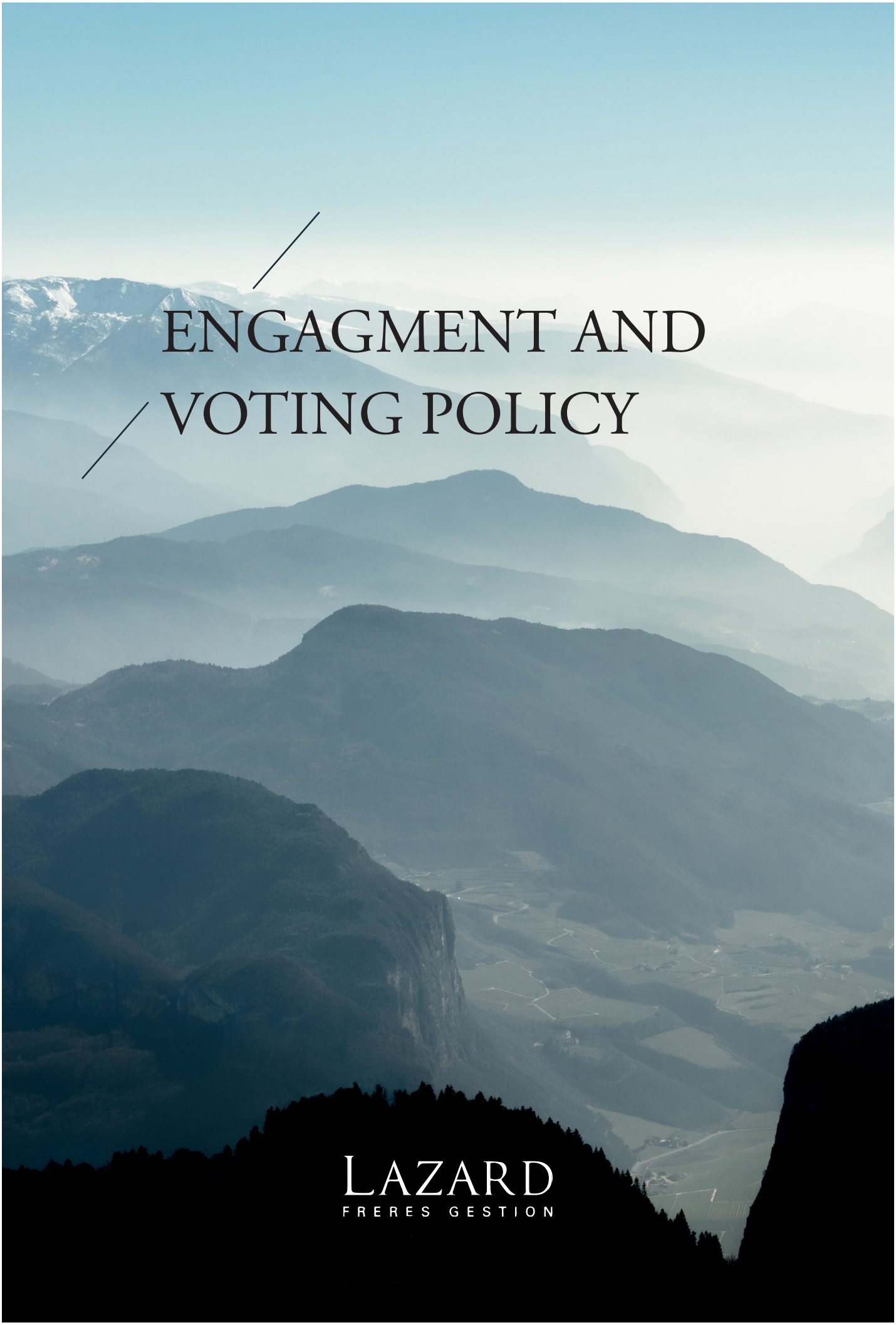
ENGAGMENT AND VOTING POLICY



LAZARD
FRERES GESTION

DATE OF MOST RECENT UPDATE: MAY 2023

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ENGAGEMENT POLICY

Lazard Frères Gestion believes that companies should take long-term factors into account to ensure the sustainability of their economic performance. Among these factors, we prioritise environmental, social and governance (ESG) criteria, as well as long-term issues that affect and apply to all "stakeholders" (shareholders, employees, suppliers and consumers) of these companies.

It is therefore important for Lazard Frères Gestion to encourage companies to include ESG issues in their development model. To that end, we exercise our voting rights in accordance with client interests and engage with the companies in which we invest.

APPROACH

As an asset management arm of a firm that has been in operation for more than 170 years, Lazard Frères Gestion bases its investment strategies on fundamental analysis of the economic cycle. All portfolio managers incorporate short-, medium- and long-term factors into their models in order to measure each company's value as accurately as possible.

Engagement with issuers allows us to ensure that the companies in which we invest share this long-term vision, particularly in relation to ESG criteria.

Our goal is not to condemn companies for their practices: excluding a given company from our investment universe is an exceptional step in that it is a less effective way to encourage businesses to change their practices.

By remaining investors, we continue to influence the responses they provide and their commitment to making the transition. We take the same approach to our voting policy, which supplements this engagement policy and which you can find in the second section of this document.

Our engagement policy is aimed at supporting companies, regardless of the business sector in which they operate, in completing a transition that has become essential. We seek to prioritise direct dialogue with our analysts-portfolio managers, who work as closely as possible with the companies, often with support from the ESG team.

This process is part of the broader context of integrating ESG criteria into Lazard Frères Gestion's management activities since it also allows us to refine our analysis and put greater weight on the risks and opportunities associated with companies.

INDIVIDUAL ENGAGEMENT

As responsible investors, we believe that we can have a positive impact through direct engagement and sustained dialogue with the companies in which we invest or propose to invest.

The aim of our approach towards engagement with companies is primarily to encourage companies to make improvements in a constructive manner in all their ESG practices and thus protect the value of investments by making them sustainable. Our engagement actions are carried out by analysts-portfolio managers and ESG specialists once the relevant issues for each company have been identified.
It is principally based on our proprietary materiality table. Other tools are used to carry out in-depth analysis on companies in which we may invest.

They include:

- **Data platform** such as Bloomberg and Factset, which provide news and information about controversies involving companies;
- **Sell-side research** (broker notes, ESG newsletters);
- **Specific conferences and events;**
- **Reports by voting advisory firms, including Proxinvest;**
- **Specific data provided by research agencies** such as Moody's ESG Solutions, MSCI, Gaïa Ratings and S&P Global (formerly Trucost).

DIALOGUE WITH DATA PROVIDERS

We use various data providers in carrying out our analysis. For the sake of vigilance, the services provided by our data providers are regularly reviewed so that we can be sure that we are receiving the most appropriate services for our management activities.

We are in constant dialogue with providers when we identify a data anomaly.

With a view to making ongoing improvements, we continuously monitor the services of non-financial data analysis providers.

I/ Types of engagement

At their meetings with companies' management teams, the analysts-portfolio managers carry out ESG engagement actions, sometimes with the support of ESG specialists. These specialists also meet with companies at specific ESG market events or at meetings specifically focused on ESG issues. On-site visits in relation to the Company's CSR policy may also be carried out.

We distinguish between two types of engagement with companies:

• **Dialogue** takes the form of discussions with the company on its ESG practices and policies. It allows us to demonstrate our interest in and sensitivity to ESG issues and to monitor over time developments in companies' non-financial performance.

• **In-depth engagement** can either take the form of concrete requests made to companies or a more in-depth dialogue with companies in which ESG is a significant element.

In this case, the objective is to inform the company that there are one or more areas in which improvements need to be made and explain how their ESG rating is used in the investment decision-making process. These areas for improvement are formulated by analysts-portfolio managers in collaboration with the ESG specialists and are assessed over time with a view to increasing or downgrading the company's internal rating.

ESG INTERNAL RATINGS ESCALATION PROCESS

Our escalation process for internal ESG ratings is structured around the following two stages:

1) Launching the Process:

If, when creating or updating an internal ESG rating, the company is given a rating of ≤ 1 in one of the three pillars or ≤ 2 for its overall ESG rating, the company is added to a watchlist or an exclusion list, in accordance with the Committee's opinion.

• When a company is added to the watchlist, one (or more) of the following three actions is automatically implemented:

- The initiation of in-depth engagement so that the analyst is able to obtain more information;
- A vote objecting to the company's current strategy at the company's general meeting in order to express our dissatisfaction;
- A note from the analyst detailing the reasons for keeping the security in the portfolio in the interests of investors in the fund

• When a company is added to the exclusion list, any shares in that company held in the portfolio are sold.

2) Quarterly committee meeting:

Specific analysis is carried out on the securities on the watchlist by the "Engagement" committee. This committee meets quarterly and is made up of representatives of the various management teams (Equity, Fixed Income and PM), sales representatives and ESG. It is co-chaired by the Head of Institutional Management and the Head of ESG.

Following the committee's discussions, a security on the watchlist may be:

- removed from the watchlist as a result of satisfactory development
- kept on the watchlist pending new information or in the interest of investors
- moved from the watchlist to the exclusion list.

Similarly, a security on the exclusion list may be:
- kept on the exclusion list
- moved from the exclusion list to the watchlist as a result of new developments relating to the security.

II Areas of engagement

For all our funds, the areas of engagement are defined at the level of the management company and factor in the specific characteristics of each company.

Prior to any action being taken, all companies are now expected to make a significant effort in terms of transparency. It is critical that we encourage companies to communicate more about their non-financial performance so that we can understand, assess and, where appropriate, influence their environmental, social, societal and governance practices.

In addition, the definition of sustainable investments under the SFDR requires companies' performances to be assessed by reference to 14 indicators, known as the Principal Adverse Impacts (PAIs). It is difficult to classify listed companies as a sustainable investment if data on these indicators is unavailable.

At sector level, the proprietary materiality table allows us to identify the most important issues for a given group of business activities. On each of these issues, companies are assessed by reference to the performances of their peers. This table accordingly encourages the companies affected by our engagement actions to adopt best practices in these areas.

Facteur essentiel	Compagnies aériennes	Automobiles	Transports	Banques	Matériaux de construction	Chimie	Biens de consommation	Énergie	Agroalimentaire	Commerce de détail	Santé	Tourisme	Industrie	Assurance	Médias	Métaux, mines et biens de base	Immobilier	Logiciels, informatique et services aux entreprises	Technologie (Hardware)	Télécommunications	Services aux collectivités
ENVIRONNEMENT																					
Pollution accidentelle	■		■		■	■		■			■		■			■					
Protection de la biodiversité et expérimentation animale	■		■		■		■	■	■	■	■	■				■	■				■
Émissions atmosphériques et changement climatique	■	■	■		■		■	■	■	■	■	■				■	■				■
Emballage responsable							■	■	■	■											
Gestion de l'eau et des déchets		■	■		■	■		■	■		■	■	■			■	■			■	
Approvisionnement responsable en matières premières	■			■	■		■		■				■						■		
Gestion de l'énergie	■	■	■		■	■	■		■	■	■	■	■		■	■	■	■	■	■	
Produits verts et ISR	■			■	■			■						■		■					
Utilisation et fin de vie des produits		■	■		■	■	■				■		■							■	
Impact du transport			■		■					■		■	■					■			
RESSOURCES HUMAINES																					
Réorganisations	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■				■	■
Santé et sécurité des employés		■	■		■	■	■	■	■	■	■	■	■		■	■	■	■	■	■	■
Dialogue social	■	■	■		■	■	■	■	■	■	■	■	■		■	■				■	■
Gestion des carrières		■			■	■	■	■	■	■	■	■	■		■			■		■	■
Diversité et inclusion	■	■	■	■			■							■			■	■	■	■	
DROITS DE L'HOMME																					
Droits fondamentaux	■	■	■	■	■	■	■		■	■	■	■	■		■	■			■	■	■
Droit du travail	■	■	■	■	■	■	■		■	■	■	■	■		■	■			■	■	■
Non-discrimination	■	■	■	■	■	■	■		■	■	■	■	■	■	■		■	■		■	■
ENGAGEMENT SOCIÉTAL																					
Accès à l'énergie													■			■			■		■
Impact sociétal des produits		■							■		■	■			■	■					
Développement social et économique	■	■	■		■	■	■	■	■	■	■	■	■								■
Transparence fiscale				■			■							■		■					
Inclusion financière				■																	
Accès aux services de base																				■	
PRATIQUES DES ENTREPRISES																					
Sécurité des produits		■	■		■	■	■		■	■	■		■						■		
Relations avec les fournisseurs		■			■		■		■	■	■	■	■						■		
Normes sociales et environnementales dans la chaîne d'approvisionnement	■	■	■		■	■	■	■	■	■		■	■			■	■		■	■	
Confidentialité et sécurité des données				■			■							■				■			
Information des clients et relation responsable	■			■						■	■	■		■						■	■
Corruption et blanchiment d'argent			■	■	■			■		■	■	■	■	■	■	■	■			■	■
Lobbying responsable					■			■		■	■	■	■	■	■	■	■			■	■
Pratiques anticoncurrentielles		■	■		■			■		■	■	■	■							■	■
GOUVERNANCE																					
Conseils d'administration	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Contrôles internes et gestion des risques	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Indépendance de l'audit	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Rémunération des cadres	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Droits des actionnaires	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■

As part of our strategy to align with the Paris Agreement, we have set ourselves a number of short-, medium- and long-term objectives. In particular, we are targeting a temperature for all Lazard Frères Gestion's investments of 2.5 °C by 2030, a target that will be reviewed and adjusted every five years, falling to 2 °C in 2050. To achieve this, we have set ourselves the following objectives in terms of voting and engagement:

2022 - 2023 SHORT-TERM OBJECTIVES

• Engage in dialogue with the 10 investee companies with the highest temperature indicator,

• Engage in a dialogue with the 10 companies that represent the greatest contribution to global warming attributable to our investments according to the temperature indicator

• Support climate-related resolutions as part of our voting policy at shareholders' meetings.

2024 - 2030 MEDIUM-TERM OBJECTIVES

• Support the companies and projects in which we invest in a 2050 alignment trajectory through engagement actions

LONG-TERM OBJECTIVES (2030 AND BEYOND)

• 100% of investee companies have an approved decarbonisation trajectory/2 °C alignment

As part of its Biodiversity strategy, 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 involved in tackling biodiversity loss.
The following objectives in terms of voting and engagement have been set:

2022 - 2023 SHORT-TERM OBJECTIVES

• Engage with the 10 worst performers on our biodiversity score,

• Engage with the 10 companies representing our greatest exposure on our biodiversity score,

• Add a biodiversity-related commitment to our voting policy.

2024 - 2030 MEDIUM-TERM OBJECTIVES

• Reduce, through engagement, the share of companies with no biodiversity-related objectives.

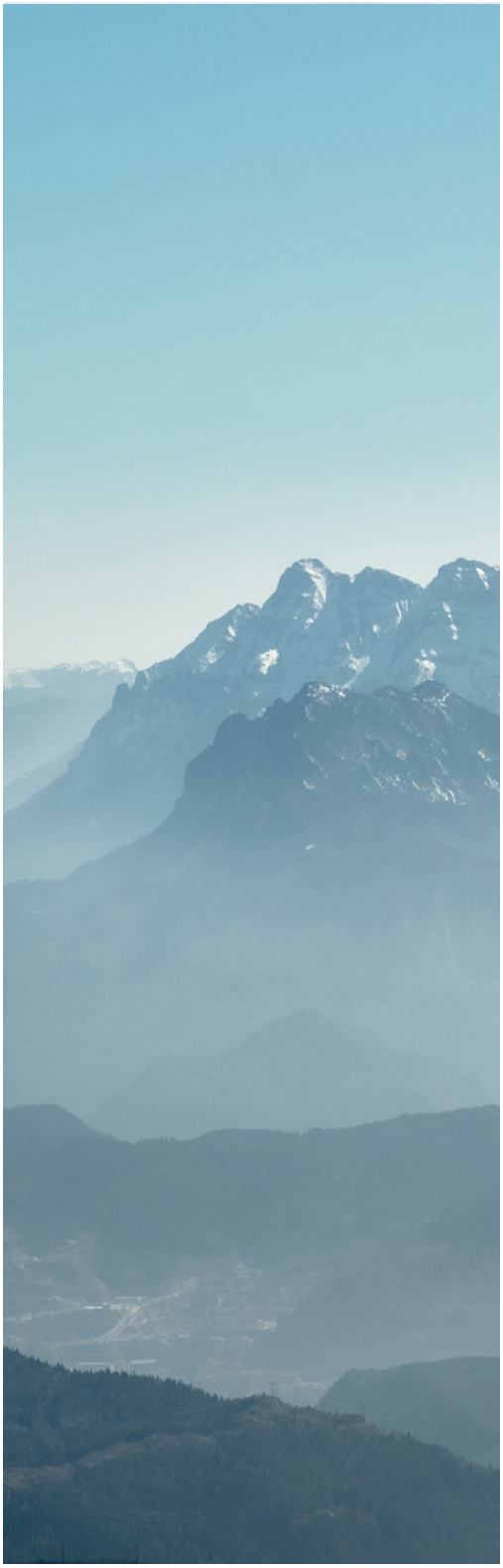
LONG-TERM OBJECTIVES (2030 AND BEYOND)

• Steer all our investments towards a Zero Deforestation policy,

• Increase the water efficiency of our investments, particularly in water-stressed areas

• Investee companies (with a material interest in biodiversity) must have a validated biodiversity alignment trajectory.

For more information on our alignment strategies to the Paris Agreement and our Biodiversity strategy, please see our Article 29 Report.



III Application at Lazard Frères Gestion

For Bond funds, priority is given to issuers with the "lowest" ESG ratings in the portfolios. For Equity funds, priority is given to securities held in SRI funds.

SRI FUNDS

For SRI funds, non-financial objectives are defined at the level of four extra-financial indicators. They constitute the main areas of engagement with the companies in which these funds invest. In order to provide a more complete picture, the dialogue with companies in which the SRI funds invested may be extended to the four themes covered by these indicators:

Environment

The baseline indicators are carbon intensity, **carbon footprint** and **initiatives to reduce carbon emissions.** The dialogue may cover, for example, the calculation of scope 3 emissions, the validation by the SBTi of the carbon emission reduction trajectory, the energy mix, water and electricity consumption and the impact of the value chain on the environment.

Social

The baseline indicators are women in management, employee satisfaction, **staff turnover, social dialogue and the number of severe or critical human resources-related controversies**. The dialogue may focus more broadly on diversity, employability, human capital management and the social impact of products.

Human rights

The baseline indicators are the percentage of signatories to the United Nations Global Compact and **the percentage of companies involved in severe or critical human rights-related controversies**. The dialogue may cover the impact of their operations on human rights, human rights-related controversies or corruption.

Governance

The baseline indicators are the percentage of independent directors on the Board of Directors or Governance Board and the **formalisation of a business conduct and anti-corruption policy**. The dialogue may also cover the separation of the roles of Chairman and Chief Executive Officer, gender equality on the Boards, transparency of public documents and any matters relating to the General Shareholders' Meeting.

ARTICLE 9 SFDR FUNDS

For Article 9 funds, a non-financial objective is a pre-requisite. Engagement actions are systematically carried out in this area with all the companies in the portfolio, at least once a year. The questions are reported and are the subject of statistics at the end of theyear.

Lazard Human Capital

The objective of the **Lazard Human Capital** Fund is to invest in companies that provide solutions to sustainable development issues and that stand out due to the quality of their Human Capital management, i.e. the process put in place by companies to train, transmit knowledge, motivate, retain and recruit their employees based on their needs and as part of their development strategies. Sustainability indicators are used to measure the achievement of the sustainable investment objective. These indicators are, as a priority, discussed with the companies in the portfolio:

- The number of hours of training per employee and per year;
- The percentage of women in senior management;
- The annual turnover rate of the workforce;
- The involvement of management in the training of employees on diversity-related topics;
- The extent to which employee benefits are awarded.

Personalised objectives are developed for all portfolio companies to encourage them to improve their practices and align with the best practices seen in the market.

Companies whose shares are not held in the portfolio may also be the subject of engagement actions. We may have an interest in a company for financial reasons, but its non-financial profile may prevent us from investing in it. In this circumstances, after identifying the obstacles (Human Capital criteria, or non-sustainable company due to poor results on PAIs, etc.), Lazard Frères Gestion contacts the company to provide targeted recommendations.

If we do not see any positive change for the securities held in the portfolio, an escalation procedure is triggered. At first, the frequency at which we talk to the company increases, followed by concrete requests on the attainment of objectives, possibly resulting in a “sanction” vote against certain resolutions proposed at general meetings. If the results observed are not considered to be satisfactory after one year, the position will be sold.

Lazard Global Green Bond Opportunities

The **Lazard Global Green Bond Opportunities** fund invests in sustainable bonds, with a minimum of 90% in green bonds that are intended to finance the ecological and energy transition. Up to 10% of the portfolio may be diversified into bonds issued by issuers

whose economic activity is considered sustainable within the meaning of the SFDR, in Social Bonds whose objective is to finance socially sustainable projects and aiming to provide substantial social benefits, and/or Sustainability Bonds whose funds are used exclusively for environmental and social projects.

Green bonds, social bonds and sustainable bonds are assessed using an internal analysis grid (see Our ESG Approach) and must comply with the principles and guidelines defined by the International Capital Market Association (ICMA).

A deep engagement procedure with the issuers of the green bonds, social bonds and sustainable bonds that we hold in the portfolio may be carried out in certain scenarios, in particular those listed below:

Improving practices of issuers

Thematic engagement to encourage issuers to adopt best practices.

Use of funds

The projects that are financed do not meet the eligibility criteria stated in the framework issue document.

Allocation and impact reports

- The issuer does not publish impact and/or allocation reports on time;
- The report is not externally audit, despite such an audit being initially proposed;
- The information included in the allocation and impact report is not transparent, clear and complete.

Controversies

- The projects financed by green bonds are the subject of a controversy;
- A recent controversy of high or critical severity associated with the issuer that is directly connected to

ue of green bonds and that has an impact on the financed projects. If the issuer fails to rectify or

I. Shareholder coalition

Lazard Frères Gestion's collaborative engagement is a form of joint commitment involving multiple investors, specifically groups of investors working together outside any formal network or other organisation.

In this connection, we signed the "Moving Together on Nature" statement relating to the PRIs in December 2022. This open letter to COP 15 on Biodiversity calls for the adoption of an ambitious global biodiversity framework. It is in keeping with the Paris Agreement, which calls on all signatory countries to demand that the financial sector align with climate objectives.

II. Market engagement, surveys and working groups

Lazard Frères Gestion occasionally engages in dialogue with various organisations, such as the AFG, either by taking part in working groups or sharing data on socially responsible investment or ESG issues.

III Signature of the PRIs

Lazard Frères Gestion decided to sign the United Nations Principles for Responsible Investment (PRI) in 2014.

The PRI initiative, aimed at better incorporating environmental, social and governance (ESG) factors in investment decisions, has been signed by 1,800 investment managers responsible for managing assets totalling some $70 trillion in more than 50 countries.

IV CDP membership

Lazard Frères Gestion decided to become a CDP signatory in early 2020. CDP, formerly known as the Carbon Disclosure Project, encourages companies, investors and cities to develop a culture of transparency in order to build a mo sustainable economy by measuring their impact on the climate, use of wat resources and forests.

This international non-profit has built the largest global database on th environmental performance of companies and local authorities, and i questionnaire serves as a benchmark for carbon reporting.

V Support for TCFD

Lazard Frères Gestion has been a TCFD Supporter since 2020. The TCFD (Taskforce on Climate-related Financial Disclosures) is a working group established in late 2015 by the G20's Financial Stability Board (FSB).

The FSB identifies information that can be used by investors to estimate the risks and opportunities associated with climate change. Chaired by Michael Bloomberg, it is made up of asset management companies, pension funds, large corporates, accounting and advisory firms and rating agencies. It actively promotes the disclosure of information on financial risks related to climate and climate change so that investors, borrowers, insurers and shareholders can make decisions based on as much available data as possible, helps companies assess the risks arising from their activities and raises general public awareness of these issues.

VI Finance for Biodiversity Pledge

In October 2022, we signed the Finance for Biodiversity Pledge. This charter commits us to collaborating and sharing knowledge and practices relating to biodiversity, to engaging with companies on reducing their impact on biodiversity, to measuring the impact of our management activities, to setting biodiversity objectives and to publishing biodiversity-related information in our reports.

This charter commits us to:

- Collaborating and sharing our knowledge
- Engaging in dialogue with companies
- Measuring impacts
- Setting objectives
- Publishing our reports

EXCLUSION POLICY

NORMATIVE EXCLUSIONS

Controversial weapons

Lazard Frères Gestion excludes investments in companies involved in the development and manufacture 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).
Our exclusion policy covers companies involved in the production or dissemination of weapons prohibited under these Conventions. It also applies to issuers that produce and/or disseminate elements that are essential in their manufacture.
Its scope therefore extends to cluster munitions, anti-personnel mines and biological and chemical weapons.

Violations of the United Nations Global Compact

As part of the ongoing controversy management process, the ESG team and analyst-portfolio managers pay particular attention to companies that violate the United Nations Global Compact Principles.
Each company is analysed and placed on the exclusion list or is the subject of an escalation procedure in the event of a breach of the United Nations Global Compact Principles.

Escalation procedure

An escalation procedure applies where the seriousness or existence of a breach of any of the United Nations Global Compact Principles is challenged by Lazard Frères Gestion.

- When the seriousness of the controversy is questioned by Lazard Frères Gestion, the company is added to the deep engagement list. An engagement process is launched to ensure that the company has a right of reply.

- If a satisfactory response is not received and if, after a period of 6 months, the breach of any of the United Nations Global Compact Principles turns out to be severe, proven and repeated, the company will be added to the exclusion list.

- In the event that a breach of any of the 10 United Nations Principles is challenged by Lazard Frères Gestion, the companies are placed on the watchlist and are the subject of an in-depth assessment and analysis carried out by the ESG team.

The watchlist is updated quarterly based on new controversies.

A committee of analysts-portfolio managers and ESG specialists submits these three lists (engagement, monitoring, exclusion) 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 lists.

SECTOR EXCLUSIONS

Tobacco

Lazard Frères Gestion does not invest in companies for which production of tobacco or tobacco-related products is a core activity.

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

Coal

Lazard Frères Gestion excludes any investment in companies where:

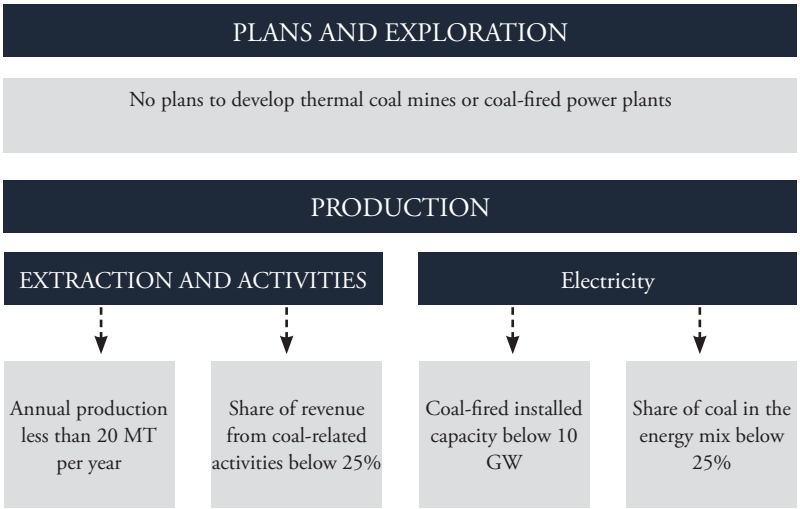
• More than 25% of their revenue is derived from activities relating to thermal coal

• More than 25% of their energy mix (per MWh generated) is based on coal

• Their annual thermal coal production exceeds 20 MT per year

• Their installed coal-fired capacity exceeds 10 GW

• Their projects involve the development of thermal coal mines or coal-fired power plants.



VOTING POLICY

VOTING GUIDELINES

Lazard Frères Gestion's investment process is characterised by active portfolio management from a long-term investment perspective. Fundamental analysis of each issuer lies at the heart of this process. The investment analysts focus on the relevance and clarity of the strategy, the quality of the financial information provided and the expertise of executive managers and supervisory bodies. Initiating a close, trust-based relationship with the management team, developed over the course of meetings with management and on-site inspections, has always been a key element.

Choosing to invest in a company means placing trust in the management team and approving its strategy.
As a matter of principle, Lazard Frères Gestion generally votes in favour of resolutions submitted by the Board of Directors of a portfolio company. However, each proposed resolution is analysed individually.

Our voting policy highlights our goal of preventing potential conflicts of interest between companies and their management that could hinder the strategy defined in the medium term. It also aims to protect the interests of minority shareholders such as ourselves.

In our view, long-term investment performance is not limited to financial strategy alone. It is also important to factor in the company's interaction with its social, economic and financial environment.

As a signatory of the Principles for Responsible Investment since February 2015, Lazard Frères Gestion has undertaken to observe the 6 principles for responsible investment defined by the United Nations. In particular, principle 2 states that "We will be active owners and incorporate ESG issues into our ownership policies and practices".

By incorporating ESG criteria when exercising its voting rights, Lazard Frères Gestion is committed to promoting sustainable value creation. Resolutions on ESG issues are analysed from the standpoint of the ESG risks and issues specific to each company and its sector of operation. Lazard Frères Gestion thus works to encourage the incorporation of all stakeholder interests and the dissemination of marketplace best practices.

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

1

Approval of financial statements and management

Principle: Transparency and verification of information provided

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2

Structure and composition of the Board

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

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3

Appropriation of income, capital management and capital transactions

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

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4

Remuneration of executive managers and employee share

Principle: Transparency, consistency and fairness of pay

5

Amendments to Articles of Association and Shareholder

Principle: Observation of minority shareholders' rights

6

Environmental and Social Issues

Principle: Consistency and motivation

Environment: Limitation of the environmental footprint
Social: Consideration of all stakeholders' interests

VOTING SCOPE

Voting rights are exercised on 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**

Lazard Frères Gestion votes at all General Meetings where voting by correspondence is possible.

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

Lazard Frères Gestion reserves the right to vote outside this voting scope, which tends to be the case when analyst-portfolio managers deem resolutions to be particularly important

This voting scope applies to all funds managed by Lazard Frères Gestion, including dedicated funds (unless otherwise agreed-upon with the client), wealth management funds and specialised professional funds

Lastly, Lazard Frères Gestion does not carry out temporary sales of securities with attached voting rights.

APPLICABLE VOTING PRINCIPLES

APPROVAL OF FINANCIAL STATEMENTS AND MANAGEMENT REPORT

Approval of parent company and consolidated financial statements:
As a general rule, we vote in favour of these resolutions, save in exceptional circumstances in which the statutory auditors have refused to certify the financial statements or have issued a qualified opinion.
A major dispute between the marketplace and an issuer's management team is another potential reason for Lazard Frères Gestion to vote against the resolution

Discharge:
If there are no legal disputes involving the issuer's board of directors, executive managers or business management, we vote for the resolution.

Related-party agreements:
We look closely at related-party agreements submitted to the General Meeting for approval, and particularly at their financial terms and conditions. The agreements are analysed on a case-by-case basis by the portfolio managers and their approval depends on their clarity and justification of their economic terms and conditions.

Any agreements found to be poorly completed, unquantified, unjustified or preventing an informed decision on the resolution are rejected.

Statutory auditors:
Lazard Frères Gestion votes for the appointment of statutory auditors presenting a guarantee of their objectivity and independence.

LFG votes against the appointment of statutory auditors where the term of office exceeds 12 years (24 years in the case of a joint auditor).

Similarly, statutory auditors' fees for non-audit services may not account for more than 50% of the fees paid in respect of their audit assignment.

STRUCTURE AND COMPOSITION OF THE BOARD

Governance structure:
Lazard Frères Gestion does not issue a specific recommendation distinguishing between issuers with a single oversight body (Board of Directors) or with dual oversight (management and supervisory board) as long as shareholders' interests are duly observed.

LFG is in favour of separating the duties of Chief Executive Officer and Chairman of the Board. If it is appropriate to combine the two offices for a given company, sufficient checks and balances must be established (highly independent board, independent senior director, deputy CEOs, etc.).

Composition and appointment

Lazard Frères Gestion believes that the ideal number of board members is between 5 and 15.

The percentage of independent directors should be:

- 50% for non-controlled companies
- At least equal to the % of free float for controlled companies

Employee directors and employee shareholders are excluded from the calculation.

To qualify as independent, directors or members of the Supervisory Board should be free of any potential conflicts of interest. Based on the AFEP-MEDEF recommendations, Lazard Frères Gestion considers that directors should:

- Not currently be or have in the last five years been:

- Employees or executive corporate officers of the company
- Employees, executive corporate officers or directors of an entity consolidated by the company
- Employees, executive corporate officers or directors of the company's parent or of an entity consolidated by the parent

- Not be executive corporate officers of an entity in which the company directly or indirectly holds a directorship, or in which an employee designated as such or an executive corporate officer of the company (currently or in the last five years) holds a directorship

- Not be major clients, suppliers, investment bankers, corporate bankers or advisers:

- Of the company or its group
- Or for which the company or its group represents a significant share of the business

- Not have close family ties with a corporate officer

- Not have been the company's statutory auditor in the last five years

- Not being a director of the company for more than twelve years

Independence alone is not the sole determining factor of the quality of a potential board member. Lazard Frères Gestion prioritises the expertise of prospective new members. Their professional experience, areas of expertise and skills should be complementary and consistent with the company's strategy. Diversity in terms of gender, age, nationality and seniority also contributes to the optimal performance of the board.

Lazard Frères Gestion also examines the availability and attendance rates of the Board members. The Board meeting attendance rate should be at least 75%. Any lower attendance rate should be justified.

Lazard Frères Gestion also votes against a resolution when a director holds more than five offices. For non-executive chairmen and executive corporate officers, the maximum number of offices should be two.

Lazard Frères Gestion believes it important to be able to express its views regularly on directorships. Accordingly, the term of office should not exceed 4 years, with two possible reappointments. After serving for 12 years, directors are no longer considered to be free of conflicts of interest. Lazard Frères Gestion reserves the right to vote against reappointing such directors if the board is not found to be sufficiently independent.

Lastly, Lazard Frères Gestion is against over-representation of majority shareholders.

APPROPRIATION OF INCOME, CAPITAL MANAGEMENT AND CAPITAL TRANSACTIONS

Dividend distribution:

We vote against any dividend payouts deemed excessive in light of cash flow generation or an assessment of the group's balance sheet strength in a given economic and financial environment.

In general, and subject to justified exceptions, Lazard Frères Gestion aims to ensure that dividend payouts for a given year are fully funded by the cash generated that same year.

Share issuance and buyback programmes:

Lazard Frères Gestion is committed to the principle of Board neutrality during public share offerings. We systematically vote against any resolutions that do not comply with this principle.

Capital increases

Lazard Frères Gestion votes against:

- Capital increases with Pre-emptive Subscription Rights (DPS) 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

Resolutions to authorise capital increases for the purpose of funding special projects (major acquisitions restructuring plans) are reviewed on a case-by-case basis.

Share buybacks

Authorisations for share buybacks are approved, other than those authorised during public share offerings or when not permitted by the company's financial position.

REMUNERATION OF CORPORATE OFFICERS AND EMPLOYEE SHARE OWNERSHIP

Remuneration of executive managers:

The remuneration granted to corporate officers depends on the duties fulfilled, results achieved and level of responsibility assumed. It should be consistent not only with the change in the company's value creation, but also with standards and practices in the company's country and sector of operation.

Information on remuneration principles and mechanisms, as well as the various components (fixed pay, short-term and long-term variable pay, severance pay, pension system, special benefits) should be transparently disclosed.

Finally, Lazard Frères Gestion stresses the importance of ensuring that the targets on which executive pay is based are consistent with the interests of minority shareholders and votes against any exorbitant remuneration policy.

Remuneration of directors:

We believe it is necessary to have precise information on the methods and criteria applied to the distribution of attendance fees among directors (amount proportional to Board meeting attendance rate, equal distribution among directors, committee members, etc.)

Director pay should be:

- Consistent with the company's geographic area, sector and size
- Fair to ensure the independence of directors
- In line with the work carried out and the time spent on their duties

Lazard Frères Gestion votes against any exceptional remuneration granted to directors for the additional work that may be involved in examining a public share offering because, in our view, this type of work is part of their general duties.

Employee share ownership:

Capital increases restricted to employees

Lazard Frères Gestion is in favour of developing employee share ownership and approves resolutions authorising capital increases reserved for employees provided they are reasonable, i.e. capped at 5% of share capital.

We vote against any capital increases reserved for employees where employee share ownership is already predominant and where we do not believe that the employee shareholder representation scheme is appropriately democratic (not independent of Management).

Free share grants

Given their dilutive potential, authorisations to grant free shares are reviewed on a case-by-case basis and should be accompanied by economic and stock market performance conditions.

AMENDMENTS TO ARTICLES OF ASSOCIATION AND SHAREHOLDER RIGHTS

Lazard Frères Gestion supports the "one share, one voice" principle. Any amendments to the Articles of Association that comply with this principle, as well as the standards of good governance and observation of shareholder information rights, are approved Conversely, any resolution imposing double voting rights or limited voting rights is rejected.

Lazard Frères Gestion is against including an obligation to report threshold crossings in the Articles of Association or strengthening any such obligation due to the associated potential to deprive shareholders of their voting rights.

Finally, Lazard Frères Gestion systematically opposes resolutions combining multiple decisions ("block vote").

ENVIRONMENTAL AND SOCIAL RESOLUTIONS

As a signatory of the Principles for Responsible Investment (PRI), Lazard Frères Gestion looks closely at the incorporation of sustainable development issues by portfolio companies.

These resolutions, whether submitted by a shareholder or proposed by Management, are analysed on a case-by-case basis:

- Environmental resolutions are analysed from the standpoint of reducing environmental impacts and combating greenwashing

- Social resolutions should aim to take all stakeholders' interests into account, i.e. not favouring some over others.

Lazard Frères Gestion supports the resolutions deemed relevant and which it believes will help improve the company's CSR approach.

ORGANISATION OF THE VOTING PROCESS

ANALYSIS OF RESOLUTIONS

Our voting policy is aligned with our investment decisions resulting from our financial analysis and allows us to formalise dialogue with issuers throughout the investment process.

The voting process aims to secure extensive knowledge of the companies in which we invest:

- Internal restatement of past financial statements to assess the reality of the company's economic profitability;
- Frequent meetings with executive managers to measure the relevance and implementation of their strategy.

Due to our approach, our investment choices are reasoned, transparent and guarantee high-quality corporate governance.

Resolutions are analysed in-house by the analyst-portfolio managers specialising in the issuer's sector. This analysis is an integral part of Lazard Frères Gestion's financial analysis process.

Analyst-portfolio managers may base their resolution analysis on the "proxy providers" service (Proxinvest for French stocks and ECGS (European Corporate Governance Service) for companies in other European countries).

This service is used as a decision-making tool to more quickly identify resolutions liable to conflict with the principles set out in this policy.

The recommendations issued by proxy providers are not binding. Final voting responsibility lies with the analyst-portfolio manager specialising in the sector, in accordance with the principles set out in the voting policy.

Lazard Frères Gestion acknowledges that strict application of voting principles may, in some cases, prove inappropriate with regard to the interests of minority shareholders. Accordingly, on an exceptional basis, analyst-portfolio managers may go against these principles with due justification.

VOTING PROCEDURE

STEP 1

The ESG team uses a Front Office tool to identify new companies falling under the voting scope.

STEP 2

Notification of General Meetings received through information transmitted directly by issuers, custodians, information systems or the AFG.

STEP 3

Voting powers received by portfolio management from custodian Lazard Frères Banque (along with the notices of meeting and resolutions submitted by the General Meeting in question).

STEP 4

Analysis of resolutions and screening against the alert systems maintained by the AFG, Proxinvest or ECGS. Check to determine that resolutions comply with the principles defined in Lazard Frères Gestion's voting policy.

STEP 5

Powers granted by the portfolio manager in one of four ways: (1) by correspondence (resolution by resolution), (2) General Meeting admission, (3) proxy granted to the chairman to exercise the vote, (4) appointment of a proxy.

STEP 6

Transmission of expanded powers or delivery of voting instructions by e-mail to custodian Lazard Frères Banque. Traceability of voting decisions via an internal software tool available to the Head of Compliance and Internal Control (RCCI).

STEP 7

Transmission of powers by the custodian, accompanied by the share lock-in certificate, to the company or its agent, or transmission of a SWIFT message to local sub-custodians.

STEP 8

Update by the portfolio managers of a table summarising the voting rights exercised for each company, including the nationality of the company, the date and type of General Meeting, the funds investing in the company, the voting method and the resolutions on

For funds held by external custodians, voting rights are exercised via an online voting platform.
In the event securities are locked in by the custodians between the registration date and the voting date, Lazard Frères Gestion votes by exercising at least 50% of the voting rights, based on the analyst-portfolio manager's decision and prevailing market conditions.

PREVENTION AND MANAGEMENT OF CONFLICTS OF INTEREST

Lazard Frères Gestion has implemented a Conflict of Interest Prevention and Management Policy aimed at conducting its business in the exclusive interest of its clients.

To ensure that the measures taken to detect and prevent conflicts of interest are suitable, the Compliance Department maps out and regularly reviews potential conflicts of interest.

Thus, Lazard Frères Gestion exercises the voting rights in funds in their exclusive interest and acts impartially regardless of any external interests and independent of its group. In order to avoid any conflict of interest with Group entities that have business relationships with a company affected by voting, a strict information barrier is in place between the Investment Manager and other Lazard Group entities, aimed at ensuring that Lazard Frères Gestion's employees remain independent in carrying out their duties.

The primary guarantee of voting independence also lies in the fact that the exercise of voting rights is determined as decided by the analyst-portfolio managers, based on their professional judgement. Analyst-portfolio managers are subject to strict ethical obligations, which are subject to periodic controls. For example, analyst-portfolio managers are required to report any potential conflicts of interest to the Compliance Division. In particular, they must not only disclose the list of offices and/or functions held within companies affected by voting, but also report any gifts and perks received.

Lastly, as referred to above in this Policy, Lazard Frères Gestion is particularly careful to ensure that its votes defend minority shareholders in the event a company's Management pursues interests conflicting with their own.

TRANSPARENCY IN THE APPLICATION OF THE VOTING POLICY

As required by law, Lazard Frères Gestion reports on the exercise of the voting policy as follows:

ON-TIME COMMUNICATION

In accordance with AMF Position-Recommendation DOC 2005-19, LFG notifies investors at their request of:

- **Votes against** resolutions submitted by the Management Board or the Board of Directors of the issuing company;
- **Votes that do not comply with the principles** set out in this document;
- **Cases in which it abstained** or did not take part in the vote.

If LFG has voted for a resolution in accordance with the principles set out in this document and with the proposals of the Management Board or the Board of Directors, it is not required to respond to an investor's request for information on how it voted.

When LFG does not respond to such requests for information, its silence should be interpreted, after a period of one month, as indicating that it voted in accordance with the principles set out in the Voting Policy and the proposals of the Management Board or the Board of Directors.

Requests for information should be submitted to your usual Lazard Frères Gestion sales representative, or by post to the Corporate Secretary's Office of Lazard Frères Gestion at 25 rue de Courcelles, Paris VIII.

ANNUAL VOTING REPORT

Lazard Frères Gestion provides its clients, on request submitted to their usual Lazard Frères Gestion sales representative, or by post to the Corporate Secretary's Office of Lazard Frères Gestion at 25 rue de Courcelles, Paris VIII, with the annual voting report on the exercise of voting rights pursuant to this Policy.

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