

ENGAGEMENT REPORT



LAZARD
FRERES GESTION



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INTRODUCTION

As part of its active management philosophy, Lazard Frères Gestion encourages management analysts to engage in dialogue and commitment to encourage the implementation of ESG best practices.

The aim of this dialogue is above all to encourage companies to improve continuously and constructively on all ESG practices: transparency, integration of sustainable development issues, Sustainable Development Goals (SDGs), good governance practices.

One-to-one meetings with management are therefore an essential part of the analysis and monitoring process. During these interviews, management analysts and ESG specialists discuss a wide range of ESG topics with management. Drawing on their expertise, they define the key points to be discussed at these meetings.

Dialogue and engagement actions are monitored via databases containing all the reports of meetings held by the analysts/managers and ESG specialists of the equity and bond portfolios.

In line with our collaborative commitment to the CDP¹ and TCFD² and our approach to supporting companies, we inform the issuers we contact of the importance of transparent communication on environmental, social and governance issues. Lazard Frères Gestion's experience shows that, all too often, the lack of information is detrimental to certain issuers, even if they are virtuous in terms of ESG or ready to make a commitment.

Lazard Frères Gestion is also in favor of active shareholding, which enables shareholders to influence companies' ESG strategies and practices. We apply our own policy when voting at General Meetings of issuers falling within the defined scope.

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

1. Carbon Disclosure Project. 2. Task Force on Climate-Related Financial Disclosures.

INDIVIDUAL ENGAGEMENTS

Equity Management

A Overview of our engagement activity

1. ENGAGEMENT THROUGH DIALOGUE

Lazard Frères Gestion differentiates itself through conviction-based management, based on frequent interviews that the managers and Equity ESG specialists conduct with listed companies.

Our team, comprised of 14 analyst-managers and 3 ESG specialists, held more than 749 meetings in 2023.

	Number of meetings	Number of engagements	O/w ESG dialogues	O/w in-depth engagement
Total	749	369	113	256

The meetings are a special opportunity to encourage the company to improve its practices or to obtain a targeted response on a particular ESG topic. Lazard Frères Gestion has a greater impact as the analyst-managers deal directly with company executives. This means that changes are more easily implemented and sticking points are improved more quickly.

Lazard Frères Gestion engages in dialogue with all of the companies in the portfolio. During these interviews, engagement on ESG subjects may take place with varying degrees of intensity and varying regularity depending on the latest developments. This is why we distinguish between ESG dialogue and in-depth engagement.

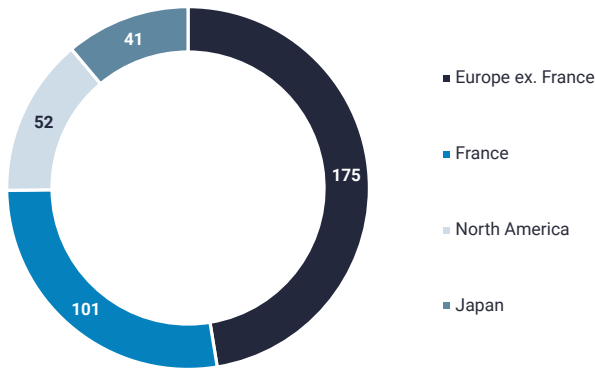
- **Dialogue** takes the form of a discussion with the company about its ESG practices and policies. It provides an opportunity to demonstrate our interest and sensitivity to ESG themes and ensures that companies' non-financial performance is monitored over time.

- **In-depth engagement** can either take the form of concrete requests to companies or represent more in depth dialogue with the company in which ESG is a significant component. In this case, the aim is to raise the company's awareness about one or more areas for improvement and about the consideration of their ESG rating in the investment decision. These areas are formulated by the analyst managers in collaboration with the ESG specialists and are assessed over time in order to improve or downgrade the company's internal rating. For example, as part of our escalation process, a step of in depth engagement is planned with a company as soon as the score of one of the E, S, or G pillars is equal to 1/5 (minimum score) or the overall ESG score is less than or equal to 2/5.

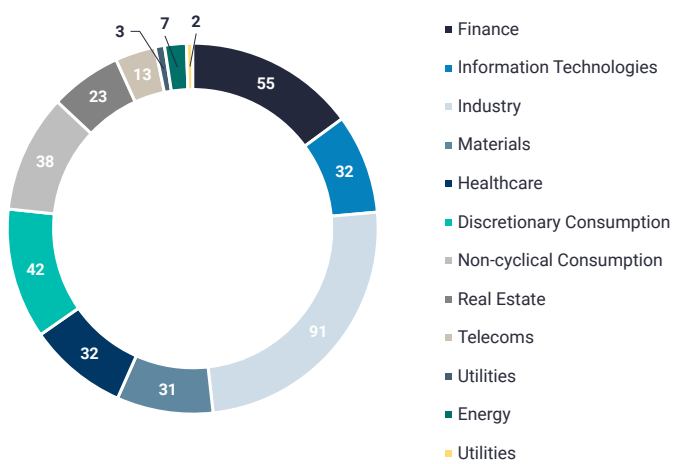
2. TARGETED ACTIONS

As mentioned above, **369 companies** have been the subject of in-depth dialogue or engagement on the theme of the environment, social or governance practices and non-financial transparency.

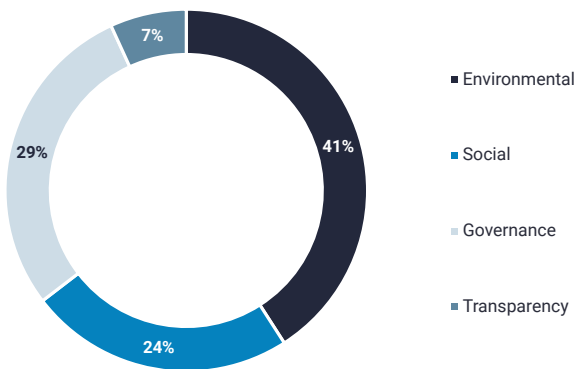
Geographical breakdown of engagements



Breakdown of engagements by sector



Thematic breakdown of engagements

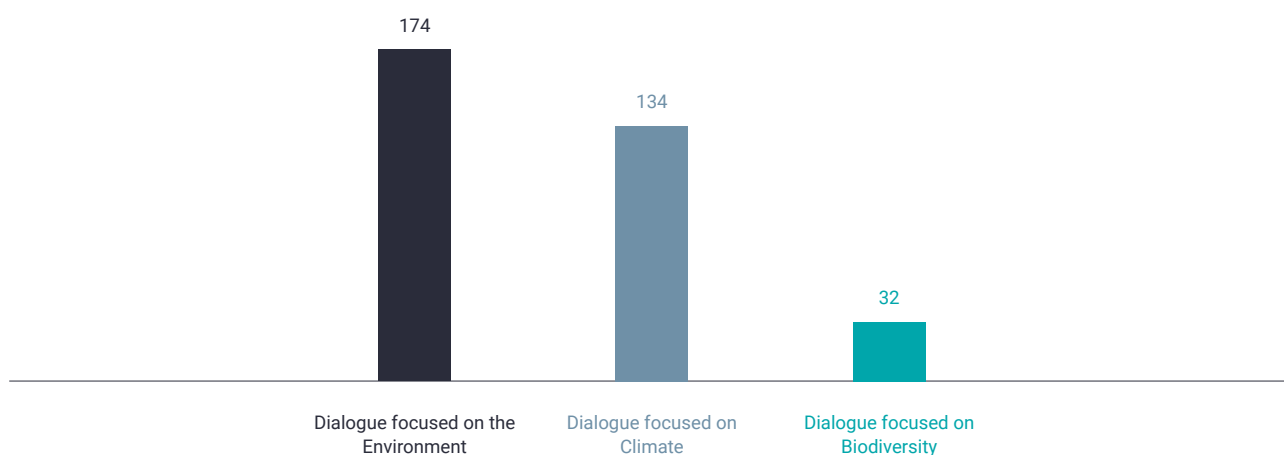


Environment

During our 2023 engagement campaign, we entered into dialogue with 174 companies on topics related to their environmental practices.

• CLIMATE AND BIODIVERSITY

During our engagements concerning the environmental pillar, we addressed Climate issues in 74% of cases and Biodiversity with approximately 1 in 5 companies. We spoke with these companies about aligning their strategies with the Paris Agreement, the measurement of their impact on Biodiversity, or the development of their Biodiversity policies, in particular in accordance with our engagements under [Article 29](#) of French law "Energie Climat".



When our engagements did not address Climate and Biodiversity themes, they focused on waste management, particularly recycling, circular economy, and limiting water usage.

We also conducted **16 collaborative engagements** focusing on the Environmental pillar. More details on these engagements can be found in the "[Collaborative Engagements](#)" section.

In total, this represents **216 engagements**.

Social

Social issues were discussed with **105 companies**. For the vast majority of them, it was about missing social data (staff turnover, training, gender parity, etc.) or specific requests regarding their management of human capital, Fair Transition, and respect for human rights.

This year, we focused on themes such as diversity in recruitment and promotion processes, gender parity at all levels of the company, variation in staff turnover rates, staff training, employee benefits, and the prevention of negative externalities of companies' products on their consumers. In total, this represents **125 engagements**.

• HUMAN CAPITAL

As part of our Article 9 fund, in which we select companies that are leaders in human capital management ([Lazard Human Capital](#)), we engaged with all **38 companies** in the portfolio. We discussed with each of them, sometimes on multiple occasions, themes such as employee training, gender diversity in senior management and more broadly all types of diversity within the workforce, staff turnover rates, and employee benefits.

In total, this represents 61 engagements.

Governance

A total of **131 companies** were contacted regarding Governance by the Lazard Frères Gestion Equity team. We discussed with the companies the agenda of General Meetings, their Say on Climate, shareholder resolutions, the fight against corruption and money laundering, the separation of the roles of CEO/Chairman, the independence and gender diversity rates of the Board of Directors, as well as the remuneration of executives and members of the Executive Committee.

In total, this represents **172 engagements**.

• PRE & POST GENERAL MEETINGS DIALOGUE

We engaged with **21 companies** before or after their General Meetings to make informed voting decisions or sometimes to explain to the company the reason for a vote "against".

More information on this can be found in our [Report on Exercise of voting rights](#).

Transparency

30 companies were made aware by Lazard Frères Gestion's Equity team on the importance of communication with external providers of non-financial data.

The primary purpose of these engagements is to obtain external ESG scores that are more reflective of companies' actual practices. In many cases, these ratings are adversely affected by a lack of information for service providers, which by default assign poor ratings to the companies. In total, this represents **36 engagements**.

3. ENGAGEMENT RESULT

The engagement approach is extremely important at Lazard Frères Gestion.

The analyst-managers, whose non-financial analysis is supplemented by ESG specialists, can improve or downgrade a company's internal rating following a meeting.

As a reminder, companies with a score of 1/5 on any of the three pillars (E, S, or G) are excluded from equity investments. Our escalation process based on internal ratings includes a step of in-depth engagement with the company once this threshold is reached. More information on this can be found in our [Engagement Policy](#).




If an engagement proves fruitful, the improvement in the rating may result in the purchase of a security in an SRI fund, for example. Conversely, a security may be sold following a disappointing engagement.

In 2023, 11 engagements resulted in the improvement of an internal rating and/or were followed by a management action.

Internal rating improvements	11
Position sold following an engagement	3

B/ Examples of our engagement actions

Engagement on the Environmental pillar

Sector	Automotive and equipment manufacturers	
Geographical area	France	
Market cap	Large Caps	
Theme	  	<p>Contribution of products to climate change mitigation Reduction of carbon footprint scope 1, 2 & 3</p> <p>Circular economy</p> <p>Fair Transition</p>

As part of an engagement on the environmental pillar, this automotive company presented its strategy to reduce its carbon footprint and promote a circular economy. The company has received SBTi well below 2°C certification, making it one of the first in the automotive sector to achieve this recognition. It has recently applied for SBTi 1.5°C.

The Group is committed to reducing the carbon footprint of its vehicles by 50% by 2030. This target is achievable thanks to the development of electric vehicles. For example, a combustion-powered vehicle from this manufacturer emits 28.5 tonnes of CO₂ over a complete life cycle of 150,000 km over 10 years, a large proportion of which comes from exhaust emissions. An electric model currently emits 20 tonnes of CO₂, with zero tailpipe emissions. The aim is to reduce to zero the emissions linked to the production of the electricity needed to run the vehicle.

With regard to scope 3, the company is aiming for carbon neutrality in Europe by 2040 and worldwide by 2050. To measure user emissions, the company uses the share of fuel used in each country, as provided by the International Energy Agency. In addition, the company has developed a CO₂ management platform to synthesize all emissions.



The company is also working on vehicle retrofits, despite the current high cost per vehicle. This technique of renovation and restoration on spare parts is already working very well.

Among the group's various business units, one is entirely dedicated to electric vehicles. Another unit focuses on thermal and hybrid activities, and recently formed a joint venture with two other companies to further research and develop synthetic fuels. Finally, the Group has set itself apart by creating an entity dedicated 100% to recycling, with a target of 33% of vehicles made from recycled materials.

Aware that building an electric vehicle requires 40% less manpower than a combustion vehicle, the company is committed to training its employees in internal universities dedicated to the Transition.

Thanks to a transition strategy aimed at increasingly integrating all businesses in the supply chain within the group, the company is seizing the challenges of a Fair Transition.

Engagement on the Social and Human Rights Pillar

Sector	Travel and Leisures		
Geographical area	France		
Market cap	Large Caps		
Theme	 	Diversity and impact of product on consumers	Fight against money laundering and sports manipulations

Our discussion focused on the social pillar.

One of the major challenges facing this company is consumer gambling addiction. To tackle this problem as effectively as possible, the company has developed solutions to support gamblers rather than exclude them. These include: the definition of a betting limit for online gamblers; the identification of abnormal behavior and contact with gamblers whose practices are excessive, in order to propose tools for regulation and self-regulation; the training of tobacconists in addiction prevention and random checks on good practices; the setting up of helplines for addiction (SOS joueurs) and for over-indebtedness (Crésus).

The company is also committed to protecting minors from gambling addiction. To this end, the company invests 10% of its marketing expenditure in addiction prevention campaigns.

The variable remuneration of the Group's executives is linked to CSR criteria, in particular the reduction in the rate of gambling addicts, demonstrating the company's commitment to integrating social considerations and human rights into its global strategy.

With regard to human rights, the company implements numerous processes to combat money laundering and sports manipulation. In particular, the company collaborates with Tracfin to exchange data and ensure compliance with current regulations.

All in all, this company demonstrates a solid and consistent commitment to social responsibility and respect for human rights. The company implements targeted initiatives to meet the specific challenges of its business sector, while continually seeking to improve its practices and assess their impact on the well-being of its customers and society as a whole, actively promoting gender equality and fostering the inclusion of people with disabilities within its organization.

This engagement convinced us of this company's responsibility, despite the strong controversies associated with their sector.

Sector	Goods and Industrial Services		
Geographical area	France		
Market cap	Small Caps		
Theme			Executive Remuneration

We met with the Chief Financial Officer and the General Counsel. We expressed our reservations about certain criteria used to determine the CEO's remuneration:

- Dividend yield compared with a sample of listed companies;
- The possibility of exceptional remuneration in the event of a capital increase;
- The existence of a non-competition clause when the CEO is indirectly the Group's reference shareholder.

Our two interlocutors were receptive and pointed out that we were the first to express reservations about these criteria. Our comments were passed on to the Remuneration Committee, and the company informed us that it would contact us ahead of the 2024 General Meeting.

Nevertheless, we have chosen to oppose the resolutions “Approval of the remuneration policy for the Chairman and Chief Executive Officer of the Company” and “Remuneration of the Chairman and Chief Executive Officer in respect of the 2022 financial year”, in view of the points raised above.

Engagement linked to a Global Compact controversy - escalation process

Sector	Automobiles and Equipment Manufacturers		
Geographical area	Germany		
Market cap	Large Caps		
Theme	 	Controversy over forced labour	

Allegations of forced labour were raised at one of the company's factories in China. The escalation process following United Nations Global Compact controversies has been activated at Lazard Frères Gestion.

The controversy concerns a factory owned by a joint venture not controlled by the Group, located in a region where forced labour is known to occur.

After learning of these accusations, and of the 'red flag' awarded by our ESG data provider MSCI, we contacted the company in question twice: once on 17/01/2023 and again on 31/03/2023.

The conclusions were as follows: due to a Chinese data protection law on the origin of workers, the company says it cannot confirm whether there are any Uyghur workers in the company. However, it is not currently conceivable for the company to stop producing in this geographical area, which would deprive it of the Chinese market, as stated by the Chinese government. This represents 20% of the company's sales volume.

In accordance with our process, and following a dedicated committee, we have judged the controversy to be severe and proven. We therefore excluded the company from our investments.


Since then, we have kept a close eye on developments and the measures taken to remedy the situation. The company has undertaken to revise its code of conduct and to strengthen the ability of its employees to deal with the consequences of such events. Management has confirmed that it will visit the plant to verify the situation on site, something that has not been possible in recent years due to the COVID-19 pandemic.

In December 2023, the company announced that it had obtained the conclusions of an investigation carried out by an external auditing firm. This German auditing firm commissioned a Chinese law firm, which visited the site and assured the company that it had found no evidence of forced labour.

An ad-hoc committee met, and the decision was taken to remove the company from the excluded securities. It should be noted that this proactive approach was confirmed by MSCI's reclassification of the company from 'red flag' to 'orange flag'.

In view of the circumstances of the audit and for reasons that precede this controversy, we remain cautious and have chosen to maintain a low Governance rating for this company (1.5/5), which has a negative impact on its valuation.

In conclusion, our involvement with this company has helped to highlight the problems associated with this controversy and to push the company to take steps to remedy them. Although we have removed the company from the Global Compact exclusion list, we remain vigilant and will continue to monitor developments. Our intervention has also had an impact by encouraging the company to strengthen its processes and employee training to better deal with the consequences of similar controversies in the future.

Sector	Energy
Geographical area	France
Market cap	Large Caps
Theme	 Pre-GM dialogue on climate resolutions

We were asked to vote on two ‘climate’ resolutions at the Annual Meeting of an energy company.

The first resolution, put on the agenda by the company's management, was intended to submit the energy company's climate strategy to shareholders for approval. This type of resolution, which is appearing more and more frequently at companies' General Meetings, is called “Say on Climate”.

The second climate resolution, tabled by a Dutch NGO and supported by 17 shareholders, aimed to supplement the company's climate strategy by raising its ambitions (particularly in terms of scope 3 emissions) and adding short-term objectives.

We held a number of discussions with the company's investor relations team in the run-up to the General Meeting, in order to be able to express our convictions and understand the company's position on this external resolution.

On the basis of these elements, the Lazard Frères Gestion Executive Committee met to define a position on these two resolutions, which are both emblematic and decisive for the company's strategy.

We have decided to support these two climate resolutions. The internal resolution, which endorses the sustainability report proposed by management, confirms the company's multi-energy transition strategy and its ESG leadership among the oil majors. The decision to vote in favour of the external resolution is intended to underline the importance of coordinated action by all stakeholders, and to complement the company's climate strategy by encouraging it to set out in greater detail how it intends to achieve the goal of carbon neutrality by 2050, as stated in its "Sustainability & Climate 2023 Progress Report".

Fixed Income Management

A/ Presentation of our engagement activity

1. ENGAGEMENT THROUGH DIALOGUE

A systematic annual engagement campaign for all issuers rated “weak” or less than 2 out of 5 in our internal analysis grids

We therefore contact all portfolio companies rated “weak” (rating below 30/100) by our extra-financial partner Moody’s ESG Solutions and certain issuers with an internal ESG rating of less than 2 out of 5 with the aim of guiding them towards improving their ESG practices, transparency and communication.

A more comprehensive description of our internal ESG analysis grid is presented in our [ESG Approach](#).



The standard message is as follows:

- We are currently bondholders.
- Poor ESG ratings may force us to restrict our investments.
- Your main weaknesses and areas for improvement are...
- Could you comment on this data and provide us with your ESG objectives?

Engagement actions in case of market events: occurrence of a controversy, issue by an issuer with too low a rating, significant decline in practices.

We aim to be very responsive to market events. If a controversy occurs regarding a significant issuer in our investment universe, we place it on a watch list, contact it as soon as possible and, depending on the answers provided, potentially exclude it.

Similarly, when a low-rated company issues on the markets, we take advantage of this opportunity to highlight the importance of increasing its level of ESG practice and communication.

On several occasions during 2023, we were required to abandon issues in line with our internal ESG constraints, as the issuer’s rating was too low.

An ongoing engagement campaign to enrich our information on issuer practices.

There is now a section dedicated to ESG issues during meetings with company management. We address their weaknesses, their areas for improvement and our expectations.

We also specifically engage issuers on which we have too little information or that are substantially behind their sector peers. This provides us with input for our internal analysis grids and gives us a more accurate view of the issuer’s actual practices.

2. TARGETED ACTIONS

During their meetings with companies, the fixed income analyst-managers discuss the plurality of ESG issues. The three ESG pillars are addressed almost routinely during discussions with the aim of advancing the issuer.

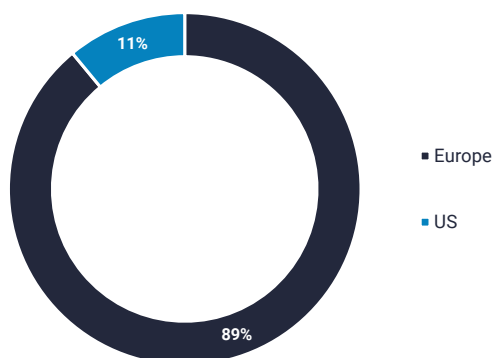
In 2023, our team carried out 143 engagement actions with 120 issuers. To breakdown by theme, we engaged 115 times on environmental issues, 99 times on social issues, 94 times on governance issues and 99 times on improving Corporate Social Responsibility (CSR) and communication.

On 22 occasions, our management teams discussed with issuers the controversies they were facing, to better understand and anticipate their potential impact. On 30 occasions, our analysts discussed green bonds to share market best practices and encourage companies to remedy identified shortcomings.

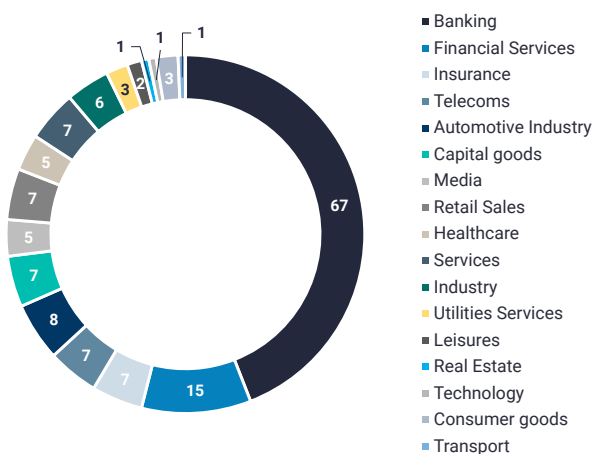
Lastly, on 45 occasions, we engaged in dialogue with issuers classified as ‘unsustainable’ according to our sustainable investment methodology, with the aim of encouraging them to adopt best practices and to communicate about it, thereby enabling extra-financial data providers to update their information.

The lack of communication by issuers can partly explain a low ESG score.

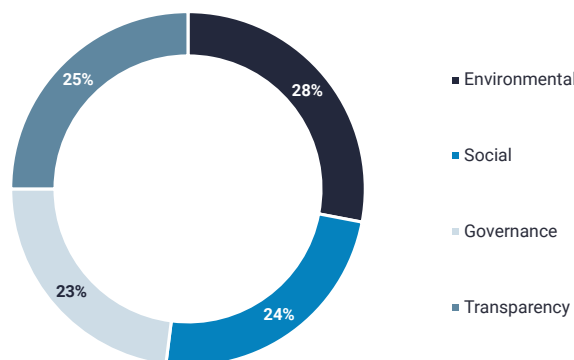
Geographical breakdown of engagements



Breakdown of engagements by sector



Thematic breakdown of engagements



Environment

We engaged with **100 issuers** on their environmental policies.

The main topics covered were the implementation of scope 3 emissions reduction targets, participation in industry initiatives such as the Net Zero Banking Alliance (NZBA) and the development of sector-specific policies for financing, engagement with the Science Based Targets initiative to implement carbon emissions reduction trajectories, identification of physical and transition risks, the environmental impact of the value chain and the implementation of consistent, quantified and dated environmental policies.

We have discussed with these companies the alignment of their strategies with the Paris agreements, the measurement of their impact on biodiversity, and the development of their biodiversity policies, particularly in the context of our short-term commitments in line with our application of Article 29.

We have also made **17 collaborative engagements** in the environmental pillar. More details on these commitments can be found in the “Collaborative commitments” section.

• GREEN BONDS

We have initiated exchanges with **35 issuers** on the subject of green bonds, including both those who have already issued in this format and those who are considering doing so. Our aim is to share with them the best practices we have identified in the market, such as the development of an allocation and impact report specific to each bond, a report with sufficient granularity to enable investors to appreciate the beneficial impact of their investments, or their compliance with taxonomy criteria. We have also initiated discussions with issuers when our internal analysis of green bonds has highlighted significant divergences from market best practice.

Social

During the 2023 engagement campaign, social issues were discussed with **89 issuers** on topics such as health and safety, lobbying practices, accessibility of goods and services and the just transition. We have observed that the social pillar is taking on increasing importance within companies' CSR policies.

Governance

During our 2023 engagement campaign, **88 issuers** were the subject of an engagement on governance by the Lazard Frères Gestion bond team.

Topics covered included the quality of management, the inclusion of environmental and social criteria in executive compensation, internal audits and controls, and the identification of ESG risks, in addition to the composition and independence of boards of directors.

Lazard Frères Gestion's bond team has drawn the attention of 93 issuers to the importance of communication with extra-financial data providers, encouraging them in particular to anticipate and prepare for the entry into force of the CSRD.

The aim of this initiative is to obtain more accurate external ESG ratings that reflect companies' actual practices. Often, ratings are inaccurate due to a lack of information from service providers, who assign unfavorable ratings by default. We encourage companies to formalize their long-term CSR strategies in order to set ambitious and credible targets.

3. RESULTS OF ENGAGEMENTS

As part of our engagement activities, Lazard Frères Gestion's bond management teams contacted 120 issuers in 2023, most of which are located in Europe. The detailed responses we received from issuers concern their practices, the objectives they have set and the resources they invest in. This enables us to present our engagement activities as follows:

Companies contacted	120
Detailed responses received	94
Telephone interviews	36

In 2023, the result of our engagement led to an improvement/maintenance/downgrade of an internal rating and/or the purchase/non-participation in certain issues:

Improvement of internal ESG ratings	25
Continuation of internal ESG ratings	70
Downgrade of internal ESG ratings	13






The general impression that emerges from this campaign is as follows:

We are seeing continuous improvement in practices and improved communication from issuers of all sizes. However, our requirements increase over time, and we wait to see tangible improvements before significantly adjusting ratings. This is why we maintain a large number of ESG ratings.

- Many issuers are telling us that some practices are already in place but are suffering from poor communication often seen as a lack of transparency.
- Issuers are setting increasingly precise non-financial targets and increasing their participation in marketplace initiatives.

B/ Examples of our engagement activities

Engagement to improve E, S and extra-financial communication and internal rating

Sector	Energy			
Geographical area	Europe			
Market cap	Investment Grade			
Theme	 			 Environmental, Climate and Biodiversity strategy Attractiveness and Diversity

In November, our analysts visited the Group's research and development center near Paris, to take part in a day devoted to nuclear energy and the environment.


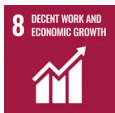
Over the course of the day, our analysts had the opportunity to exchange views with the Group and its stakeholders on a range of topics, including water management, biodiversity preservation, energy supply security, soil artificialisation, as well as adapting to and combating climate change. They underlined the importance of these factors in the Group's environmental strategy, and observed how these issues are taken into consideration by the issuer at all levels of the hierarchy, right up to the top management, depending on their relevance to the Group.

We also discussed the challenges facing the Group, such as the lack of skilled manpower for the nuclear sector, including specialized trades such as welders, nuclear engineers and so on. In addition, topics related to diversity were discussed, such as the percentage of women within the company and in the nuclear industry's vocational training establishments. In this respect, the issuer is investing heavily in initial and continuing training to anticipate future needs and promote a culture of inclusion and diversity within the organization.

Our analysts took part in a round table on water management, where they exchanged views with experts in water resource management, crisis management and the company's water managers on topics such as its growing need for water, supply challenges and conflicts between water for energy production and water for industrial and civil use. They also discussed wastewater reuse and desalination. The group pointed out that, although it takes a great deal of water, it returns a large majority of it to rivers and endeavors to maintain a temperature similar to that of water in its natural state. Most of the water used comes from evaporation from power station chimneys, and the company is carrying out research to condense this water for reuse. Other topics, such as the risk of double water accounting and the need to manage this precious resource efficiently, were also discussed.

Our analysts also took part in a round-table discussion on biodiversity and climate, where they exchanged views with experts and members of the company in charge of preserving biodiversity. They stressed the importance of preserving ecosystems and endangered species. The Group has demonstrated a significant commitment in this area, notably the protection of peregrine falcons on its sites, which testifies to the excellent health of ecosystems around nuclear power plants. Finally, topics such as soil artificialisation and the need to restore areas to their natural state after the dismantling of nuclear power plants were addressed.

As a result of this engagement, we improved our internal rating from 3.42 to 3.7 out of 5.

Sector	Telecom
Geographical area	Europe
Market cap	High Yield
Theme	<div>  <p>Ambitious, costed and dated environmental strategy</p> </div> <div>  <p>Communication on human resources management</p> </div>

In June 2023, we contacted the group to encourage it to respond to the CDP questionnaire. The issuer then requested an interview, during which we reminded them of the importance of the CDP questionnaire for investors, and shared best ESG practices in the sector.

In October 2023, we engaged again to obtain more detail on the group's ESG governance and strategy.



The issuer showed appreciable transparency and a convincing willingness to improve its ESG performance.

The engagement recognized the efforts made, particularly in terms of publishing emissions data and supplier management, despite a recent controversy.

Certain shortcomings detected in the ESG report were also highlighted. Indeed, the failure to comply with best governance practices since the company's privatization was confirmed.

The Group's rating improved slightly from 2.27 to 2.38, but there is still a long way to go. We have agreed to hold discussions at regular intervals to ensure ongoing monitoring and support for their improvement process.

Engagement on E, S and G communication and extra-financial communication and maintenance of internal rating

Sector	Finance
Geographical area	Europe
Market cap	Investment Grade
Theme	<div>  <p>Participation in local initiatives and Implementation of a policy to reduce CO2 emissions</p> </div> <div>  <p>Diversity and financial inclusion</p> </div>

In November 2023, we began a dialogue with the issuer as part of our engagement campaign with financial issuers. During this campaign, we studied the ESG evaluation criteria of issuers in the sector, according to our rating agencies, in order to identify the most significant criteria to encourage issuers to step up their efforts. In addition, we carried out a global analysis of best practices in the sector to share with issuers who have not yet adopted them. Our aim is to help improve the transparency and relevance of financial issuers' ESG actions.

The aim of this engagement was to communicate the areas for improvement that we had identified, and to inform the Group that it was below its peers on the environmental and social pillars. We also asked the Group to contact the suppliers of extra-financial data in order to rectify erroneous information that we had identified and for which we also contacted the said suppliers.

Taking advantage of the presence of the issuer's representatives in Paris, we organized a meeting on our premises. This enabled us to discuss a number of topics in detail, including ESG strategy, membership of the Net Zero Banking Alliance (NZBA), the issue of green bonds, financial inclusion, and the importance of internal audits to ensure effective supervision of risks linked to non-compliance with laws, regulations and internal policies.

Following this fruitful exchange, we were able to deepen our analysis of the issuer and conclude that, with proper implementation of the established strategies, it could become a pioneer in the ESG field in its country.

However, for the time being, we are maintaining our ESG rating, pending the concrete application of the policies. We have agreed to maintain a regular dialogue throughout the year, as part of our long-term support approach.

COLLABORATIVE ENGAGEMENTS

In 2023, Lazard Frères Gestion stepped up its individual engagement with its portfolio companies, while strengthening its participation in collaborative engagement initiatives in partnership with other investors. These collaborations with other market players are of vital importance, as they enable us to pool our efforts and increase the impact of our actions.

In 2023, Lazard Frères Gestion took part in the **Non-Disclosure Campaign organized by the Carbon Disclosure Project (CDP)**. This initiative encourages companies to complete CDP questionnaires on climate change, forest management and water conservation. These questionnaires provide investors with standardized data that facilitates comparison of companies' environmental performance, particularly with regard to their carbon footprint.

In 2023, we led the engagement as “Lead” on 33 companies.

Results of our “Lead” engagements:

	Number of firms	Responses to questionnaire	Engagement to respond next year	No response
Climate Disclosure Project - Lead	33	12	11	11
Climate	32	10	11	11
Water	2	2	-	-
Forest	-	-	-	-

STAKEHOLDER ENGAGEMENTS

Engagement with public authorities

Lazard Frères Gestion is actively engaging with public authorities to express its views on draft legislation and other regulatory changes.

Over the course of 2023, we responded to several government consultations. We exchanged views with the SRI Label Committee regarding the announced overhaul of the SRI Label in December 2023. We also spoke to the European Commission about the overhaul of the SFDR regulation.

• REDESIGN OF THE SRI LABEL

As part of the SRI label committee's consultation on its redesign, we submitted Lazard Frères Gestion's contribution, focusing on two main themes: green bonds and the exclusion of sovereign issuers based on a corruption index.

We wanted to emphasize to the committee the importance of promoting green bonds to support the ecological transition. By targeting companies with a high climate impact, we encourage their engagement in the transition by financing projects whose characteristics are predefined by an issuance framework, independently of the issuer's exclusion by other label criteria. In support of this position, we emphasize the need for in-depth analysis of the issuer and the issuance framework, examination of its environmental and climate policy, and assessment of eligibility in line with the European taxonomy.

In addition, we wanted to draw the SRI label committee's attention to the exclusion of issuers based solely on Transparency International's corruption index. In addition to negatively affecting investment strategies in emerging countries, this criterion deprives them of essential sources of financing to help them progress, leaving the way open for other, less demanding players. In addition, green bonds are excluded despite their positive environmental impact and the good governance associated with monitoring and allocating funds.

• SFDR CONSULTATION

The European Commission launched a consultation on the SFDR Regulation in September 2023, examining issues such as legal clarity, ease of use and how the regulation can play its part in the fight against greenwashing.

We have reiterated the importance of access to ESG data to meet SFDR requirements. Integrating ESG factors should not be more costly than not doing so. Indeed, the integration of ESG criteria presents very significant risks for the financial system as a whole. The cost of acquiring data providers has been considerable, and should not create a competitive advantage for funds that do not take ESG factors into account. In addition, there is a lack of quality control over ESG data, which sometimes leads to misleading data disclosure. Finally, the assessment of whether or not PAI indicators are material creates a gap between CSRD and SFDR, since financial players are asked to report on all of them. While it was likely that the coverage of PAIs would increase over time, the assessment of the relative importance for companies of each PAI jeopardizes their credibility.

Furthermore, with regard to the abandonment of existing SFDR categories, we have pointed out that very significant costs have already been incurred by all financial entities to implement the current SFDR categories. It would make sense to build on existing requirements and make them more accessible. Lazard Frères Gestion is in favor of a global clarification of all the notions mentioned in SFDR, such as E/S and DNSH characteristics. A better understanding of these terms will improve transparency, enabling final investors to make informed decisions. We are convinced that the current level of definition is at the root of SFDR's weaknesses. We are convinced that existing concepts can be useful if they are defined with greater precision and clarity. It seems to us that the current concepts are relevant, but lack precise definitions.

Engagement with our suppliers of extra-financial data

Lazard Frères Gestion conducts annual reviews of its ESG data providers. We may also call on them on an ad hoc basis, if we identify an area for improvement or a particular need.

As part of our engagement campaign in 2023, we exchanged with one of our **ESG data providers, MSCI**, to fill a gap in information about a company's employee turnover rate. We identified this gap during our analysis, and took the initiative to search for this data in the public documents available on the company's website.

We then forwarded this information to MSCI, who updated their database to include the company's employee turnover rate. This action not only completed MSCI's data, but also improved the transparency and reliability of the company's ratings.

This engagement demonstrates our determination to actively contribute to improving the quality of available ESG data. By doing so, we strengthen the accuracy of ESG assessments of companies and support better sustainable investment decision-making.

PORTFOLIO STATISTICS

A Equity Management

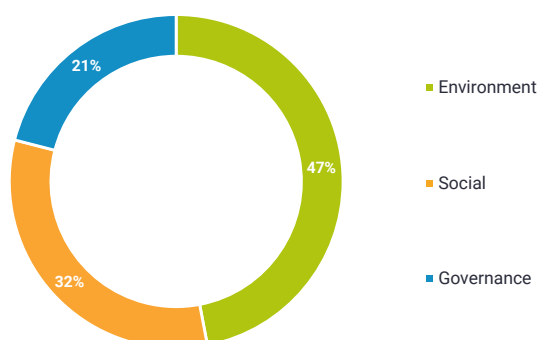
Lazard Alpha Euro SRI



Below are the statistics obtained on a portfolio of **33 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	55	33	100%
Engagements	47	32	97%
O/w in depth engagement	38	28	85%
O/w ESG dialogues	9	8	24%

Breakdown of engagements by theme



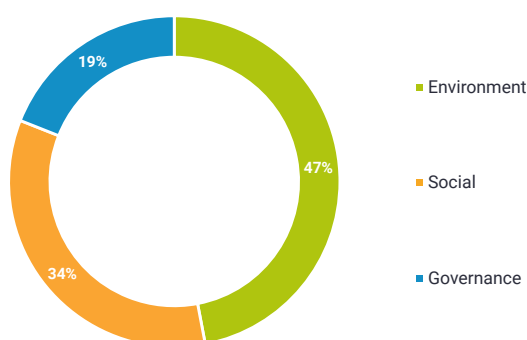
Lazard Equity SRI



Below are the statistics obtained on a portfolio of **38 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	59	37	98%
Engagements	53	33	92%
O/w in depth engagement	43	30	85%
O/w ESG dialogues	10	10	26%

Breakdown of engagements by theme



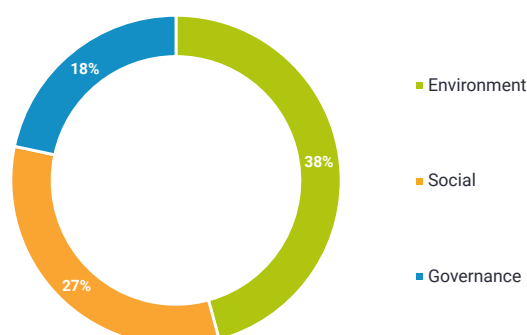
Norden SRI



Below are the statistics obtained on a portfolio of **31 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	44	31	100%
Engagements	40	30	99%
O/w in depth engagement	31	24	74%
O/w ESG dialogues	9	8	28%

Breakdown of engagements by theme



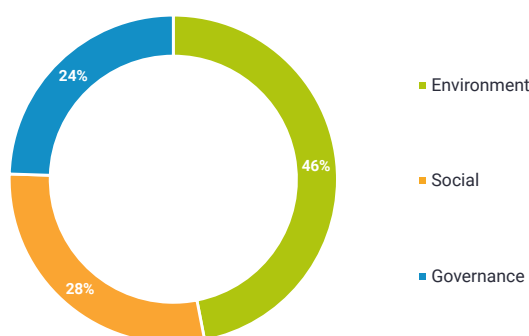
Lazard Dividend LowVol SRI



Below are the statistics obtained on a portfolio of **39 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	50	35	88%
Engagements	49	31	86%
O/w in depth engagement	36	26	75%
O/w ESG dialogues	13	10	23%

Breakdown of engagements by theme



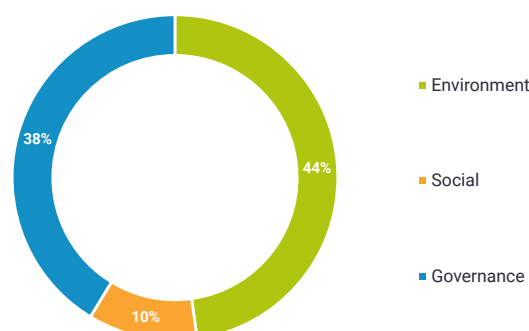
Lazard Small Caps Euro SRI



Below are the statistics obtained on a portfolio of **37 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	69	32	86%
Engagements	28	17	45%
O/w in depth engagement	17	13	33%
O/w ESG dialogues	11	9	23%

Breakdown of engagements by theme



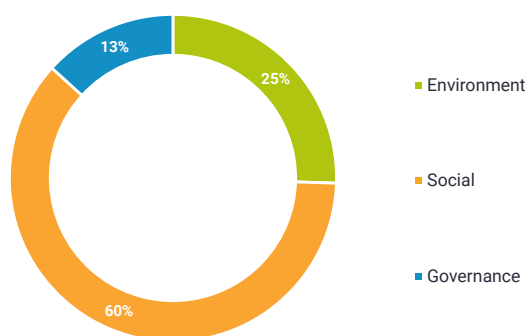
Lazard Human Capital



Below are the statistics obtained on a portfolio of **38 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	47	38	100%
Engagements	61	38	100%
O/w in depth engagement	55	38	100%
O/w ESG dialogues	6	6	14%

Breakdown of engagements by theme



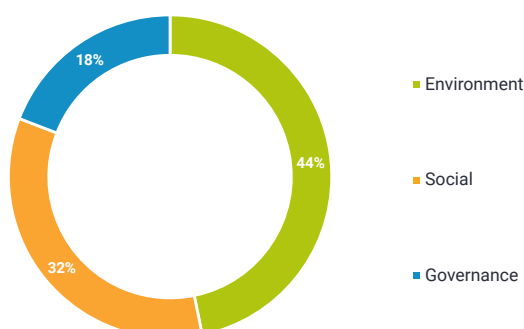
Lazard Patrimoine Actions SRI



Below are the statistics obtained on a portfolio of **26 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	28	22	88%
Engagements	26	17	71%
O/w in depth engagement	20	14	60%
O/w ESG dialogues	6	6	24%

Breakdown of engagements by theme



B / Fixed Income Management

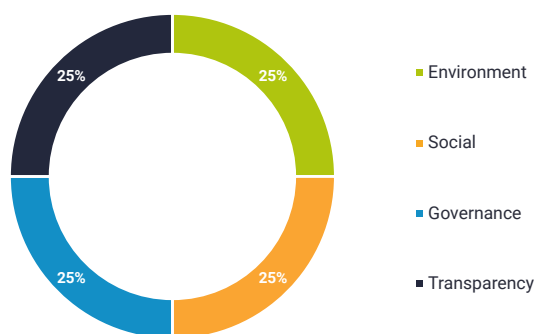
Lazard Capital Fi SRI



Below are the statistics obtained on a portfolio of **32 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	52	30	99%
O/w telephone interviews	17	15	58%

Breakdown of engagements by theme



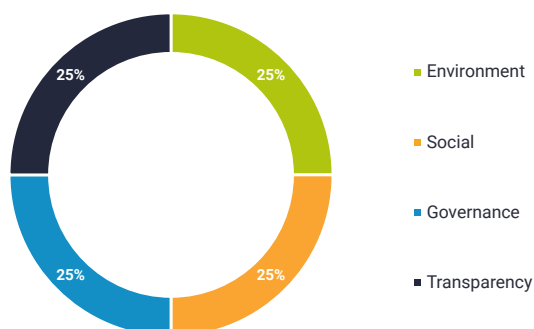
Lazard Crédit Fi SRI



Below are the statistics obtained on a portfolio of **51 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	83	42	88%
O/w telephone interviews	25	22	39%

Breakdown of engagements by theme



Lazard Euro Short Duration High Yield SRI

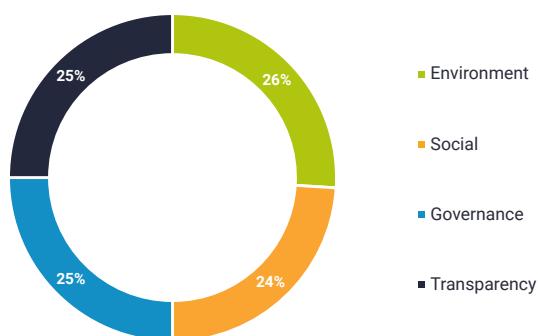
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Below are the statistics obtained on a portfolio of **63 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	46	28	55%
O/w telephone interviews	16	15	30%

Breakdown of engagements by theme



Lazard Euro Short Duration SRI

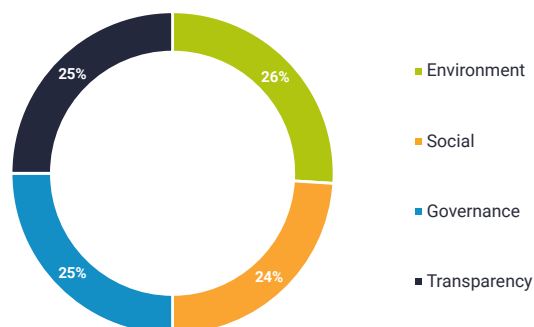
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Below are the statistics obtained on a portfolio of **96 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	49	32	38%
O/w telephone interviews	22	20	24%

Breakdown of engagements by theme



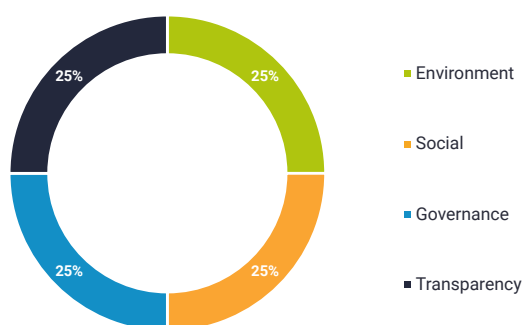
Lazard Euro Crédit SRI



Below are the statistics obtained on a portfolio of **115 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	65	30	35%
O/w telephone interviews	17	17	23%

Breakdown of engagements by theme



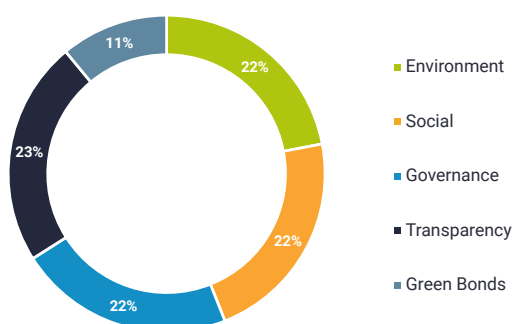
Lazard Global Green Bond Opportunities



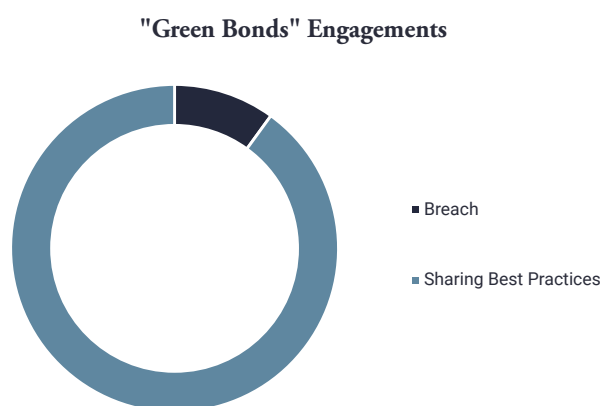
Below are the statistics obtained on a portfolio of **74 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	43	30	46%
O/w telephone interviews	17	16	25%

Breakdown of engagements by theme



	"Green bonds" Engagements		
	By number of occurrences	By number of companies	As a % of the portfolio
Breach	1	1	1%
Sharing Best Practices	10	10	15%

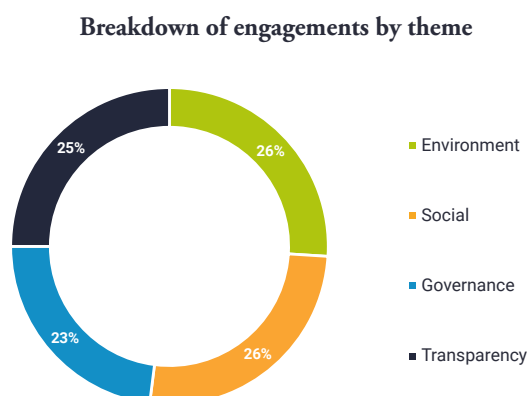


Lazard Sustainable Credit 2025

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Below are the statistics obtained on a portfolio of **54 companies**:

	By number of occurrences		
	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	24	21	49%
O/w telephone interviews	10	9	25%



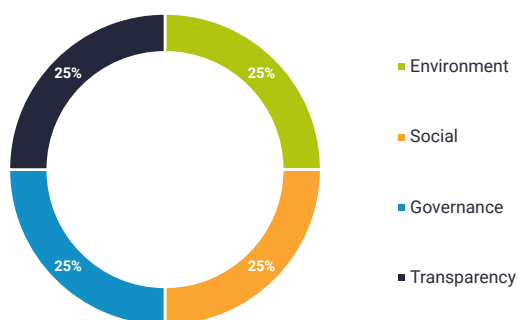
Lazard Credit Opportunities



Below are the statistics obtained on a portfolio of **97 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	124	44	65%
O/w telephone interviews	15	13	22%

Breakdown of engagements by theme



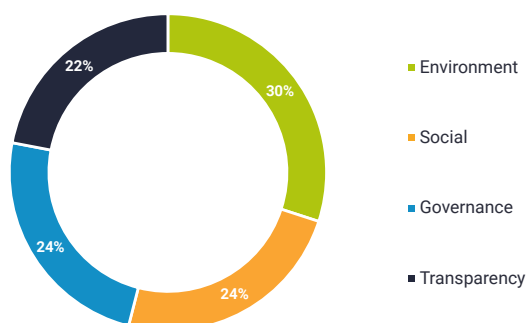
Lazard Euro Corp High Yield



Below are the statistics obtained on a portfolio of **100 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	39	18	22%
O/w telephone interviews	7	6	13%

Breakdown of engagements by theme



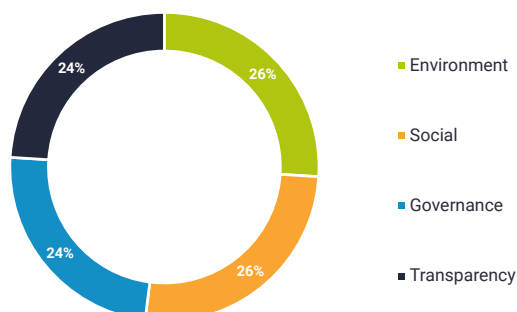
Lazard Patrimoine SRI - Poche Obligataire



Below are the statistics obtained on a portfolio of **97 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	47	23	33%
O/w telephone interviews	16	15	20%

Breakdown of engagements by theme



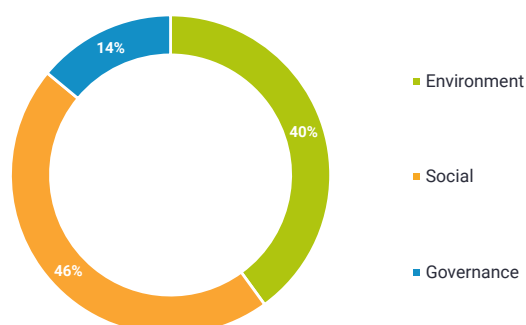
Lazard Patrimoine SRI - Poche Actions



Below are the statistics obtained on a portfolio of **44 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	50	37	89%
Engagements	49	31	77%
O/w in depth engagement	43	31	77%
O/w ESG dialogues	6	6	12%

Breakdown of engagements by theme





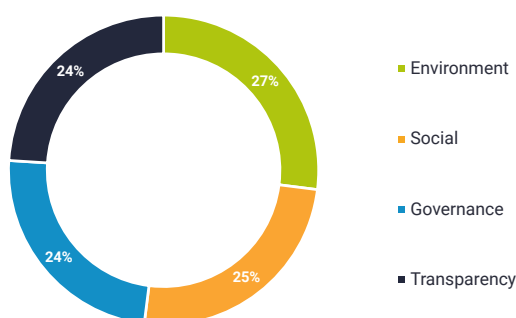
Lazard Patrimoine Opportunities SRI - Poche Obligataire

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Below are the statistics obtained on a portfolio of **77 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Engagements	25	15	30%
O/w telephone interviews	13	11	18%

Breakdown of engagements by theme



Lazard Patrimoine Opportunities SRI - Poche Actions

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Below are the statistics obtained on a portfolio of **44 companies**:

	By number of occurrences	By number of companies	As a % of the portfolio
Meetings	50	37	89%
Engagements	49	31	77%
O/w in depth engagement	43	31	77%
O/w ESG dialogues	6	6	12%

Breakdown of engagements by theme

