companies whose trajectory has been validated by the Science Based Target initiative (SBTi), provided they have not planned to expand their capacities in the coal sector.

In addition, in line with its approach to supporting and accompanying companies, Lazard Frères Gestion considers that green bonds or Sustainability-Linked Bonds (SLBs) with a performance indicator (KPI) linked mainly to an environmental objective (e.g. reduction of carbon emissions) are eligible for investment, regardless of the issuer.

Regarding other fossil fuels (particularly conventional and unconventional gas and oil), Lazard Frères Gestion commits to ensuring that its Article 9 strategies and labeled strategies adhere to the criteria for disengagement from the fossil fuel sector, in accordance with the new specifications of the SRI label (V3), by the end of 2024.

Unconventional Fossil Fuels

Background

Unconventional fossil fuels, such as coal bed methane, oil sands and oil shale, extra-heavy oil, and fracking, pose specific environmental and climate challenges. These energy sources are often associated with particularly high greenhouse gas emissions and negative impacts on local ecosystems. In addition, the financial risks associated with these activities are increasing due to the global transition to a low-carbon economy, making these assets vulnerable to becoming "stranded assets". In response to these challenges, Lazard Frères Gestion has established a policy for companies active in this sector.

Scope

Reinforcing its commitment to companies exposed to fossil fuels, Lazard Frères Gestion now excludes all companies in the upstream sector (exploration and production) that derive more than 5% of their production from the following sources: coal bed methane, oil from tar sands and oil shale, extra-heavy oil, and fracking.

Companies with more than 5% of production from fracking are subject to a detailed analysis of their climate transition plans. This analysis, specific to this sub-sector, assesses emission reduction trajectories and targets, the resources deployed for the transition, and the quality of climate-related governance.

Palm Oil

Background

Palm oil is distinguished from other vegetable oils by its yield per hectare, which is up to five times higher.

This efficiency has made palm oil the most widely consumed vegetable raw material in the world.

Intensive oil palm cultivation has disastrous consequences. In order to create space for cultivation, vast areas of tropical forest rich in biodiversity are felled or burned. This also has a substantial impact on global warming, as forests absorb and store a significant proportion of the world's greenhouse gas emissions.

Scope

Lazard Frères Gestion considers that the challenge is to combat harmful cultivation practices by promoting responsible palm oil production.

Lazard Frères Gestion excludes companies with at least 5% of sales in the production and/or distribution of palm oil, and where less than 60% of this production is certified.

We rely on RSPO (Roundtable on Sustainable Palm Oil) certification, a voluntary, independent certification system that brings together players from the entire palm oil value chain. This certification guarantees compliance with stringent environmental, social and economic criteria during palm oil production.

Tailor-made *exclusions*

In line with its historical policy, Lazard Frères Gestion aims to offer its clients products that are closely aligned with their needs and philosophy. In addition to the exclusions detailed above and applied to all our management, we offer custom exclusions that meet their requirements and convictions.

The criteria for exclusion or selection are numerous in terms of ethical and responsible investment. Thus, Lazard Frères Gestion always strives to remain capable of adapting its management to the specific constraints of clients (ESG, SRI, specific ethical frameworks...) through mandates and dedicated funds.

In particular, we may apply the following exclusions:

· **Exclusions of certain sectors**

· **Exclusions of certain countries**

· **Exclusions of certain securities**

· **Rating constraints** (minimum ESG rating goal)

Exclusion related *to sovereign issuers*

Lazard Frères Gestion has established a list of excluded countries (including FATF prohibited countries) and a list of countries under surveillance (under international sanctions or embargo). These lists include countries likely to present a major risk in terms of money laundering and terrorist financing.

Our ESG Analysis Process

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“Particularly committed to the thorough appliction of financial and extra-financial analysis, we place great importance on developing proprietary models. We have therefore developed our own ESG analysis model and transition plans to provide real added value in the selection of issuers.”

Thibaut Mihelich

Head of ESG

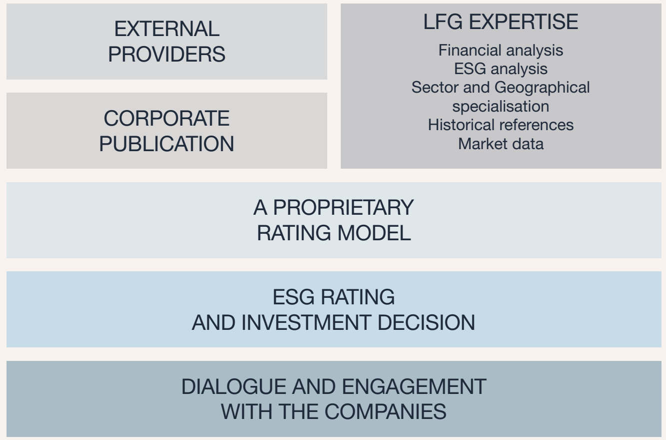
A proprietary *analysis model*

The result of a rigorous methodology, our ESG analysis process synthesizes the information on each company into an internal scorecard shared by all portfolio manager-analysts.

This common analysis is available to the Equities, Fixed Income, and Wealth Management teams and supports the implementation of integration processes tailored to different asset classes.

The construction of these analyses involves an in-depth, informed, forward-looking, and, if necessary, critical study of all available environmental, social, and governance data. ESG analyses are conducted directly by our analyst-managers in line with our commitment to avoid a siloed approach to ESG.

These analyses rely on information published directly by companies or gathered through direct dialogue with management, data from public institutions and NGOs, and analytical elements provided by our partners.



Our internal ESG analysis grid comprises three independent and complementary pillars E, S and G, weighted at 30%, 30% and 40% respectively. Each pillar is rated from 1 to 5 (5 being the best). For each pillar, our analysis focuses on the most relevant criteria using both quantitative and qualitative indicators.

A significant number of ESG criteria *systematically taken into account*

E *Environment*

ENVIRONMENTAL POLICY

GOALS

- Integration of environmental factors adapted to the sector's challenges
- Development of an environmental strategy and management system

Criteria

- Definition and formulation of guidelines, priorities, appropriate means, and specific quantified objectives
- Integration of sector-related regulations

CONTROL OF ENVIRONMENTAL IMPACTS

GOALS

- Control of risks associated with climate change
- Responsible water and waste management
- Biodiversity preservation

Criteria

- Limitation of greenhouse gas emissions and anticipation of the physical consequences related to climate change
- Optimization of water usage, limitation of discharges into the environment
- Measurement of the impact of activities on biodiversity and reduction of exploitation of sensitive areas, ecosystems, plants and organisms

ENVIRONMENTAL IMPACT OF PRODUCTS OR SERVICES

GOALS

- Environmental innovation
- Eco-design of products or services

Criteria

- Development of technological innovations and energy efficiency solutions
- Reduction of the impact related to the manufacturing, use and disposal of products or services, development of the circular economy

S *Social*

RESPECT FOR HUMAN RIGHTS

GOALS

- Prevention of situations or acts of complicity in human rights violations
- Respect for the right to safety and security of persons
- Respect for privacy and data protection

Criteria

- Respect for basic human rights, especially for UNGC and UNGP principles and OECD guidelines for multinational enterprises
- Elimination of prohibited forms of work, in particular child labour and forced or compulsory labour
- Protection of employees from potential threats, especially in high-risk regions
- Compliance with the regulations on the protection of personal data

HUMAN RESOURCES MANAGEMENT

GOALS

- Constructive social dialogue
- Favorable training and career management for human development
- Promotion of diversity
- Health, safety, and well-being at work

Criteria

- Respect and promotion of freedom of association and the right to collective bargaining
- Employment strategy: training plan, sector transition, internal development policy and restructuring management
- Principle of equal opportunities and treatment of people
- Prevention of accidents at work and occupational diseases and continuous improvement of health and safety conditions at work

MANAGE THE VALUE CHAIN

GOALS

- Responsible supply chain management
- Quality, safety, and traceability of products

Criteria

- Elimination of prohibited forms of labour at suppliers and subcontractors and sustainable cooperation with suppliers
- Protection and respect of customer/consumer rights: prevention of anti-competitive practices, safety, contractual protection and customer information

G *Governance*

BOARD OF DIRECTORS OR SUPERVISORY BOARD

GOALS

- Independence of the Board
- Competence and diversity of the Board
- Limitation of multiple directorships

Criteria

Board able to control and advise executive directors to ensure balance of powers:

- Separation of the positions of chairman and chief executive officer
- Diversity and complementarity of expertise
- Significant proportion of independent members allowing objective and impartial control of directors

QUALITY OF MANAGEMENT

GOALS

- Quality of the strategy
- Business ethic
- Effectiveness of the audit and control mechanisms

Criteria

- Establishment and implementation of a strategy that is coherent with the external environment and internal resources
- Prevention of all forms of corruption, among private players as well as public officials
- Internal control systems that can identify and evaluate risks facing the company and guarantee confidence in the independence and objectivity of external auditors

QUALITY OF FINANCIAL AND EXTRA-FINANCIAL COMMUNICATION

GOALS

- Confidence in forecasts and transparency
- Accessibility of management

Criteria

- History of profit warnings
- Publication of quantitative data and qualitative explanations giving a true and fair view of the company's current situation and its prospects with regard to financial and extra-financial issues

DIRECTORS' REMUNERATION

GOALS

- Clear formulation of directors' remuneration
- Transparency with regard to remuneration
- Consistency with results achieved

Criteria

- Remuneration policy describing its principles and detailing the different elements
- Integration of ESG objectives in the remuneration policy
- Remuneration in line with the strategy, linked to company performance and changes in the company share price over the long term

Controversy *monitoring*

Continuous monitoring of controversies

Lazard Frères Gestion ensures continuous monitoring of controversies involving companies within its universe using various sources and external data. Since January 2020, this monitoring has been enriched by the ESG controversy analysis conducted by ISS ESG.

This analysis allows us to understand any event that could tarnish a company's reputation, legal security, economic stability and financial value. This is an important element of the company ESG risk analysis, and Lazard Frères Gestion's proprietary ESG analysis framework dedicates a section to it, influencing the internal rating of companies.

Information communicated by the media and brokers also continuously alerts portfolio manager-analysts to potential controversies that could affect companies within their investment universe.

Systematic integration into internal ESG analysis

Relevant and particularly severe controversies judged by the portfolio manager-analyst are subject to in-depth analysis. If deemed necessary, the portfolio manager-analyst revises the E, S, or G score of the issuer based on their analysis of the controversy. This directly integrates the effects of the controversy into the internal ESG evaluation of the company's securities.

Furthermore, by evaluating each controversy according to its severity, frequency, and the company's responsiveness, ISS ESG informs analyst-managers about the issuers' ability to manage controversies. The data provided is used as a decision-making tool and an alert basis.

Escalation procedure

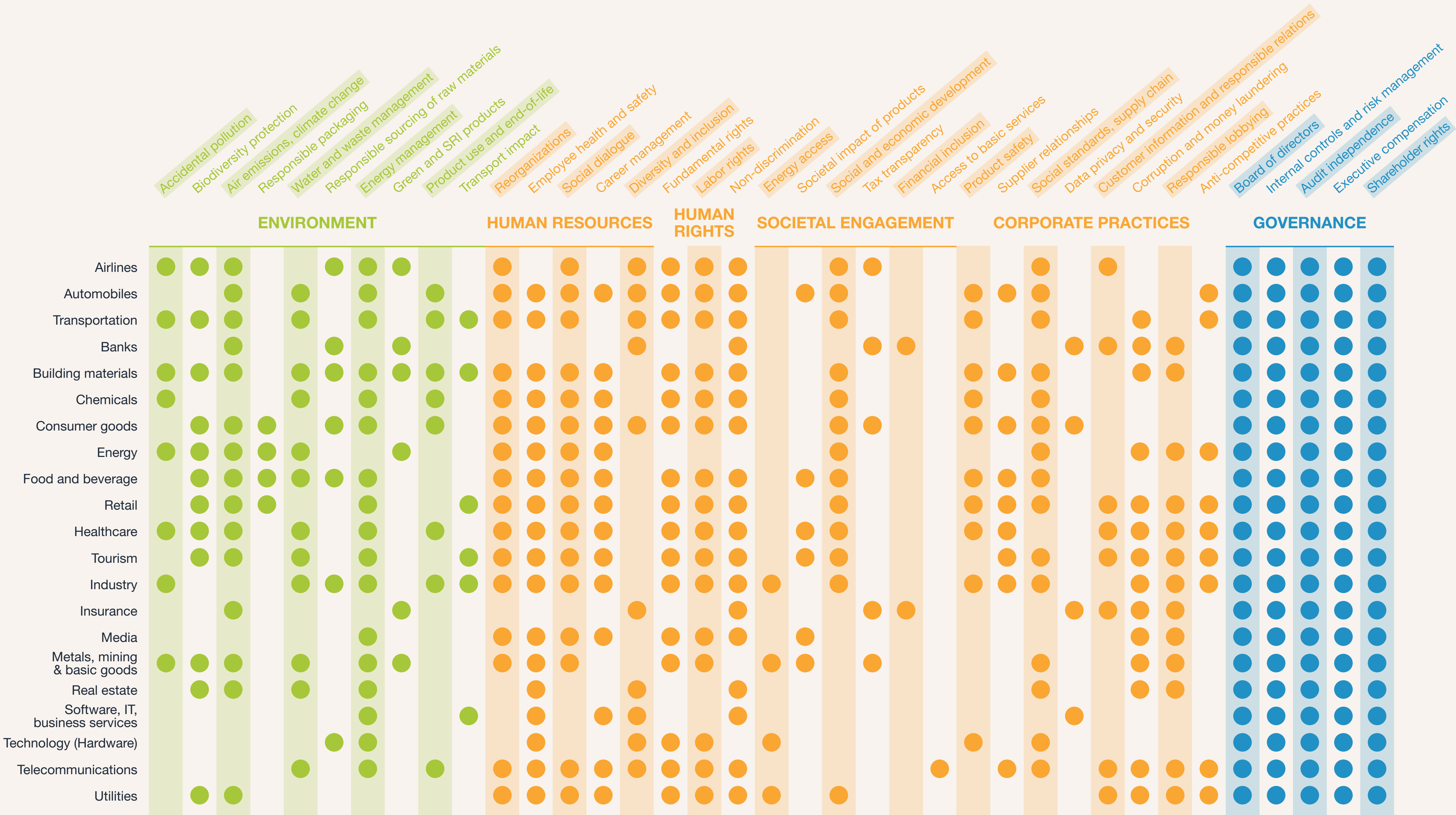
An escalation procedure is triggered in the event of a poor internal ESG rating, which may be downgraded following a controversy.

The company in question then becomes the subject of in-depth engagement which may result, in the case of unsatisfactory results, in the issuer being placed on the exclusion list.

Sector specificities *& materiality map*

— Aware of the importance of intra-sector comparisons and a good understanding of the operational, geographical and regulatory environment in which companies operate, we pay particular attention in our analysis methodology to the materiality of ESG risks and opportunities.

A differentiated consideration of criteria according to sectors, countries, or even specific characteristics seems necessary to adequately account for the ESG performance specific to each company. To better assess materiality and understand how sustainability factors can affect an issuer's financial performance, Lazard Frères Gestion developed a proprietary materiality map in January 2021. This materiality map serves a dual purpose: on the one hand, it allows for transparent formalization of how analyst-managers select the most relevant indicators for their analysis within the internal ESG analysis framework. On the other hand, it serves as a foundation for the themes and engagement actions carried out by Lazard Frères Gestion with companies.



Integration of ESG Criteria into our Strategies

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ESG analysis directly influences our investment decisions both in Institutional Management and Wealth Management. It quantitatively enters into the processes of security selection and allocation. A qualitative assessment informed by the data and opinions of our analyst-managers complements this quantitative integration.

Equity

Direct integration into valuation

The financial valuation of each company integrates the results of our ESG analysis. The portfolio manager-analysts take into account the ESG scores from the internal analysis frameworks in the cost of capital of the companies they follow via the calculation of Beta.

This calculation is performed internally using a methodology specific to Lazard Frères Gestion and provides a measure of the overall risks of the company.

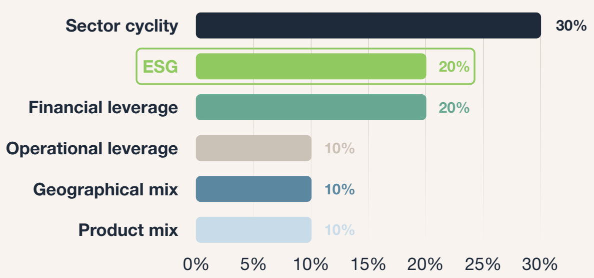
Our calculation methodology considers financial and non-financial criteria as complementary, using the weighting below. We discount cash flows using the WACC, the weighted average cost of capital. This cost corresponds to the weighted average of the cost of equity and the cost of debt. The cost of equity depends on the company's profile and, in particular, its specific risk.

This specific risk includes, among other things, the cyclicality of the company's business, the geographical mix, and compliance with ESG criteria. When the company underestimates the importance of ESG issues, its risk increases accordingly.

In our model, risk decreases the financial valuation of the company. Conversely, good management of ESG dimensions reduces the risk associated with the company and increases its theoretical fair value. Thus, the degree of consideration of ESG criteria directly influences our financial evaluation.

Furthermore, the equity management team excludes issuers with the lowest internal ratings (= 1 out of 5).

The consideration of ESG criteria has a direct impact on our valuations:



Type of issuer	Internal rating	Exclusion
All issuers	Rating = 1 out of 5 (minimum rating)	Yes

Fixed Income

An internal analysis that directly influences issuer selection

Fixed Income portfolio manager-analysts actively participate in proprietary ESG analysis and complete the internal frameworks for issuers not covered by the Equity teams. In their management, they ensure that fixed income portfolios include the most advanced issuers in terms of ESG practices and commitments while ensuring that the spread remains attractive from a credit risk perspective.

The investment process quantitatively integrates proprietary ESG analysis both in terms of security selection and to determine their weight in the portfolio. Thus, the fixed income team excludes issuers whose internal ratings are deemed weak (≤ 2 out of 5). Additionally, for Investment Grade issues, the share of issuers rated between 2 out of 5 and 3 out of 5 is limited to 30% of the portfolio holdings. For High Yield portfolios, which are more exposed to smaller and traditionally lower-rated issuers, this share is limited to 50% of the portfolios.

The ESG analysis, integrated into our fundamental analysis, therefore directly influences investment decisions to favor the allocation of investments towards the most virtuous issuers in terms of ESG.

Quantitative integration of proprietary ESG analysis within the investment process

Type of issuer	Internal rating	Exclusion	Limit of exposure
All issuers	Rating ≤ 2 out of 5	Yes	-
Investment Grade	2 < Rating ≤ 3	-	Max 30%
High Yield	2 < Rating ≤ 3	-	Max 50%

Selection process *of green bonds, social bonds and sustainability bonds*

The market for green bonds, social bonds, and sustainability bonds is experiencing growth. These bonds are issued by public or private issuers whose financing is intended for specific projects with a positive environmental or social impact.

Lazard Frères Gestion selects and ensures the sustainability of green, social, and sustainability bonds through the use of an internal analysis scorecard, adapted for each type of issuance, and based on four pillars.

As an illustration, the internal analysis scorecard for the selection of green bonds is structured as follows:

Environmental and climate strategy of the issuer and consistency of emission

- Environmental preservation objectives
- Consistency of climate and environmental strategy with the financed green projects
- Commitment within the framework of a long-term strategy

Compliance with ICMA Green Bond Principles - Analysis of practices

- Use of proceeds
  - Description of projects
  - Environmental benefit
- Project selection and evaluation process
- Fund management
- Reporting

External certification
Analysis

- SPO Opinion
- CBI Certification

Reporting
Impact and allocation report

- Transparency and quality of published reports
- Precise quantitative data and performance measures of environmental benefits
- External audit

Selection *of sovereign issuers*

The sovereign bonds in which Lazard Frères Gestion invests are usually considered safe investments. However, states are exposed to ESG risk factors that may impair the long-term sustainable development of their economies.

Based on this observation, Lazard Frères Gestion evaluates sovereign issuers according to ESG criteria grouped around three pillars based on their commitments to environmental, social, and institutional responsibility.

Our internal methodology for evaluating sovereign issuers is focused on issuers from OECD countries and is based on both a quantitative and qualitative approach, including the criteria recommended by the Principles for Responsible Investing (PRI).

Our proprietary ESG framework examines 58 criteria divided across the three pillars and includes the two mandatory Principal Adverse Impacts (PAI) dedicated to sovereigns (PAI 15 and 16) as well as the additional PAIs provided by the SFDR regulation. The criteria are based on data from the OECD, the World Bank, academic sources, and NGOs.

In the context of managing predominantly sovereign funds, we apply exclusions based on the World Bank's governance indicators such as "voice and accountability," "political stability and absence of violence/terrorism," "government effectiveness," "regulatory quality," "rule of law," and "control of corruption.

Divided into 3 areas *(with a relative score out of 5 for each country)*

ENVIRONMENTAL PROTECTION	Environmental responsibility

Respect for the environment is assessed based on the commitments of states in combating climate change and pollution, managing natural resources, preserving biodiversity, and achieving a fair and sustainable transition.

SOCIAL PROTECTION AND SOLIDARITY	Social responsibility and solidarity

This pillar primarily analyzes social responsibility and cohesion, equal opportunities, education and human capital, health, and the standard of living through indicators such as the United Nations Human Development Index (HDI), the Gini index, and PISA scores which evaluate the knowledge level of 15-year-old students worldwide.

GOVERNANCE RESPONSIBILITY	Institutional responsibility

The criteria we consider important include the defense of human rights, economic and social responsibility, the integrity of public and private institutions, and governmental competence such as the independence of the judiciary and the press.

A qualitative comment is then provided by the analyst to put into perspective the data from different sources and the criteria analyzed. Recent news can influence the rating in order to anticipate controversies and changes by providing an opinion on the future outlook.

The rating is done on a scale from 1 to 5, excluding issuers whose internal ratings are deemed too low (≤ 2/5).

Furthermore, Lazard Frères Gestion has established a list of excluded countries (including FATF prohibited countries) and a list of countries under surveillance (under international sanctions or embargo). These lists include countries likely to present a major risk in terms of money laundering and terrorist financing.

“We integrate ESG into all of our fixed income management: in the Investment Grade and High Yield portfolios as well as in the selection of sovereign issuers, and finally in our dedicated process for analyzing green and social bonds.”

Éléonore Bunel

Head of Fixed Income

Multi-Asset

In the context of Multi-Asset Management, Lazard Frères Gestion seeks to leverage all opportunities offered by different asset classes while benefiting from the advantages of flexible allocation. The Multi-Asset team defines tactical allocation based on a fundamental approach rooted in our macroeconomic scenario and delegates the management of Equity and Fixed Income sleeves to specialized management teams.

In line with Lazard Frères Gestion’s responsible investment philosophy, the equity sleeves follow the approach used by Equity Management, and the bond segments follow that of fixed income management.

Convertibles

Lazard Asset Management is responsible for the management of convertible bond UCIs on a delegated basis. The extra-financial analysis is conducted by the portfolio manager-analysts and integrated into the investment theses.

This extra-financial analysis and its integration in the selection of convertible bonds is carried out in line with the ESG policy of Lazard Asset Management (available at www.lazardassetmanagement.com/gl/sustainable-investment).

Other Delegated Strategies

For assets under delegated management, Lazard Frères Gestion ensures that its partners apply a stringent ESG policy. This is assessed through due diligence questionnaires and our direct contacts with external companies.

However, the analysis of ESG criteria, their integration, voting and engagement policies, as well as exclusions (except for normative exclusions), are subject to the individual policies of each delegated management company.

Private Equity

We offer our private clients the opportunity to invest in private equity.

We analyze the ESG integration of funds through a dedicated due diligence questionnaire. Its purpose is to evaluate the consideration of ESG criteria during the pre-investment phase, the investment decision, the holding period and the exit strategy.

The result of the ESG criteria analysis and sustainability risks assessment during the evaluation of an investment opportunity is a determining factor in Lazard Frères Gestion’s investment decision-making process. As such, we may decide not to proceed with an investment based on the sustainability risks identified by this analysis.

Voting & Engagement

“The management philosophy of Lazard Frères Gestion is based on the fundamental analysis of companies.

Individual meetings with the management are thus an essential part of the analysis and monitoring process.”

Thomas Brenier

Head of Equity

The expertise of portfolio manager-analysts *at the heart of meetings with management*

In line with its active management philosophy, portfolio manager-analysts and ESG specialists conduct dialogue and engagement actions to promote the implementation of good ESG practices.

The primary objective of this dialogue with companies is to encourage continuous and constructive improvement across all ESG practices, including transparency, integration of sustainable development issues, Sustainable Development Goals (SDGs) and good governance practices. During these meetings, portfolio manager-analysts discuss various ESG topics with company management. Leveraging their expertise, they determine the key points to address during these interactions. The monitoring of the dialogue and engagement actions is carried out through a database that compiles all the meeting reports prepared by the portfolio manager-analysts.

Targeted dialogues *on energy transition and biodiversity preservation*

We engage in enhanced dialogue with companies where more than 10% of their revenue comes from fossil fuels or biocides, to assess their transition strategies and promote sustainable practices. For energy companies, our analysis focuses on their decarbonization goals, risk management, social impact, and governance quality. Regarding biocide producers, we encourage measurable actions to mitigate their effects on biodiversity, while maintaining regular dialogue to foster responsible practices.

In-depth analysis of resolutions *as a manifestation of our active shareholding*

Lazard Frères Gestion supports active shareholding which allows shareholders to influence companies’ ESG strategies and practices. We apply our own voting policy when we vote at the General Meetings of issuers within the defined scope.

The number and reasons for dissenting votes are recorded in a tool and are an integral part of the annual voting report.

In accordance with these guidelines, Lazard Frères Gestion has defined 6 voting principles reflecting its convictions:

Approval of accounts and management 1

Principle: transparency and control of the information provided

Board structure and composition 2

Principle: separation of functions, independence, and competence of the board

Allocation of results, equity management, and capital operations 3

Principle: appropriate management of equity, transparency, and strategic interest of financial operations

Executive compensation and employee participation 4

Principle: transparency, consistency, and fairness of compensation

Statutory amendments and shareholder rights 5

Principle: respect for minority shareholders

Environmental and social issues 6

Principle: consistency and motivation
Environment: limiting environmental footprint
Social: considering the interests of all stakeholders

Scope *of voting rights exercise*

The exercise of voting rights applies to the shares of:

· All companies present in our SRI-labeled funds.

· All companies representing more than 0.1% of the total equity assets managed by Lazard Frères Gestion.

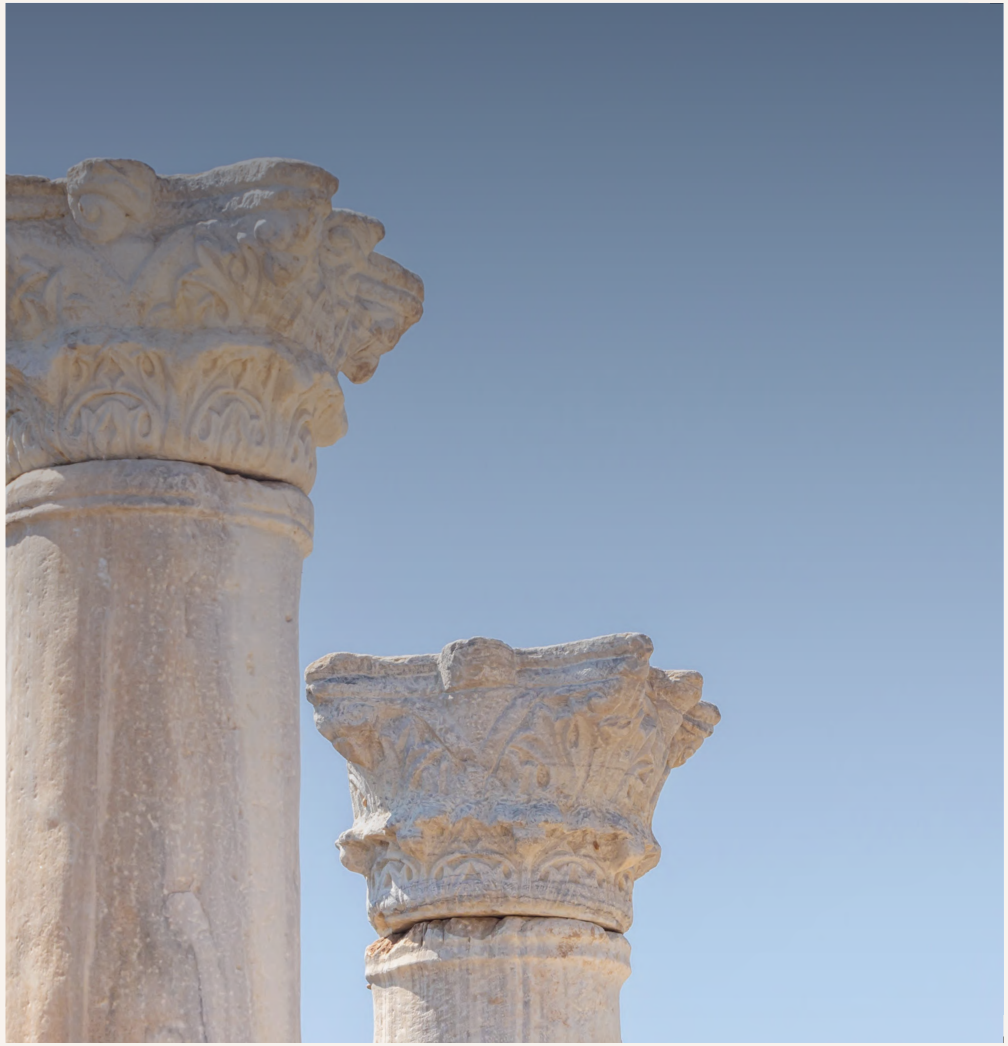
As of December 31, 2022, this requirement included all companies in which we had a cumulative position exceeding 8.7 million euros within our voting scope.

This represents 90% of our equity assets.

Lazard Frères Gestion votes at all these assemblies, provided that postal voting is possible.

The thresholds have been set to exercise voting rights as broadly as possible while managing associated costs and human resources.

This voting scope applies to all UCITs managed by Lazard Frères Gestion, including dedicated funds (unless otherwise decided with the client), private management funds and specialized professional funds.



Collaborative Engagement & Initiatives

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1997
Integration of governance criteria into investment process (Equity & Fixed Income)

2001
Creation of the Lazard Equity SRI fund

2014
Signatory of: PRI Principles for Responsible Investment

2015
Participating member of the Social Investment Forum (spainsif)

2017
Carbon Footprint and Energy Transition Reporting (Article 173)

Member of the Technical Committee for Responsible investment (AFG)

2018
First SRI-labeled Fund: Lazard Equity SRI

2019
Achieved the Highest PRI Rating of A+

2020
Exclusion of coal & tobacco
ESG analysis framework
CDP, TCFD

2021
Materiality table
Climate policy

2022
TNFD
Finance for Biodiversity Foundation
Article 29 policy

2023
Lazard Human Capital — Art. 9 SFDR
Lazard Global Green Bond Opportunities — Art. 9 SFDR

2024
Lazard Green Capital
Art. 9 SFDR

AFG
Member of the Responsible Investment Commission

Working groups:
· Fair transition (chair)
· Operationalization of the transition plan analysis
· Biodiversity

Reporting & Disclosure

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ESG performance *indicator*

We regularly measure the ESG performance of our investments.

Our communication approach is essential in building a relationship of trust with our clients for whom we create customized reports tailored to their requests.

Impact indicators *reporting*

Scope

The ESG performance indicator, also known as "SRI reporting," is published quarterly by Lazard Frères Gestion for SRI-labeled funds, without any threshold condition.

ESG performance indicator

Under the SRI label, labeled funds must define two impact indicators for which the fund commits to achieve a better result than its reference index or its reference ESG universe.

ESG rating

The SRI label commits the labeled fund to outperform the overall ESG score of the top 80% in its ESG universe (improvement approach) or to maintain an ESG score higher than the ESG score of the universe after excluding the bottom 20% of the lowest-rated values (exclusion approach).

For the sake of integrity and objectivity, the scores used in the context of SRI management are provided by an independent external partner. The proportion of issuers covered by an ESG analysis in the portfolio and the benchmark index/universe must be at least 90%.

PAI *reporting*

PAIs are indicators that allow for the evaluation of the most significant negative impacts of investment decisions on sustainability factors related to environmental, social, and employee matters, respect for human rights, and anti-corruption efforts.

Lazard Frères Gestion takes into consideration the Principal Adverse Impacts (PAI) of its investment decisions on sustainability factors. Therefore, we publish a consolidated statement regarding the principal adverse impacts on sustainability factors by Lazard Frères Gestion.

Article 9 SFDR *reporting*

Scope

The quarterly impact report is published by Lazard Frères Gestion for funds categorized as Article 9 under the SFDR regulation. Article 9 funds are those with the objective of sustainable investment.

Lazard Global Green Bonds Opportunities

Launched on September 30, 2022, Lazard Global Green Bond Opportunities is a flexible fund invested more than 90% in green bonds. In recent years, green bonds have become an important tool for financing projects related to the energy and ecological transition of states and companies. As such, we publish a quarterly impact report providing the thematic distribution of projects financed by the fund's green bonds, exposure to relevant SDGs and illustrated examples of green bonds in the portfolio.

Lazard Human Capital

Launched on August 31, 2022, Lazard Human Capital is an international equity fund primarily invested in the "*Large Caps*" segment (large capitalizations). The portfolio companies are filtered based on their ability to retain employees, provide training, offer good social coverage, and create a favorable environment for employee well-being. These aspects, along with the promotion of gender equality, are part of the five "human capital" criteria used in the fund's management. These criteria are included in the quarterly impact report, which also illustrates the fund's engagement and voting statistics, as well as its alignment with various social SDGs.

Article 29 LEC *reporting*

In accordance with Article 29 of the Energy-Climate Law (LEC), Lazard Frères Gestion publishes a specific report called "Article 29 LEC Reporting" at both the management company level and for each product exceeding 500 million euros.

The objectives are to better integrate climate and biodiversity issues into investment policies, as well as to enhance the consideration of ESG criteria in risk management.

Indeed, we publish a Paris Agreement alignment strategy and a Biodiversity strategy. We also assess the financial impact of major ESG risks on portfolio valuation (climate stress tests).

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