



ANNUAL
VOTING
REPORT

LAZARD
FRÈRES GESTION

L A S T U P D A T E - M A Y 2 0 2 1

In accordance with Article R533-16 of the French Monetary and Financial Code, Lazard Frères Gestion hereby presents its voting record for financial year 2020.



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I / Organization of the voting process

RESOLUTION RESEARCH AND ANALYSIS

ESG specialists analyze the voting recommendations provided by voting advisory firm Proxinvest. They compare the recommendations with the investment manager's voting policy, then forward them to the portfolio managers.

The portfolio managers give their voting instructions to the ESG specialists, who carry them out on voting platforms and/or directly with the custodians.

Research is used for information purposes, and the portfolio managers are and remain unrestricted in their voting choices in all circumstances.

The Investment Manager therefore exercises its voting rights in accordance with its own voting policy, mainly by correspondence.

EXERCISE OF VOTING RIGHTS

The voting scope applies to the shares of:

- All French companies in which funds managed by Lazard Frères Gestion hold more than 1% of the share capital
- All companies covered by the "Core" eurozone, "Alpha" and "SRI" equity strategies implemented for funds managed by Lazard Frères Gestion.

This report is based on the voting scope in force until 31 December 2020.

II / Changes to our voting policy in 2020

Major changes were made to the voting policy in 2020:

- **Change in voting scope:**

As of 2021, voting rights will be exercised on the shares of:

- All French companies in which funds managed by Lazard Frères Gestion hold more than 1% of the share capital
- All companies accounting for more than 0.2% of the total AuM in equity and diversified funds managed by Lazard Frères Gestion

The new voting scope applies to companies in which we hold a significant percentage of the share capital or which make up a significant portion of our assets under management.

These thresholds have been set in the interest of exercising voting rights as broadly as possible while managing the associated costs and human resources.

- **Definition of 6 voting principles:**

Approval of the financial statements and management report

PRINCIPLE: Transparency and verification of information provided

Structure and composition of the Board

PRINCIPLE: Separation of duties, independence and scope of authority of the Board

Appropriation of income, capital management and capital transactions

PRINCIPLE: Appropriate capital management, transparency and strategic interest of financial operations

Remuneration of executive managers and employee share ownership

PRINCIPLE: Transparent, consistent and fair pay

Amendments to Articles of Association and shareholder rights

PRINCIPLE: Observation of minority shareholder rights

Environmental and Social issues

PRINCIPLE: Consistency and motivation

Environment: Limitation of the environmental footprint
Social: Consideration of all stakeholder interests

- **Clarifications on voting guidelines:**

Lazard Frères Gestion has defined voting guidelines and criteria that incorporate in particular AFG, OECD and AFEP/MEDEF recommendations, which are based on marketplace best practices.

III / 2020 voting season highlights

The 2020 voting season was unique due to the COVID-19 crisis. Because General Meetings could not be held in person, many European governments enacted regulatory measures to override to certain rules:

- Extended period between the end of the financial year and the date of the General Meeting, which may have had an impact on the dividend payout date
- Option of holding closed General Meetings (France, Italy, Netherlands)
- Option of submitting written questions, without necessarily setting rules on the choice of selected questions.

2021 will see the implementation of the second European Shareholder Rights Directive (SRDII) by General Meetings in European Union member states that transposed the directive in 2020. SRDII aims in particular to encourage shareholder engagement over the longer term.

IV / Participation at general meetings

VOTING SCOPE

Lazard Frères Gestion voted at 90 out of 94 General Meetings in 2020, representing a participation rate of 96%, down slightly compared to 2019 (97%) due in large part to operational challenges in overseeing GMs held by small-cap companies, generated by the health crisis.

Country	Number of 2020 GMs	Voted GMs	Percentage
Germany	11	11	100%
Austria	1	1	100%
Belgium	1	1	100%
Spain	3	3	100%
Finland	1	1	100%
France	65	61	94%
Ireland	2	2	100%
Luxembourg	2	2	100%
Netherlands	6	6	100%
United Kingdom	1	1	100%
Switzerland	1	1	100%
Total	94	90	96%

We did not vote at 4% of GMs, i.e. a total of four general meetings, three of which were held by French small caps and one by a French large cap.

Company	Date of GM	Reason
Exel Industries	3/12/2020	Failure to provide information due to the health crisis, notices of meeting not received
Manutan International	3/12/2020	
Précia	7/22/2020	
Publicis	5/27/2020	Error regarding the identity of the portfolio manager tracking the company

Lazard Frères Gestion analyzed 1,928 resolutions and voted against Management recommendations on 148 resolutions (i.e. 7.7%).

For	92.3%
Against	7.7%
Abstained	0.0%

Of the resolutions which we voted against, 60% pertained to GMs held by French companies.

Country		
Germany	33	22.3%
Austria	2	1.4%
Belgium	1	0.7%
Spain	6	4.1%
Finland	3	2.0%
France	88	59.5%
Ireland	2	1.4%
Luxembourg	8	5.4%
Netherlands	3	2.0%
United Kingdom	2	1.4%
Switzerland	0	0.0%
Total	148	100.0%

NON-VOTING SCOPE

In practice, we strive to exercise our voting rights in a broader scope, including non-French European small caps in which we hold a significant equity interest.

We may also vote at GMs held by Nordic companies, in the event resolutions that we deem important are submitted for a vote.

Company	Country	Number of voted GMs
Small cap stocks	Germany	3
	Italy	1
Nordic stocks	Denmark	2
	Finland	4
	Norway	2
	Sweden	11

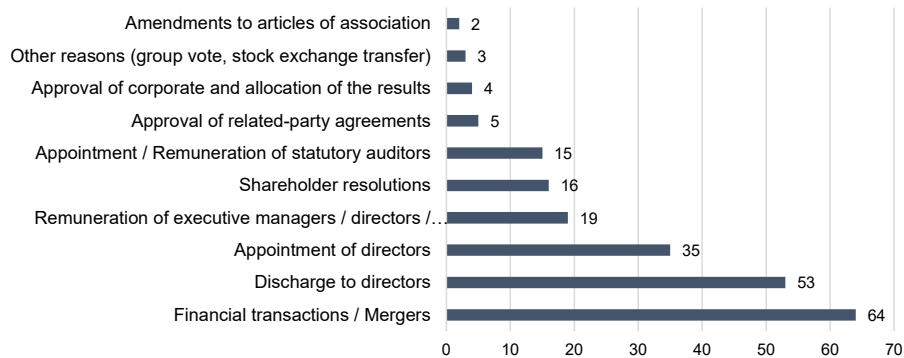
VOTING AND NON-VOTING SCOPE

In total, Lazard Frères Gestion voted at 113 GMs, analyzed 1,944 resolutions and voted against Management recommendations on 216 resolutions (11.1%).

For	88.9%
Against	11.1%
Abstained	0.0%

Breakdown of opposing votes by resolution category:

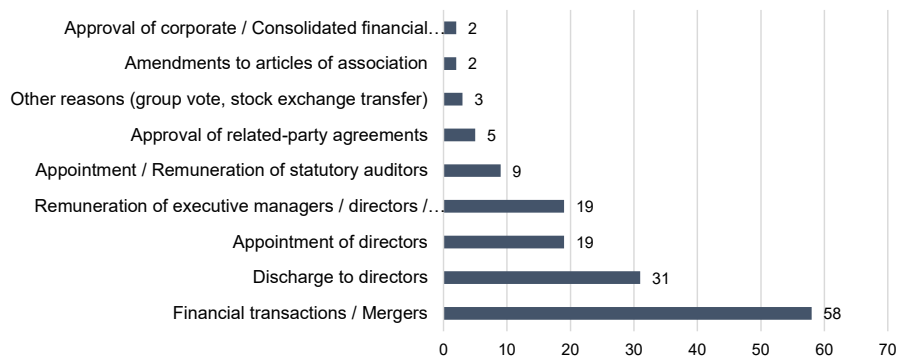
Number of resolutions voted "Against" (Voting + non-voting scope)



V Analysis of opposing votes

Opposing votes are represented in the chart below by type of resolution.

Number of resolutions voted "Against" (Voting scope)



AMENDMENTS TO ARTICLES OF ASSOCIATION

We opposed the resolution to raise the age limit of the Chief Executive Officer from 65 to 70 years when this limit was about to be reached.

APPROVAL OF CORPORATE / CONSOLIDATED FINANCIAL STATEMENTS

We voted against these resolutions to express our total disagreement with the company's new strategy.

OTHER REASONS (GROUP VOTE, STOCK EXCHANGE TRANSFER)

Lazard Frères Gestion is opposed to combining multiple decisions in a single resolution, even if said decisions are similar in nature, which forces shareholders to approve or reject all of the decisions as a whole.

We voted against switching from Euronext to Euronext Growth.

Euronext Growth sets lower obligations for listed companies, particularly regarding the publication of regular financial information:

- No requirement to disclose whether or not a corporate governance code is applied (Middlenext Code, AFEP-MEDEF Code, no code)
- No ex-ante and ex-post vote on remuneration
- Simplified corporate governance report
- The rules governing parity on the Board of Directors are no longer applicable
- The obligation to elect members of the Board of Directors on the proposal of employee shareholders, where they hold more than 3% of the share capital, and the obligation for the General Meeting to decide on a draft resolution calling for the election of members by employees, are no longer applicable

Consequently, the transfer would reduce shareholder rights or generate corporate governance risk.

APPROVAL OF RELATED-PARTY AGREEMENTS

Approval of related-party agreements depends on the level of clarity and justification of economic conditions of the agreement. All related-party agreements pertained to French companies.

APPOINTMENT / REMUNERATION OF STATUTORY AUDITORS

Auditor seniority is one of the main reasons for opposing this type of resolution. In line with the European audit reform and in order to encourage audit firm rotation, we opposed the re-appointment of auditors whose term of office is deemed excessive.

APPOINTMENT OF DIRECTORS

These resolutions applied to the appointment of directors qualifying as uninterested parties, while the Board of Directors was considered insufficiently independent. We were also able to vote against directors holding an excessive number of offices and resulting in significant absenteeism.

REMUNERATION OF EXECUTIVE MANAGERS, EMPLOYEES AND DIRECTORS ("SAY ON PAY", AWARD OF FREE SHARES, STOCK OPTIONS, SEVERANCE PAY, ATTENDANCE FEES, ETC.)

These were resolutions on proposals for compensation to senior managers/directors for which we did not have information on the amounts of remuneration or the resolutions that proposed the remuneration, either without consistency with the standards currently in place in the country or in the business sector, or without consistent and quantifiable performance criteria.

In our view, remuneration should be based on the duties fulfilled, and also on the company's intrinsic value and relative stock market performance. We voted against resolutions where these conditions were not met.

DISCHARGE TO DIRECTORS

We express our concerns about corporate governance by not granting directors discharge, or we express our complete disagreement with the company's new strategy.

FINANCIAL TRANSACTIONS / MERGERS

We rejected resolutions on granting authorizations to carry out capital increases that can be used during takeovers.

We also voted against:

- Capital increases with Pre-Emptive Subscription Rights potentially representing more than 50% of the share capital
- Capital increases without Pre-Emptive Subscription Rights (DPS), but with a guaranteed priority period, potentially representing more than 1/3 of the share capital
- Capital increases through private placement
- Capital increases in return for unspecified contributions in kind

These transactions raise the risk of excessive capital dilution and thus could have an adverse impact for shareholders.

VI Management of conflicts of interest

Lazard Frères Gestion exercises mutual fund voting rights in the exclusive interests of said funds. To that end, Lazard Frères Gestion acts impartially and independently of any external interests.

Lazard Frères Gestion has established a Conflicts of Interest Management Policy aimed at detecting conflicts of interest, implementing any reasonable measures to manage conflicts of interest, and setting out procedures to keep clients duly informed where applicable.

The primary guarantee of voting independence inheres in the fact that the exercise of voting rights is determined as decided by the analyst-portfolio managers, based on their professional judgment. Analyst-portfolio managers are subject to strict ethical obligations, which are subject to controls.

Lastly, Lazard Frères Gestion is particularly attentive to the fact that its votes defend minority shareholders in the event a company's Management pursues interests conflicting with their own.

In 2020, Lazard Frères Gestion identified no clear conflicts of interest.

VII

Voting policy exceptions



CASES IN WHICH THE INVESTMENT MANAGER HAS DETERMINED THAT IT CANNOT COMPLY WITH THE PRINCIPLES SET OUT IN ITS "VOTING POLICY":


In 2020, we found ourselves unable to comply with the principles of our voting policy on 20 resolutions, i.e. 1.0% of the total number of resolutions analyzed. By type of resolution, they all pertained to capital transactions for small or mid-cap firms.

These companies may have non-standard corporate governance due to lack of resources or size compared to large-cap firms. For many of these companies, the founders or one of their descendants chairs the board of directors and runs the company. Often, they are the main shareholders and are fully within their rights to oversee and embody the company.

Confident in the governance of these companies, Lazard Frères Gestion decided to support these founding CEOs, giving "Power to the Chairman".

VIII

Engagement



Lazard Frères Gestion has been a signatory of the Principles for Responsible Investment (PRI) since 9 February 2015. ESG criteria are incorporated in the analysis and selection of securities in all portfolios implementing equity strategies, and not only in SRI funds.

We believe that Environmental, Social and Governance factors can influence a company's business and therefore the financial performance of portfolio assets.

It is therefore appropriate for Lazard Frères Gestion to encourage companies to include ESG criteria in their development model. This is why corporate dialog has always been an integral part of our investment process.

CORPORATE DIALOG

Lazard Frères Gestion sets itself apart through its investment management in line with its convictions, based on regular communication with companies.

In 2020, portfolio management teams carried out more than 600 interviews with corporate management teams, covering a variety of financial, strategic and ESG issues (if new ESG issues were identified).

PRE-GM AND POST-GM DIALOG

Companies are increasingly interested in engaging with their minority shareholders on the resolutions they intend to submit to the General Meeting.

For example, in 2020, at their request, we met with 8 companies that presented us with their resolutions, which we analyzed in accordance with our voting policy.

We also explained to one French small-cap why we voted against certain resolutions at its last GM.

