



2021 Report

Energy - Climate Law

Article 29

LAZARD
FRERES GESTION

LAST UPDATE ON - JUNE 2022



CONTENTS

1° GENERAL ESG APPROACH

2° INTERNAL RESOURCES DEPLOYED

**3° ESG CRITERIA CONSIDERATION AT THE GOVERNANCE
LEVEL**

4° ENGAGEMENT STRATEGY AND VOTING POLICY

5° EUROPEAN TAXONOMY

**6° STRATEGY FOR ALIGNMENT WITH THE PARIS
AGREEMENT**

**7° STRATEGY FOR ALIGNMENT WITH BIODIVERSITY
LONG-TERM OBJECTIVES**

**8° TAKING ESG CRITERIA INTO ACCOUNT IN RISK
MANAGEMENT**

9° CONTINUOUS IMPROVEMENT PLAN

1 / General ESG Approach

A / ESG integration at all levels

Lazard Frères Gestion aims to provide its clients with conviction-based management and a long-term investment perspective. Our investment process is characterized by active management based on stock selection that aims to optimize the risk/return ratio, notably by taking into account environmental, social and governance (ESG) parameters.

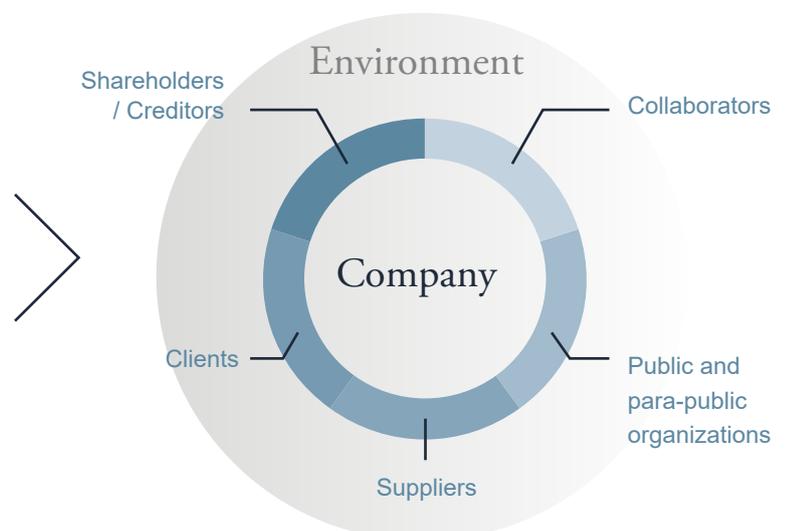
Governance has always been of great concern to us. It is the essential foundation of a credible financial and extra-financial strategy. Above all, we invest in companies that we wish to support over the long term, with clear development models, effective control systems and quality management, with whom we establish a strong relationship of trust over the course of our meetings.

Lazard Frères Gestion is convinced that companies integrating ESG issues into their strategy offer an additional guarantee of performance over time.

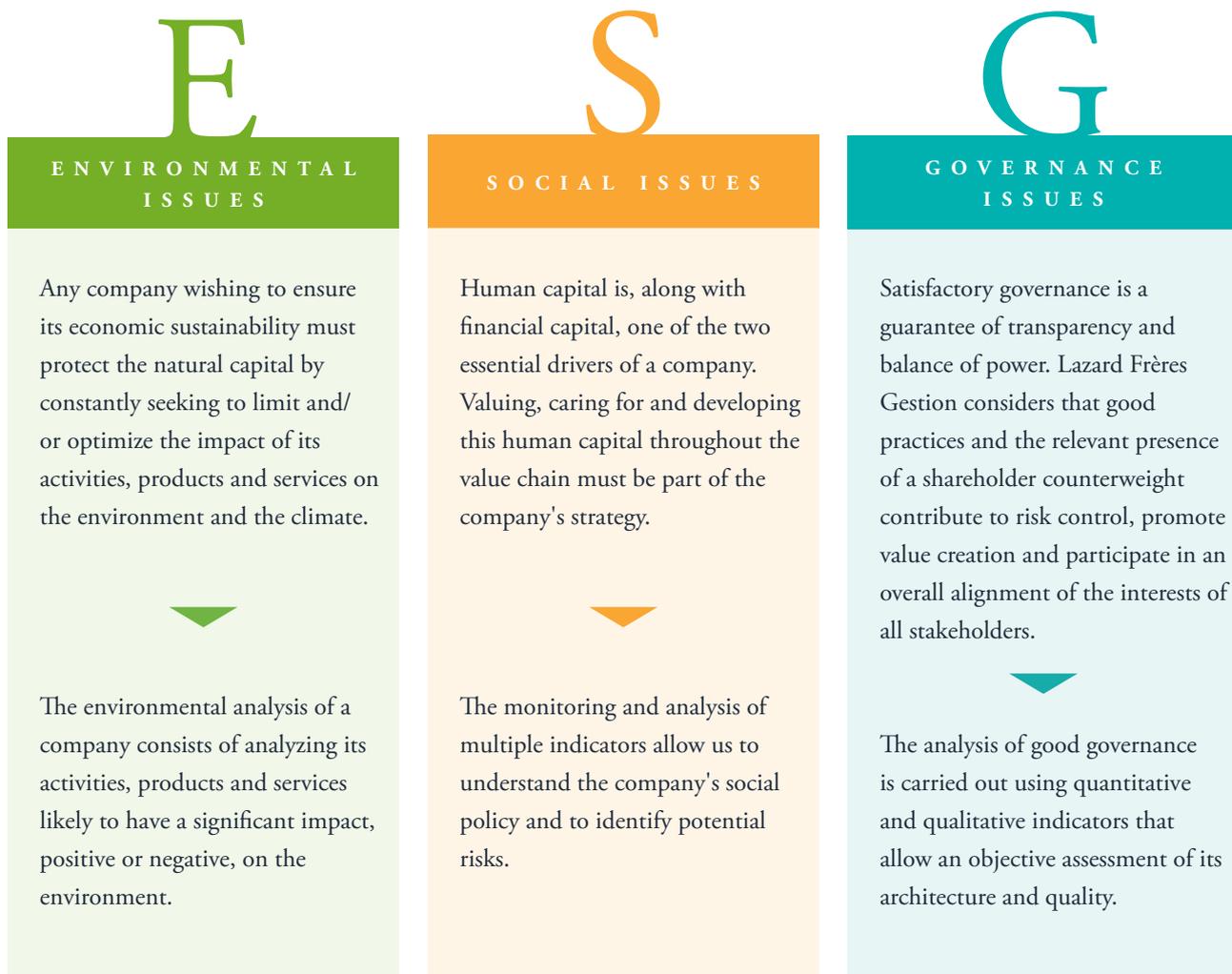
They are indeed better able to take into account their stakeholders, an essential condition for the creation of value and the long-term competitiveness of companies. We traditionally consider 5 stakeholders:

It is with the aim of assessing the degree of integration of ESG issues by companies and the respect of stakeholders that extra-financial analysis has naturally come to enrich our financial analysis.

ESG analysis takes into account the parameters that we believe are essential to the solidity, stability and financial sustainability of a company. It allows us to identify the major ESG issues, to detect potentially harmful risks for the company and its investors, but also future opportunities.



It is therefore important to select companies that integrate the following non-financial issues into their development model:



GENDER EQUALITY INDEX

The law for the freedom to choose one's professional future of September 5, 2018 aims to reduce the pay gap between women and men, by providing for binding measures. The objective is to move from an obligation of means to an obligation of results in terms of equal pay for women and men. To this end, starting in 2019 for companies with more than 250 employees, and starting in 2020 for companies with at least 50 employees, an obligation of transparency on identified pay gaps has been created, while reinforcing the possibilities of control by administrative labor services.

In the form of a score out of 100, the index is composed of 4 indicators that measure different data on professional equality:

1. gender pay gap (40 points)
2. gender gap in the rate of increase in basic salary (35 points)
3. percentage of female employees who received a raise in the year they returned from maternity leave (15 points)
4. number of employees of the under-represented gender (women or men) in the company's 10 highest paid (10 points)

If the sum obtained is less than 75 points, the employer has 3 years to implement corrective actions. After this period, a financial penalty will be applied.

For the year 2021, Lazard Frères Gestion reached a score of 82 points out of 100.



B / Extra-financial reporting

ESG performance reporting

We regularly measure the ESG performance of our investments.

In this context, we publish quarterly ESG reports for SRI-labeled funds.

Our communication approach is essential to the relationship of trust we build with our clients. We produce tailor-made reports for our clients, adapted to their needs.

Climate reporting



PERIMETER

Aware of the climate issues and the growing demand from private and institutional investors to monitor the climate risks associated with our investments, Lazard Frères Gestion publishes information on the carbon footprint of its funds with more than €500 million assets. The scope also covers all of our SRI management, with no minimum threshold requirement.



CARBON FOOTPRINT

To obtain the data needed to calculate the carbon footprint, we chose to initiate a partnership with Trucost in 2016.

- Lazard Frères Gestion has chosen carbon intensity as an indicator, expressed in tons of CO2 equivalent per M€ of turnover.
- The assessment of the carbon footprint takes into account scopes 1 and 2 of greenhouse gas emissions (GHG).

Scope 1: direct emissions resulting from the combustion of fossil fuels required to manufacture the product.

Scope 2: indirect emissions resulting from the consumption of electricity, heat or steam by the company.

- Measurements are made only on directly held stocks. The method used to calculate the carbon intensity of a portfolio is a weighted average of GHGs divided by the turnover of each position.

ENERGY TRANSITION

Evaluation of Energy Transition is carried out by Moody's ESG Solutions, which establishes the methodology and the evaluation.

- A list of criteria is established to measure the efforts made by companies in terms of Energy Transition.
- Depending on the company's sector, Moody's ESG Solutions then weights these criteria between 0 and 3.
- The company is then evaluated on the basis of its governance policy, the measures taken and the results obtained. For each criterion, the scores range from 0 to 100, with higher performance being better. The company's overall score is then obtained by averaging these criteria and weighting them.
- Lazard Frères Gestion uses these scores to establish a portfolio score by weighting the scores by their portfolio weight.

Portfolio carbon intensity =

$$\sum \frac{\text{Emissions (scope 1+2)}}{\text{Revenues of each stock}} \times \text{weight of each stock}$$


**LIST OF UCITS TAKING INTO ACCOUNT
THE ESG**

December 2022

Percentage of assets taking into account the ESG criteria (as of 31/12/2022) : 100%

Article 9 SFDR

Lazard Human Capital

Lazard Global Green Bond Opportunities

Article 8 SFDR
SRI management
Lazard Alpha Euro SRI ²Lazard Capital Fi SRI ²Lazard Credit Fi SRI ²

Lazard Dividend LowVol SRI



Lazard Equity Inflation SRI

Lazard Equity SRI ²

Lazard Euro Credit SRI



Lazard Euro Short Duration High Yield SRI



Lazard Euro Short Duration SRI



Lazard Patrimoine Actions SRI


Compliance with French SRI label criteria

Lazard Patrimoine Opportunities SRI

Lazard Patrimoine SRI ²Lazard Small Caps Euro SRI ²

Lazard Sustainable Credit 2025

Norden SRI ²
ESG integration
Lazard Actifs Réels ²Lazard Actions Americaines ²

Lazard Actions Emergentes

Lazard Actions Euro ²

Lazard Alpha Europe

Lazard Convertible Euro Moderato

Lazard Convertible Europe

Lazard Convertible Global

Lazard Credit Fi Zero Duration

Lazard Credit Opportunities

Lazard Dividendes Min Var Absolute Return

Lazard Equity Recovery

Lazard Euro Corp High Yield

Lazard Euro Money Market

Lazard Euro Short Term Money Market

Lazard European High Yield

Lazard European Innovation

Lazard France Relance



Lazard Gestion Flexible

Lazard Gestion Flexible Obligataire

Lazard Global Hybrid Bonds

Lazard Horizon 2022-2024

Lazard Horizon 2025-2027

Lazard Horizon 2028-2030

Lazard Horizon 2031-2033

Lazard Horizon 2034-2036

Lazard Horizon 2037-2039

Lazard Horizon 2040-2042

Lazard Horizon 2043-2045

Lazard Investissement PEA-PME


Systematic and binding integration

Lazard Japon

Lazard Japon Next Gen

Lazard Low Delta 12 Mois

Lazard Oblig Convex 12 Mois

Lazard RDT-DBI

Lazard USD Money Market

Lazard Small Caps France

Lazard Stratégies Obligataires

Lazard Patrimoine Croissance

Lazard Patrimoine Equilibre

Lazard Patrimoine PEA

Lazard World Innovation

Norden Family

Norden Small

Article 6 SFDR
ESG integration

Lazard Alpha Allocation

Lazard Credit 2024

Lazard Credit Fi 2022

Lazard Epargne Actions

Lazard Investissement Microcaps

Lazard Mid Caps Europe

Lazard Multigestion Actions

Alizarine

BCA Flex

Elorn Investissements

Euterpe

Hegoa

Systematic integration

Inkipit Mandat Croissance

Optime Investissement

Pan Holding Patrimoine

Patrimoine Balanced Fund

Patrimony Fund - Bond Markets - C EUR

Synergies All Process

1. Only open funds are mentioned in this

2. UCITs subject to "Carbon Footprint and Energy Transition" reporting

This document is based on data available as of 31/12/2022.

Upon request, Lazard Frères Gestion can provide an updated list of these items.

LAZARD FRÈRES GESTION

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D Consideration of environmental, social and governance criteria in the decision-making process for the awarding of new management mandates by the entities mentioned in Articles L. 310-1-1-3 and L. 385-7-2 of the Insurance Code

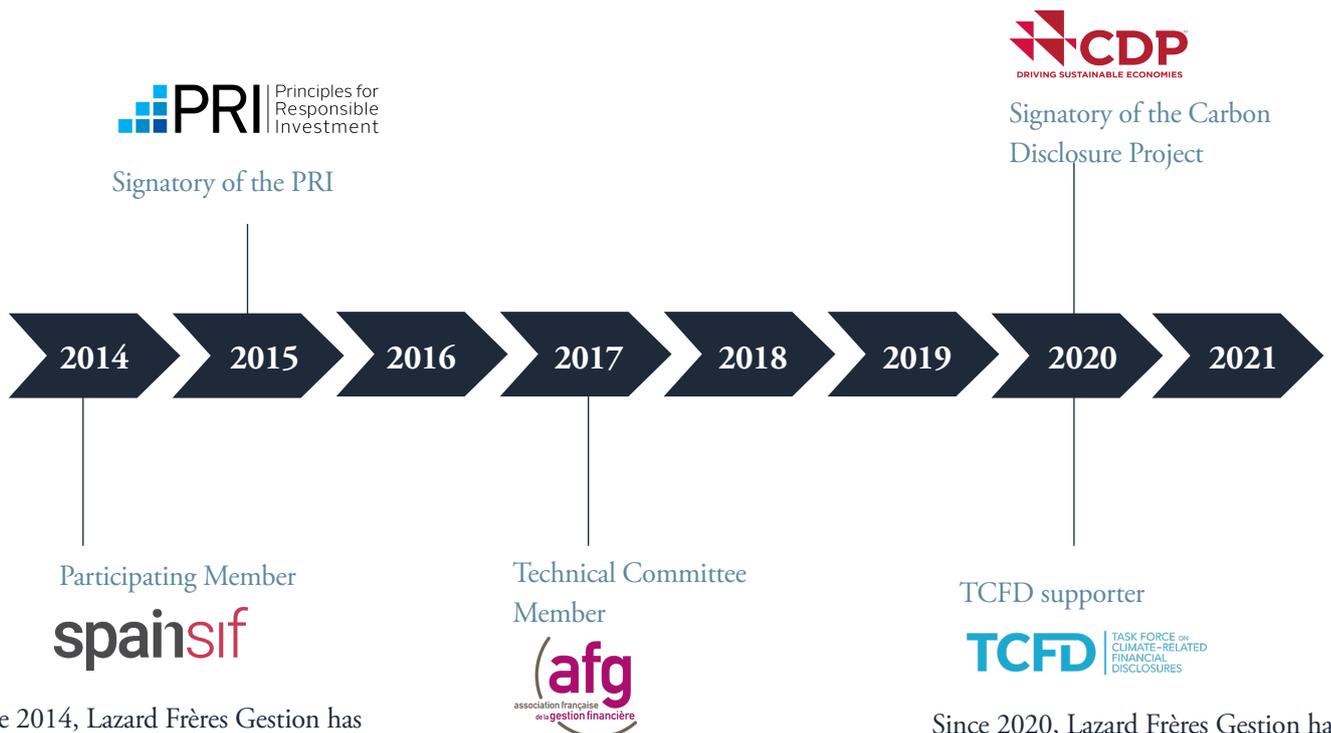


Not applicable to Lazard Frères Gestion.

E / Our engagements

Since 2015, Lazard Frères Gestion has been a signatory to the PRI and is committed to the United Nations' six principles for Responsible Investment. This initiative aims to encourage companies to take environmental, social and governance issues into account in their investment analysis and decision-making processes.

Lazard has been a signatory of the CDP since 2020. This NGO aims to globally improve carbon data transparency. Since 2003, it has conducted an annual campaign using a questionnaire to collect information on companies' greenhouse gas (GHG) emissions. Its scope has expanded with an annual survey on water management in 2010, and the impact on forests in 2013.



Since 2014, Lazard Frères Gestion has been a member of the Spanish Forum for Responsible Investment created in 2009. Its mission is to promote responsible finance that serves the real economy, contributes to sustainable development goals and promotes the integrity of financial markets.

Lazard Frères Gestion actively participates in various committees. In particular, we have been a member of the AFG working group which dealt with the subject of article 173 and participated in the drafting of a professional guide on article 173.

Since 2020, Lazard Frères Gestion has supported the TCFD (Task Force on Climate-related Financial Disclosure), a working group set up at the end of 2015 during the COP21. Its mission is to define recommendations regarding corporate transparency on environmental and climate change risks.

OUR SRI MANAGEMENT

Lazard Frères Gestion has adopted specific management strategies for each of its SRI funds in order to offer a range of products adapted to clients' needs.

Funds	Asset class	Geographic focus	Approache	SRI Label
Lazard Equity SRI	Equity	Eurozone	Best In Class	
Lazard Alpha Euro SRI	Equity	Eurozone	Best In Class	
Norden SRI	Equity	Nordic countries	Exclusion	
Lazard Small Caps Euro SRI	Equity	Eurozone	Best In Universe	
Lazard Dividend LowVol SRI	Equity	Eurozone	Exclusion	
Lazard Credit Fi SRI	Fixed Income	Europe	Best In Universe	
Lazard Capital Fi SRI	Fixed Income	Europe	Best In Universe	
Lazard Euro Short Duration High Yield SRI	Fixed Income	World	Best In Universe	
Lazard Patrimoine SRI	Diversified	World	Best In Universe	
Lazard Patrimoine Opportunities SRI	Diversified	World	Best In Universe	
Lazard Patrimoine Actions SRI	Equity (WM)	Europe	Best In Universe	

For more information, please consult the Equity, Fixed Income, Diversified Management and Private Management transparency codes available on our website http://www.lazardfreresgestion.fr/FR/ESG-ISR_112.html

By applying a rigorous discipline of SRI analysis and selection, the management of these funds aims to build a portfolio that favors the best ESG practices and the highest rated companies. Our aim is therefore to ensure that companies are :

- Responsible management of the environment
- The development of human resources
- Respect for fundamental human rights
- The quality of their governance

What is the SRI label?

The SRI label was created in 2016 by the Ministry of Economy and Finance, with the aim of enabling savers and professional investors to distinguish investment funds implementing a robust socially responsible investment (SRI) methodology.

The label is awarded to candidate funds when they comply with the label's requirements. For example, management companies must be able to prove the rigor of their ESG analysis methodology, assess the environmental benefit of their investments, adopt a policy of engagement and virtuous dialogue with issuers, and submit to regular audits. The awarding of the label and subsequent audits are carried out by external auditing bodies certified by the French Accreditation Committee. (source : <https://www.lelabelisr.fr/label-isr/>)

2 / Internal resources deployed

A / Description of the financial, human and technical resources dedicated to the GSE

The people involved in ESG are :

The entire Wealth Managers team composed of 15 private portfolio managers.

The entire Equity team composed of 12 analyst-managers.

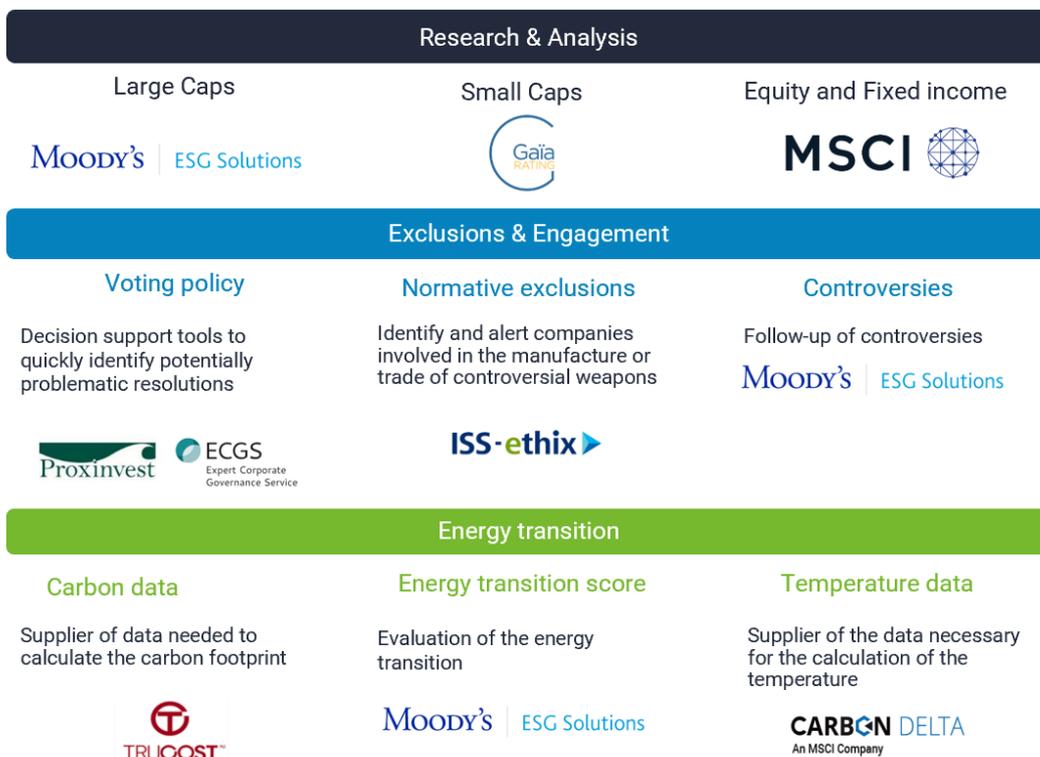
The entire Fixed Income team, consisting of a money manager and 11 analyst-managers.

The whole Multi Asset team team composed of 4 analyst-managers.

The whole Systematic Management team composed of 2 analyst-managers.

The entire ESG team composed of the ESG Director, 4 ESG specialists and 2 ESG analyst trainees.

The number of people dedicated to ESG in full-time equivalent (excluding interns) is 9.5, or 5.3% of the management company's FTEs.



External providers and data suppliers

B / Strengthening internal capacity

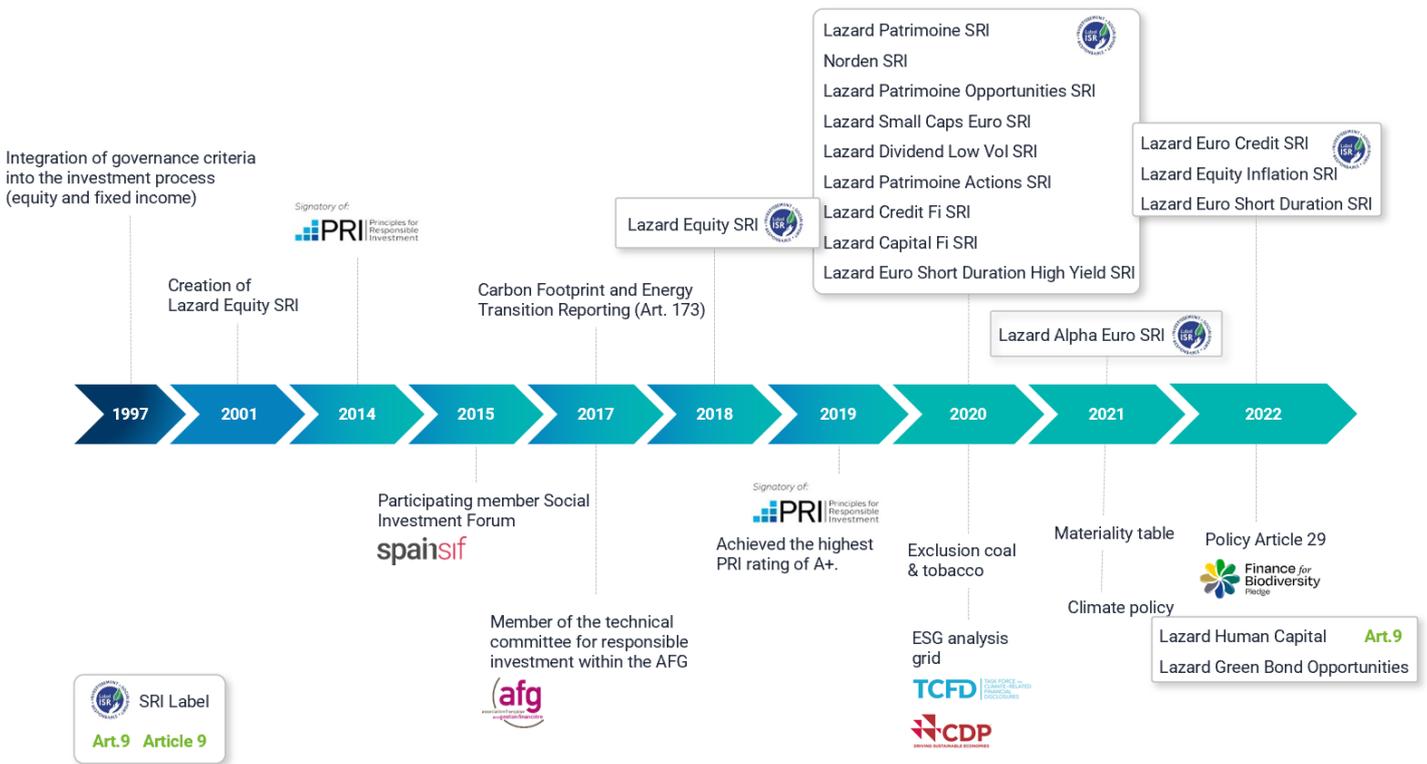
Trainings

Lazard Frères Gestion employees received the following training in 2021:

- The training "enriching financial analysis with ESG" by the SFAF, given to 39 people, over 2 days, i.e. 546 hours
- Governance training - by Proxinvest, attended by 2 people, in a 9-hour format
- ESG & Impact Investing Forum by AGEFI, over 1 day (7 hours), attended by 2 people

Development of financial products and associated services.

Key steps



3 ESG criteria consideration at the governance level

A Internal organisation

All of the management company's activities, for both institutional and private clients, are now concerned with environmental, social and governance issues.

The principles of responsible investment (PRI) are now anchored in the discussions and practices of all key functions: internal governance, research and analysis, portfolio management;

The principles of responsible investment (PRI) are now embedded in the discussions and practices of all key functions: internal governance, research and analysis, portfolio management, risk control and reporting, compliance and client relations.

The Executive Committee defines the major orientations for responsible investment and coordinates external initiatives. It also ensures the alignment of our ESG policy practices and initiatives.

In order to raise awareness of ESG issues among all employees and Executive Committee members, the ESG team provided a four-module in-house training course. It covered the following topics:

- What does it mean to align investments with the Paris Agreement ?
- How to quantify the greenhouse gas emissions of portfolios ?
- What does a company's ESG rating measure ?
- What is a green activity according to the European Union Taxonomy?

In addition, the knowledge of Lazard Frères Gestion's governance bodies is enriched at each monthly ESG committee, which discusses ESG regulatory news in detail.

Finally, ESG events (for both institutional and wealth management) have been prepared with the involvement of the Executive Committee members.

The ESG Committee, the operational body of the ESG policy



Chaired by François-Marc Durand, Chairman of Lazard Frères Gestion, the ESG Committee brings together all the players in institutional

and private management once a month. During this meeting, cross-cutting ESG topics are discussed in order to define the best way to implement all analyses and best practices.



An ESG team fully integrated into management



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

Lazard Frères Gestion are assisted by the ESG team composed of 4 specialists in 4 areas: equities, fixed income, wealth management and reporting. This ESG department reports directly to François-Marc Durand, Chairman of Lazard Frères Gestion.

B Remuneration policy



The fixed and variable remunerations paid by the management company to its staff can be obtained upon request by mail, from the legal department of the UCIs of Lazard Frères Gestion.

The total amount of variable compensation is set by Lazard Group based on various criteria, including the financial performance of Lazard Group over the past year, taking into account the results of Lazard Frères Gestion.

General Management decides on the total amount of the remuneration divided between fixed and variable remuneration, while respecting the absolute separation between the fixed and variable components of the remuneration.

The total amount of variable compensation is determined taking into account all risks and conflicts of interest of interest.

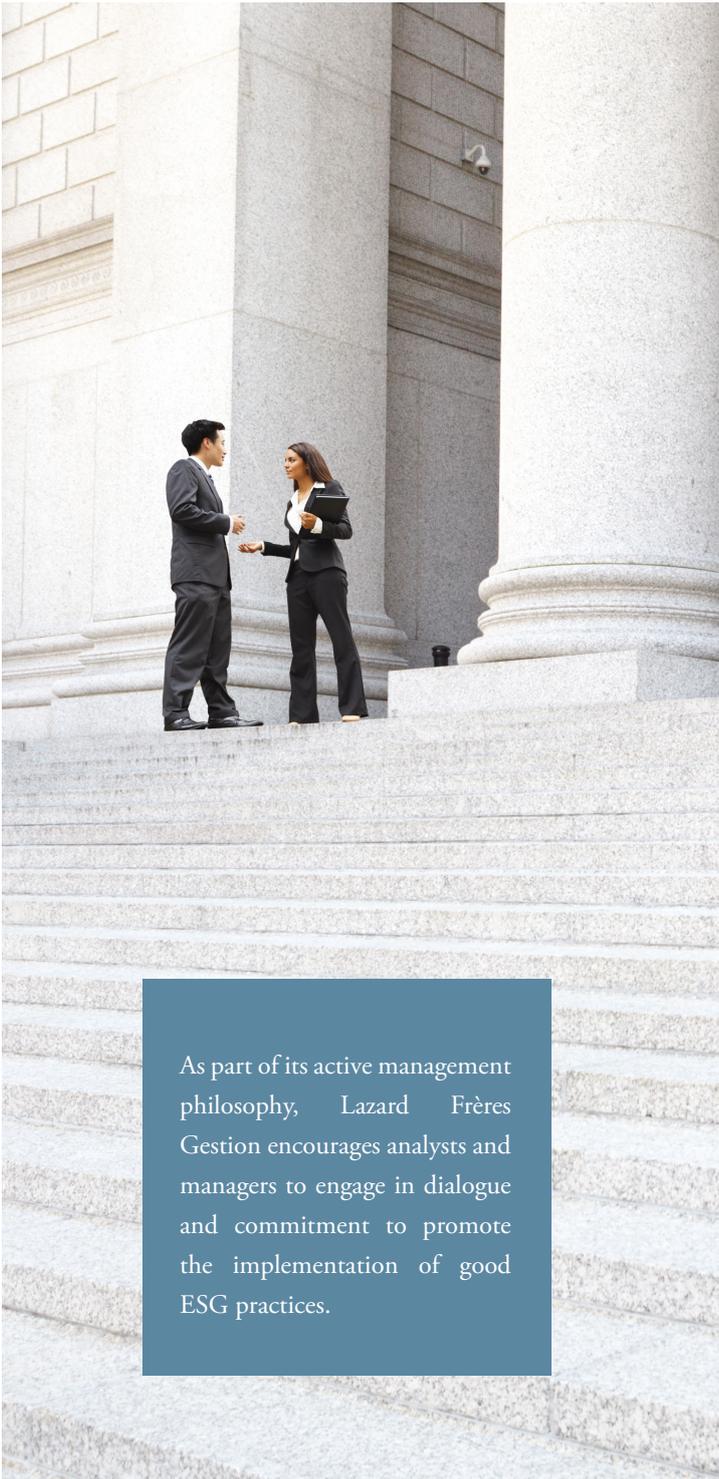
The amount of variable compensation is then individualized and determined in part on the basis of the performance of each Identified Person. General Management supervises the determination of individual compensation amounts, which are determined in particular on the basis of an individual assessment sheet, which is used as a basis for the annual performance review.

The criteria for the annual individual appraisal make it possible to measure the suitability of the Identified Personnel for the position they occupy, to take into account their skills, and to assess their reliability and autonomy. This evaluation takes into account the achievement of objectives for the past year and allows future objectives to be set accordingly.

The compensation policy promotes rigorous and effective risk management in terms of sustainable development. Thus, the evaluation of identified personnel takes into account not only financial risks but also sustainability risks.

4 Engagement strategy and voting policy

A Perimeter



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

Management analysts' expertise at the heart of meetings with management

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

One-on-one meetings with management are thus an essential part of the analysis and monitoring process. During these interviews, the analysts/managers discuss many ESG topics with management. With their expertise, they define the key points to be discussed during these meetings.

The dialogue and engagement actions are monitored through a database of all the reports of the meetings conducted by the analyst managers.

A dialogue compatible with our support approach

Since 2019, issuers in fixed income management portfolios rated "Weak" by our partner Moody's ESG Solutions (ESG rating <30/100) are systematically contacted by email to ask them about their consideration of ESG criteria.

In line with our collaborative engagement with CDP¹ and TCFD² as well as our approach to supporting companies, we inform the issuers contacted 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 that are virtuous in terms of ESG or that are ready to commit themselves.

¹ Carbon Disclosure Project.

² Task Force on Climate-Related Financial Disclosures

B Voting policy

VOTING GUIDELINES

Lazard Frères Gestion's investment process is characterized by active management with a long-term investment perspective.

Fundamental analysis of each issuer is at the heart of this process. The analysts focus on the relevance and clarity of the strategy, the quality of the financial information provided and that of the management and control bodies. The initiation of a relationship of trust and proximity with the management team, developed through meetings with the management and site visits, has always been a key element.

Choosing to invest in a company is therefore a matter of trusting the management team and being in agreement with its strategy. Therefore, as a matter of principle, Lazard Frères Gestion will generally vote in favor of resolutions proposed by the board of directors of a portfolio company. However, each proposed resolution

is subject to an individual analysis. Our voting policy emphasizes our desire to fight against possible conflicts of interest between companies and their management that could hamper the strategy defined in the medium term.

This policy also aims to protect the interests of our minority shareholders. In our view, long-term investment performance is not limited to financial strategy alone, but must also take into account the company's interactions with its social, economic and financial environment.

As a signatory of the Principles for Responsible Investment (PRI) since February 2015, Lazard Frères Gestion is committed to respecting the 6 principles of responsible investment enacted by the United Nations. Principle No. 2 states, in particular, that "We will be active investors and take into account

environmental, social and governance (ESG) issues in our policies and practices practices".

By taking ESG issues into account when exercising its voting rights, Lazard Frères Gestion aims to promote sustainable value creation. Resolutions on these topics are analyzed according to the ESG risks and issues specific to the company and its sector.

Lazard Frères Gestion's objective is to encourage the consideration of the interests of all stakeholders and the dissemination of best practices.



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

1

Approval of accounts and management

Principle: Transparency and control of the information provided

2

Board structure and composition

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

3

Allocation of income, management of equity and capital transactions

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

4

Management compensation and employee involvement

Principle: Transparency, consistency and fairness of compensation

5

Amendments to the articles of association and shareholders' rights

Principle: Respect for minority shareholders

6

Environmental and Social Issues

Principle: Consistency and motivation

*Environment : Limiting the environmental footprint
Social : Taking into account the interests of all stakeholders*

VOTING RIGHTS SCOPE

Voting rights are exercised on the shares of :

- **All French companies in which the funds managed by Lazard Frères Gestion hold more than 1% of the capital**
- **All companies representing more than 0.2% of the total assets of equity and diversified funds managed by Lazard Frères Gestion**

Lazard Frères Gestion votes at all of these meetings, insofar as postal voting is possible.

The thresholds have been set in order to exercise voting rights as widely as possible while controlling the associated costs and human resources.

Lazard Frères Gestion reserves the right to vote outside of this perimeter. This is generally the case when the analyst manager considers that the resolutions proposed for voting are particularly important.

This voting perimeter applies to all UCIs managed by Lazard Frères Gestion, including dedicated funds (unless otherwise agreed with the client), private banking funds and specialized professional funds.

Finally, Lazard Frères Gestion does not make use of temporary sales of securities giving the right to exercise voting rights.



Managing conflicts of interest



Lazard Frères Gestion exercises the voting rights of UCIs in the exclusive interest of the latter. To this end, Lazard Frères Gestion acts impartially and independently of any outside interest.

Lazard Frères Gestion has established a Conflict of Interest Management Policy which aims to detect conflicts of interest, to implement all measures reasonably necessary to manage them, and to define the terms and conditions for providing clients with the appropriate information, if necessary.

The main guarantee of the independence of votes lies in the fact that their exercise is determined by the decision of the managing analysts, based on their professional judgment. The managing analysts are themselves subject to strict ethical obligations which are subject to controls.

Finally, Lazard Frères Gestion is particularly careful to ensure that its votes are cast in defense of minority shareholders in the event that the management of companies has interests that run counter to them.

Voting Policy Exceptions



CASES IN WHICH THE MANAGEMENT COMPANY FELT IT COULD NOT COMPLY WITH THE PRINCIPLES SET OUT IN ITS VOTING

In 2021, we voted contrary to our voting policy for 15 resolutions, i.e. 0.80% of the total number of resolutions analyzed and voted. In terms of resolution typology, they all concerned small or mid-cap companies and related to the following three categories:

- the appointment of director
- the remuneration
- financial operations/mergers

Sometimes, for this type of company with a non-standardized character, we do not follow our policy because of a logic of good governance which is not applicable in the case of companies with a non-controlled capitalization. In some cases, the founder of the company or one of his descendants chairs the board of directors and runs the company. He or she is often the majority shareholder and has the legitimacy to lead and embody the company.

For example, we voted in favor of a resolution concerning the renewal of mandates for a period of more than four years. Our voting policy recommends opposing this type of resolution, in order to maintain the possibility of regularly voting on the mandate of directors.

In this particular case, the appointment concerned the CEO, the group's reference shareholder. We considered it important that the CEO retain his position, especially as we were very satisfied with his management of the company. This resolution demonstrates the importance we attach to sound and effective governance, coupled with quality financial and non-financial performance.

For more information on our voting policy, see "Our voting policy", available online at: https://www.lazardfreresgestion.fr/FR/Notre-approche-ESG-ISR-Actionnariat_116.html.

C Engagement Strategy Review

EQUITY MANAGEMENT

Presentation of our engagement activity



1. ENGAGEMENT THROUGH DIALOGUE

Lazard Frères Gestion distinguishes itself by its conviction-based management approach, which relies on frequent meetings between its managers and ESG specialists and listed companies.

Our team, composed of 12 analysts and 2 ESG specialists, conducted more than 775 meetings in 2021.

	"One-to-one" meetings	Other (one to few, full meetings...)	Total
Equity Large Caps team	266	296	562
Equity Small Caps team	103	110	213
Total	369	406	775

One-to-one meetings are a privileged opportunity to encourage companies to improve their practices or to obtain a targeted response on a particular ESG issue. Lazard Frères Gestion's impact is all the greater because the analysts deal directly with the companies' management. This makes it easier to implement changes and to address bottlenecks more quickly.

The managing analysts write a report of these meetings, also called "Minutes", which lists all the ESG comments.

While environmental, social and governance issues are discussed during each meeting, it is only when they are an integral part of the meeting that we consider that a dialogue has been established with the company.

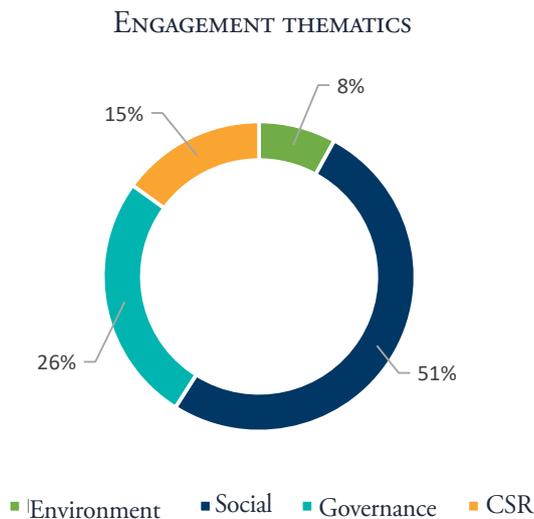
Lazard Frères Gestion engages in a dialogue with all the companies in its portfolio. During these discussions, dialogue on ESG issues may take place with varying degrees of intensity and regularity depending on the latest developments. This is why we distinguish a certain number of commitments, defined as the most advanced form of dialogue, when a response is expected. Often, one or more areas for improvement are formulated by Lazard Frères Gestion's ESG analysts and specialists.

ESG dialogue	
Number of ESG dialogues	471
	61% of the meetings concerned
Number of ESG engagements	72
	+18% compared to 2020

The chronology of meeting minutes, gathered in one place, allows to trace the evolution of the company's actions.

2. TARGETED ACTIONS

As mentioned above, 72 companies have made a specific commitment on the theme of the environment, social or governance practices, and non-financial transparency.



*CSR: Corporate communication with non-financial data providers

Non-financial communication of companies

9 companies have been made aware by the Lazard Frères Gestion equity team of the need to communicate with external suppliers of extra-financial data.

The primary goal of these commitments is to obtain external ESG ratings that are more faithful to the real practices of the companies. Very often, these ratings are penalized by a lack of information from the providers, who, by default, assign poor ratings to companies.

Examples of our engagement actions



Engagement on Pillars E, S and G

Sector	Alimentation
Geographical area	Europe
Market capitalization	Small Caps
Thematic	E: Impact of the activity on the environment and biodiversity S: Employee health and safety G: Representation of the Board of Directors

In December 2021, we met with this company whose activity poses a potential risk to the environment, as well as to the workforce.

We asked the company to present us - if defined - objectives to reduce its environmental impact. The company shared with us its quantified environmental objectives (reduction of water and electricity consumption, recycling, etc.), with a time horizon defined through 18 performance indicators for the period 2020-2025, the progress of which we noted on the company's ESG presentation.

Among its notable actions, the salaried farmers are 100% self-sufficient in electricity with a highly developed wind farm and a large photovoltaic network. 44.5% of its packaging is already recyclable, with a 2025 objective of reaching 100%, and the desire to produce a "sustainable" chicken (i.e. produced locally, in the open air, fed with local grain) is at the heart of its strategic axes for the coming years.

We also wanted to know the operational details of the company's Health & Safety policy. The modernization of work tools is the key element in the reduction of work-related accidents, particularly those linked to chicken cutting. These have been drastically reduced (-6%).

The composition of the Supervisory Board was also one of our concerns and proved to be representative of the employees, since one of the company's farmers sits on it.

Commitment to Pillar E

Sector	Banking
Geographical area	Europe
Market capitalization	Large Caps
Thematic	E: Deforestation and biodiversity

During the month of October, we engaged in a discussion with a European bank following the publication of an article in the Financial Times that ranked it among the ten global banks that finance companies whose main activity is agribusiness and have direct and measurable consequences on deforestation.

When asked by Lazard Frères Gestion, the bank provided a detailed response regarding its involvement in the issues of biodiversity and deforestation, for which the group has very clear internal policies.

The attention of the manager and the ESG Equity specialists was drawn to the fact that the NGO behind this ranking relies on the database of the Forests & Finance platform. The site does not list actual deforestation practices, but rather ranks all companies whose activities can be considered potentially "at risk" for forests due to their activities in certain agricultural commodities, or simply the financing of projects related to them.

Pillar S commitment

Sector	Healthcare
Geographical area	United-States
Market capitalization	Large Caps
Thematic	S: Employee turnover and training

Lazard Frères Gestion initiated a discussion with this company to enrich our analysis of its human capital management

Indeed, we did not have data concerning the company's turnover rate in 2020, which we consider important to judge the well-being of employees. The number of training hours per employee per year was not available either, but this indicator allows us to estimate the extent to which employees have prospects for development and will be prepared for the jobs of tomorrow.

The pharmaceutical company responded positively to our requests, providing us with a voluntary and involuntary turnover rate and a number of training hours for all employees that we adjusted to make it comparable with other companies.

Commitment to improve non-financial reporting

Sector	Banking
Geographical area	Nordic countries
Market capitalization	Small Caps
Thematic	Improved external ESG rating

This bank was very close to being excluded from our investment universe due to its ESG rating by our extra-financial data provider. Due to the company's lack of transparency, its ability to manage human resources issues was perceived as inadequate, and the company was also not disclosing its environmental policies, and lobbying practices.

After recognizing that improvements were needed, the bank made significant changes. Its overall ESG rating was increased from 35 to 51/100. The company remains in our investment universe.

FIXED INCOME MANAGEMENT

Presentation of our engagement activity



1. ENGAGEMENT THROUGH DIALOGUE

- **The systematic annual engagement campaign for all issuers that are "weak" or below 2 out of 5 in our internal analysis grids:**

We contact all portfolio companies rated "Poor" (less than 30/100) by our extra-financial partner Moody's ESG Solutions and certain issuers in the entire investment universe with an internal ESG rating of less than 2 out of 5, with the aim of getting them to improve their ESG practices, transparency and communication.

A more complete description of our internal ESG analysis scorecard is presented in our ESG Approach. (<http://www.lazardfreresgestion.fr/download.aspx?Doc=W20&Ref=APPROCHEESG&Lang=FRA&Extension=pdf>)



- **The overall message is:**
 - We currently hold bonds
 - Poor ESG ratings may force us to restrict our investments
 - Your main weaknesses and areas for improvement are ...
 - Could you comment on these data and tell us your ESG objectives?
- **Engagement actions in the market events (occurrence of a controversy, issue of an issuer with a low rating, significant deterioration of practices):**

We aim to be very responsive to market events. If a controversy arises regarding a major issuer in our investment universe, we place it on a watch list, contact it as soon as possible and, depending on the responses, possibly exclude it.

Similarly, when a company with a low rating is issued on the markets, we take advantage of this opportunity to stress the importance of raising its level of ESG practices and communication.

On several occasions in 2021, we decided not to issue in accordance with our internal ESG constraints because the issuer was too low-rated.

- **An ongoing engagement campaign to enrich our information on emitter practices:**

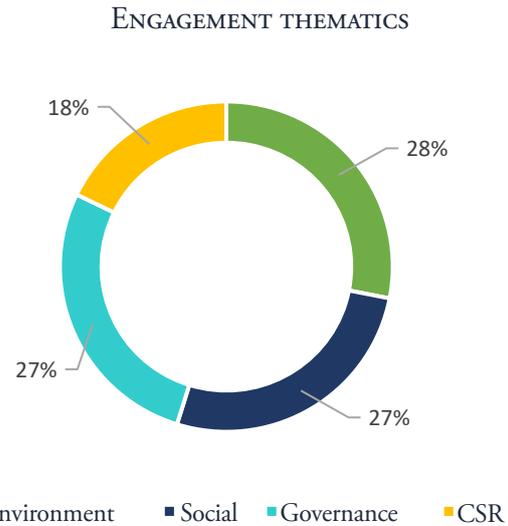
There is now a moment dedicated to ESG questions during meetings with company management. We discuss their weaknesses, areas for improvement and our expectations.

We also specifically engage issuers for which we have too little information or which lag behind their sector peers. This allows us to feed our internal analysis grids and to have a more precise vision of the issuer's real practices.

2. TARGETED ACTIONS

When meeting with companies, fixed income analysts discuss ESG issues in their entirety. The three ESG pillars are discussed almost systematically in order to improve the issuer. In 2021, the team has initiated discussions on improving ESG practices with 48 companies.

Lack of disclosure by issuers can partially explain a low ESG score. Lazard Frères Gestion fixed income team has engaged with 26 issuers to ask them to disclose more ESG data.



*CSR: Corporate communication with non-financial data providers

3. ENGAGEMENTS RESULTS

As part of our engagement efforts, Lazard Frères Gestion's fixed income management teams contacted 74 issuers in 2021. The detailed answers we received from issuers concern their practices, the objectives they have set and the means they invest in them. We can thus present our engagement actions as follows:

Companies contacted	74
Detailed responses received	54
Telephone interviews	14

In 2021, the result of our engagement resulted in the improvement/maintenance/downgrading of an internal rating and/or the purchase/non-participation in certain programs:

Internal ESG rating improvements	16
Internal ESG ratings maintained	34
Downgrades of internal ESG ratings	4
Bond" type of an excluded issuer but whose sustainability approach we support	1
Non-participation in an issue due to low ESG	3

The overall impression from this campaign is as follows:

- We see a continuous improvement in practices and an improvement in communication from issuers of all sizes
- Many issuers informed us that certain practices are already in place but suffer from poor communication often perceived as a lack of transparency
- Issuers are setting more and more precise extra-financial objectives and are increasing their participation in initiatives

Examples of our engagement actions



Engagement to improve non-financial communication

Sector	Financial services
Geographical area	Europe
Market capitalization	Investment Grade
Thematic	Improval of the external ESg rating

The company was rated 28/100 by Moody's ESG Solutions in 2020.

Lazard Frères Gestion contacted the company in the usual way, explaining its strengths, weaknesses and areas for improvement. The bond team then had regular exchanges over the following months to ensure that their commitments were being met. In May 2021, we noted a doubling of our extra-financial partner's score to 52/100.

Engagement on Pillars E, S and G and downgrading of the internal rating

Sector	Real Estate
Geographical area	Germany
Market capitalization	High Yield
Thematic	E: Environmental management of buildings S: Communication on Human Resources Management G: Management and accounting integrity

During the month of June, the fixed income team identified material issues for the company resulting from a lack of financial and non-financial transparency. During a telephone interview, we noted poor communication on human resources issues, little engagement with ESG rating agencies, little dialogue on the environmental management of buildings, and a lack of integrity on the part of management regarding financial accounting.

Lazard Frères Gestion has alerted the issuer to the need to develop its practices so that we can support it in the future.

The efforts made by the issuer were not sufficient to address our concerns and as a result the internal rating was downgraded to below 2. The issuer is therefore excluded from our investment universe.

Pillar E Engagement

Sector	Chemicals
Geographical area	United-Kingdom
Market capitalization	High Yield
Thematic	E: Strategy for reducing CO2 emissions and engagement with non-financial rating agencies

The company was rated 21/100 by Moody's ESG Solutions before the bond team engaged with it.

We initially identified material risks for the company due to incomplete reporting of greenhouse gas emissions, little involvement in clean technology initiatives, and little engagement with ESG rating agencies.

The company was contacted by Lazard Frères Gestion regarding its extra-financial issues, particularly on the environmental pillar.

Following our dialogue, the issuer announced new environmental commitments covering most of their material issues including new Net Zero targets by 2050, interim targets of 10% greenhouse gas reduction by 2025, and a discussion on future strategy and engagement with Moody's ESG Solutions.

We therefore decided to increase our internal ESG rating and this also allowed our extra-financial partner to increase their rating to 38/100.

Organisation of the exercise of voting rights

INVESTIGATION AND ANALYSIS OF RESOLUTIONS

The ESG specialists analyze the recommendations provided by the voting advisory firm Proxinvest. They compare these recommendations with the management company's voting policy and then transmit them to the analyst-manager responsible for monitoring the stock.

The analyst-manager communicates his instructions to the ESG specialists who proceed to the voting instruction via the voting platforms or via the custodian if applicable.

The research is used for information purposes only, and the analyst-manager remains free to make his or her own voting choices in all circumstances. In the event of a vote contrary to the management company's policy, a justification is provided to explain the reasons for the position taken.

SCOPE OF VOTING RIGHTS

The voting perimeter applies to stocks of :

- All French companies in which the funds managed by Lazard Frères Gestion hold, in aggregate, more than 1% of the capital.
- All companies representing more than 0.2% of the total assets of Equity and Diversified funds managed by Lazard Frères Gestion.

This report is based on this voting perimeter established as of December 31, 2020 and effective through December 31, 2021.

Participation in meetings

VOTING PERIMETER

Lazard Frères Gestion voted at 100 general meetings held in fiscal year 2021 out of a scope of 112 meetings, i.e. a rate of 89.3%.

Lazard Frères Gestion analyzed 1812 resolutions and voted against the recommendations of the companies' management on 199 resolutions, i.e. 10.98% of the cases.

For	89.2%
Against	10.21%
Abstention	0.77%

OUTSIDE THE VOTING PERIMETER

We endeavor to exercise our voting rights when a general meeting is considered sensitive, for example in the case of non-French European small-cap companies in which we hold a significant share of the capital. We may also be asked to vote at general meetings of Nordic companies when resolutions that we consider important are put to the vote.

Company	Country	Number of AGs voted
VOLVO	Sweden	1

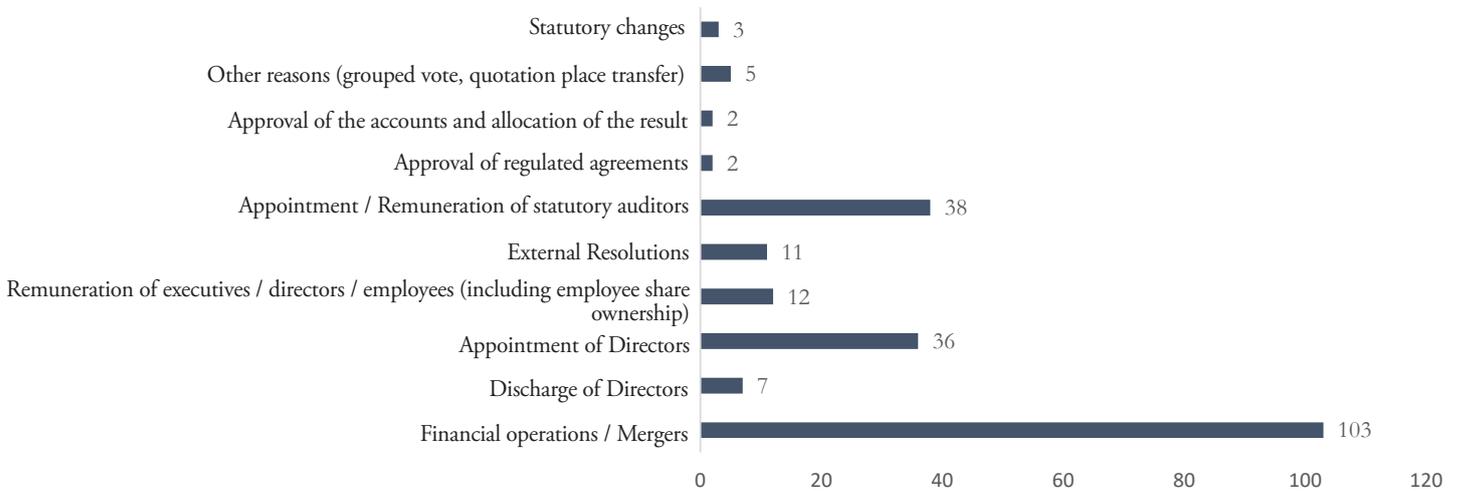
EFFECTIVE PERIMETER IN 2021

In total, Lazard Frères Gestion voted at 101 shareholders' meetings, analyzed 1,865 resolutions and opposed 200 proposed resolutions, i.e. in 9.97% of cases, and abstained on 14 resolutions, i.e. in 0.75% of cases.

For	89.28%
Against	9.97%
Abstention	0.75%

Breakdown of Opposition Votes by Resolution Category :

Number of resolutions voted "Against" (Perimeter + outside voting perimeter)



Voting Policy Exceptions



CASES IN WHICH THE MANAGEMENT COMPANY FELT IT COULD NOT COMPLY WITH THE PRINCIPLES SET OUT IN ITS VOTING POLICY DOCUMENT:

In 2021, we voted contrary to our voting policy for 15 resolutions, i.e. 0.80% of the total number of resolutions analyzed and voted. In terms of resolution typology, they all concerned small or mid-cap companies and related to the following three categories:

- the appointment of directors
- remuneration
- financial transactions/mergers

Sometimes, for this type of non-standardized company, we do not follow our policy due to a logic of good governance that is not applicable in the case of companies with non-controlled capital. In some cases, the founder of the company or one of his descendants chairs the board of directors and runs the company. He or she is frequently the majority shareholder and has the legitimacy to lead and embody the company.

For example, we voted in favor of a resolution concerning the renewal of mandates for a period of more than four years. Our voting policy recommends opposing this type of resolution, in order to maintain the possibility of regularly voting on the mandate of directors.

In this particular case, the appointment concerned the CEO, the group's reference shareholder. We considered it important that the CEO retain his position, especially as we were very satisfied with his management of the company. This resolution demonstrates the importance we attach to sound and effective governance, coupled with quality financial and non-financial performance.

Voting engagement



1. REVIEW OF OUR VOTING POLICY

Lazard Frères Gestion is above all attentive to the financial performance of the companies in which it invests. This performance can only be sustainable if it is based on a long-term vision, combined with exemplary corporate governance and strong social and environmental responsibility. It is within this analytical framework that Lazard Frères Gestion fully plays its role as a shareholder, particularly through the exercise of its voting rights and shareholder dialogue.

In 2021, we voted at 100 General Meetings (GMs) out of a voting scope of 94 GMs, i.e. a participation rate of 89.3%. In line with our voting policy, we are committed to good governance and pay attention to social and environmental issues in proposed resolutions.

The voting perimeter applies to the shares of :

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



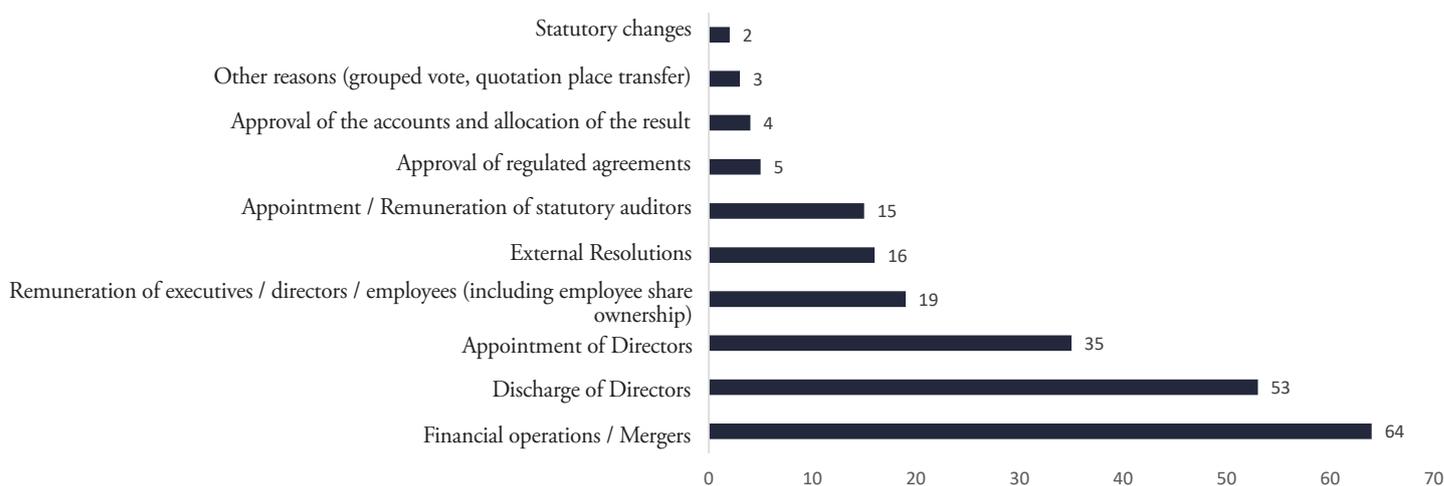
2. KEY FIGURES ON THE EXERCISE OF VOTING RIGHTS 2021

Geographical distribution

Countries	Number of AG 2021	AG votes	Percentage
Germany	10	10	100%
Austria	2	2	100%
Belgium	2	2	100%
Spain	1	1	100%
United States	8	4	50%
Finland	3	3	100%
France	69	64	92%
Ireland	1	1	100%
Netherlands	10	10	100%
United Kingdom	2	2	100%
Switzerland	4	1	25%
Total	112	100	89,29%

Distribution of "Against" votes

Number of resolutions voted "Against" (Perimeter + outside voting perimeter)



A report dedicated to the exercise of voting rights is available via the link : http://www.lazardfreresgestion.fr/FR/Notre-approche-ESG-ISR-Actionnariat_116.html

3. UPCOMING DIALOGUE WITH THE GENERAL ASSEMBLIES

Shareholder engagement is essential to our approach as a responsible investor. It is based on a clearly detailed voting policy that provides a framework for our discussions with companies prior to General Meetings.

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

These meetings are an opportunity to better understand the motivations and nature of the draft resolutions for the General Meeting and to explain our voting policy.

Shareholder dialogue is at the heart of our assessment of corporate governance and takes on specific importance in the run-up to Annual General Meetings. It is also part of our overall commitment to influencing corporate behavior. By raising awareness of good practices, we want to support them and help them make continuous progress.

Example of shareholder engagement

Sector	Technologies
Geographical area	Europe
Market capitalization	Small Caps
Thematic	G : Disposal of a security following a pre-AG commitment

At the same time, the group announced a project (submitted to the General Assembly held on December 1) to "implement the CEO's ability to invest in the group's subsidiaries", which would allow him to become the owner of 10% of each of the group's three assets by 2026 for an unknown amount, based on the valuation established by an independent expert.

As the group is not controlled, we could not comment on the outcome of the vote on this resolution at the December 1 AGM, but this proposal seemed indefensible to us at the time. It was added to a set of elements demonstrating the divergence of interests between the management and the minority shareholders of the group.

We informed the CEO and the CFO of our disagreement and communicated the problems raised by this proposal. After a return that we did not consider satisfactory, we gave up the entire position.



E/ Investment strategy decisions

OUR EXCLUSION POLICY

Normative exclusions

Controversial weapons

CONTEXT

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

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

- the 1997 **Ottawa Treaty** (or Anti-Personnel Mine Ban Convention) which prohibits the use, stockpiling, production and transfer of anti-personnel mines and encourages their destruction
- the 2008 **Oslo Convention** (or Convention on Cluster Munitions) which prohibits the use, production, stockpiling and transfer of all cluster munitions defined as such.

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

SCOPE OF APPLICATION

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

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

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

Companies are divided into two

categories:

- Red | Confirmed Implication
- Orange | Strong involvement presumption

Companies placed in the "red" category are excluded from Lazard Frères Gestion's investments, while those placed in the "orange" category remain in the investment perimeter.

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

- the company is involved in the development, production, use, maintenance, marketing of the above-mentioned weapons.
- the company is involved in the development, production, maintenance, marketing of a key and specific component of the above mentioned weapons.
- the company has a shareholding of more than 20% in a company involved in one of the above-mentioned activities.

United Nations Global Compact violations



CONTEXT

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

In the event of a severe, proven, and repeated violation of any of the UN Global Compact Principles, companies are placed on an Exclusion List¹.

Companies that have taken corrective action to remedy a severe level of controversy are placed on a deep engagement list. An engagement process is initiated to decide whether or not to debar the company. If there is no satisfactory response or after six months, the company will automatically be placed on the debarment list.

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

A committee of analysts, managers and ESG specialists submits these three lists to Lazard Frères Gestion's Executive Committee for validation on a quarterly basis.

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

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



Sectoral exclusions



Tobacco



CONTEXT

Every year, more than 8 million people worldwide die from tobacco and its consequences¹. The tobacco industry, in particular, is the subject of numerous ESG controversies regarding child labor in tobacco farming, transparency on product composition and deforestation.

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



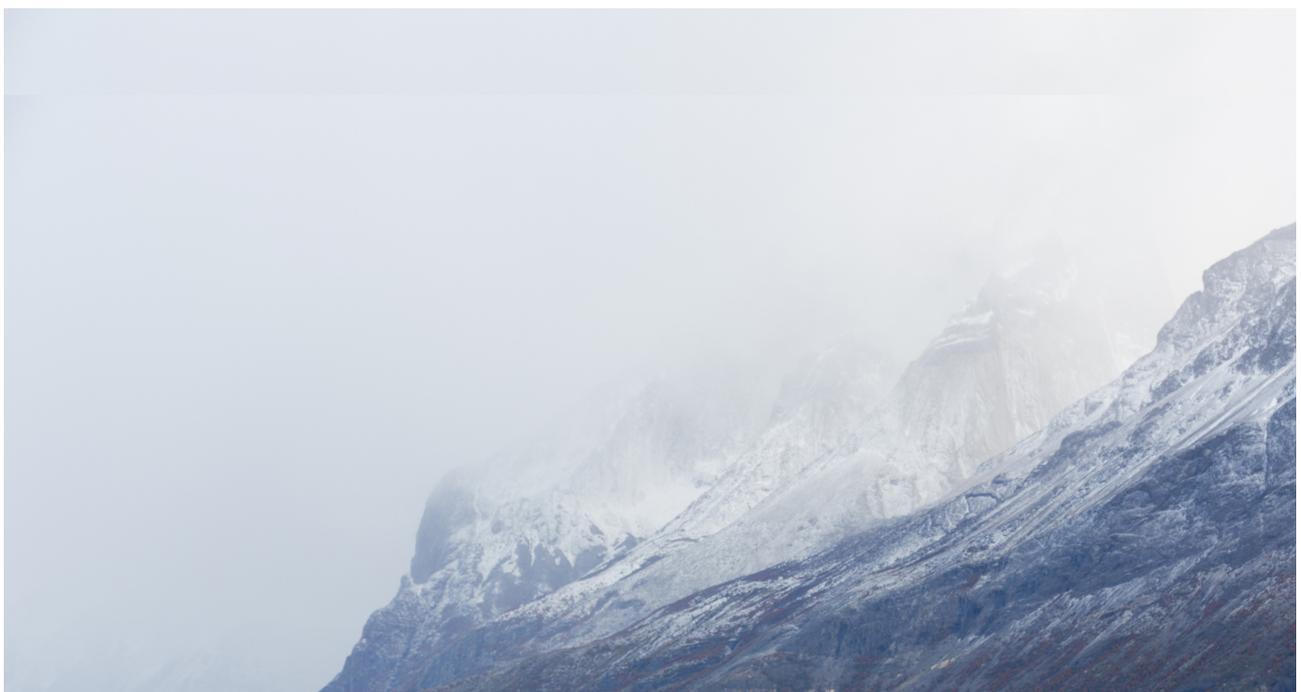
1. Source : World Health Organization, 2020
(<https://www.who.int/fr/news-room/fact-sheets/detail/tobacco>)

APPLICATION SCOPE

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

As of October 15, 2020, Lazard Frères Gestion will no longer invest in companies whose core business is the production of tobacco or tobacco related products.

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





Coal



CONTEXT

As part of its Climate Policy, Lazard Frères Gestion has defined a 2020 strategy in order to exclude coal by 2030.

It aims to participate in the fight against climate change and the reduction of human pollution, while taking into account the financial risks associated with the abandonment of assets affected by the energy transition. Indeed, thermal coal combustion remains the main source of global warming, accounting for more than 29% of total greenhouse gas (GHG) emissions linked to human activities and more than 40% of anthropogenic carbon dioxide (CO₂) emissions in 2019 according to the International Energy Agency¹. Its reduction will therefore be one of the most effective measures to limit the rise in temperature.

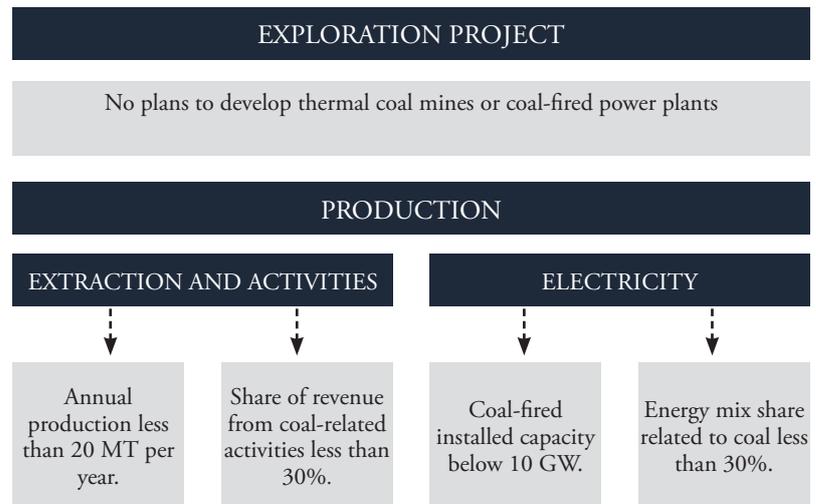


Lazard Frères Gestion reserves the right to update the data provided by the Global Coal Exit List (GCEL) used for the exclusion of thermal coal. Within this framework, certain companies mentioned in the list may be reinstated to our investable universe if the latest available data indicates compliance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

APPLICATION SCOPE

Lazard Frères Gestion therefore excludes any investment in companies whose :

- More than 30% of their revenues come from thermal coal activities
- More than 30% of the energy mix (per MWh generated) is based on coal
- Annual thermal coal production exceeds 20 MT per year
- Installed coal-fired capacity exceeds 10 GW
- Projects concern the development of thermal coal mines or coal-fired power plants.



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

¹ <https://www.iea.org/reports/coal-2019>

5 / European taxonomy

The coverage rate is calculated in relation to the outstanding amounts excluding cash and external funds.

In order to comply with the obligation to publish Taxonomy alignment data for its investments, Lazard Frères Gestion uses the estimate provided by the data provider MSCI, pending the possibility of obtaining information directly from issuing companies subject to the NFRD (Non Financial Reporting Directive) regulation from 2024 onwards on alignment data.

Assets excluding cash & external UCIs	€32 Bn	
		Coverage rate
LFG assets aligned with European Taxonomy	2.8% €0.89 Bn	82.34%
Exposure to fossil fuel	3.6% €1.2 Bn	88.42%

6 Strategy for alignment with the Paris Agreement

A Objectives

At COP 21 in 2015, 196 countries signed the **Paris Agreement** to limit global warming below 2°C, preferably 1.5°C, above pre-industrial levels. To make this long-term temperature goal a reality, countries aim to reach the global peak in greenhouse gas emissions as soon as possible to achieve a climate-neutral world by 2050.

The declination of the European Union's 2050 climate neutrality objective is materialized in the **Green Pact for Europe**, presented in December 2019. It requires massive investments, both from the public sector of the EU or the Member States and from the private sector. In order to stimulate and facilitate the public and private investments needed for the transition to a climate-neutral, green, competitive and inclusive economy, the EU is publishing in July 2021 its **strategy for financing the transition to a sustainable economy**, an update of its Action Plan for Financing Sustainable Growth of March 2018.

Several European regulations have thus emerged to frame sustainable investment and seek to develop a very precise overall framework. Their aim is to make it easier for financial market players to align their investment strategies with the EU's climate and social objectives. The Financial Services Sustainability Reporting Regulation (**SFDR**), which regulates extra-financial information published by investors at the European level, is one of the pillars.

In France, **Article 29 of the Energy-Climate Law** articulates European law and national specificities. French market players must publish a **strategy to align with the international objectives of limiting global warming set out in the Paris Agreement**.

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

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

SHORT-TERM OBJECTIVES (2022 - 2023)

- Provide each analyst/manager with the alignment indicators
- Train management teams on how to integrate data alignment data into the management process
- Update quarterly a list of aligned companies by investment universe
- Engage in a dialogue with the 10 invested 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
- Make public our consolidated alignment levels on each asset class
- Draft a fossil fuel divestment strategy for SRI funds

MID-TERM OBJECTIVES (2024 - 2030)

- Make our alignment levels public at the level of each SRI fund
- Limit (or even exclude) issuers whose temperature level is above 5°C
- Accompany the companies and projects in which we invest towards an alignment trajectory by 2050 through engagement
- 100% of our open-ended funds are below 2°C (+/- 10%)
- 100% of the companies we invest in have a climate objective
- Join the Net Zero Asset Manager initiative

LONG-TERM OBJECTIVES (2030 AND BEYOND)

- Make public our alignment levels for all funds
- Align all funds with the Paris Agreement
- 100% of invested companies have a validated decarbonization path / 2°C alignment



B / Methodology used

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

We constructed a portfolio representative of the management company, excluding cash and external mutual funds. The temperature calculation covers 83.8% of Lazard Frères Gestion's assets, 78.3% of our equity management and 84.5% of our fixed income management.

The implied temperature increase of a portfolio measures, in aggregate, the alignment of a portfolio's temperature (in °C) to keep the global temperature increase to 2°C by 2100. The calculation uses an aggregated budget approach that compares the sum of funded carbon emissions to the sum of the carbon emissions of the portfolio companies (scope 1, 2 and 3). This provides an estimate of the potential overrun to the portfolio carbon budget.

The over/underestimation of total portfolio carbon emissions is then converted to a degree of temperature increase using the Transient Climate Response to Cumulative Carbon Emissions (TCRE) scientific ratio approach. The allocation basis used to define a portfolio's funded stake is Enterprise Value with Cash (EVIC), to allow for analysis of both equity and corporate bond portfolios.

TRANSIENT CLIMATE RESPONSE TO CUMULATIVE EMISSIONS CARBON (TCRE)

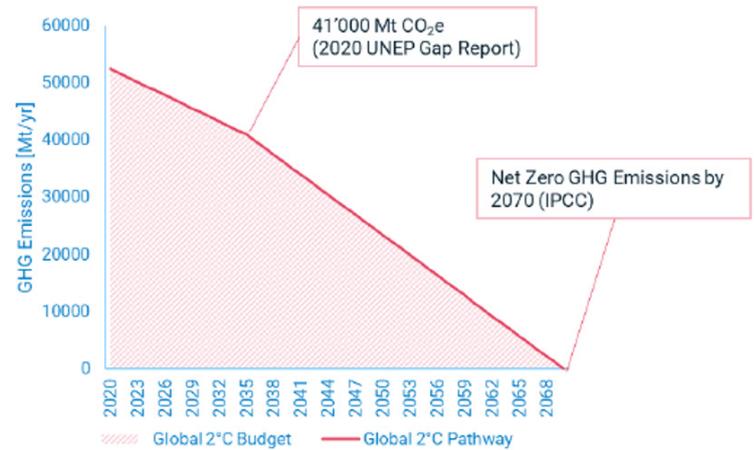
The Transient Climate Response to Cumulative Carbon Emissions (TCRE) was established by the IPCC and provides a relationship that links each additional unit of emissions emitted beyond the remaining available global carbon budget of 2°C to degrees of additional warming. We use a TCRE factor of 0.000545°C of warming per GtCO₂. In other words, for every GtCO₂ above the global carbon budget of 2°C, we can expect about 0.000545°C of additional warming above 2°C.

This relationship is used in the implied temperature increase methodology to convert the deviation from a company's or portfolio's allocated carbon budget into a degree.

The time horizon used for the carbon budget estimation is 2°C in 2100. Projected business emissions are net zero in 2070, in line with the IPCC Special Report on the consequences of 1.5°C global warming¹.

The IPCC Special Report on 1.5°C Global Warming provides a set of mitigation pathways based on different socio-economic scenarios, projected energy use, and the use of carbon dioxide capture and storage technologies. The implied temperature increase calculation provided by MSCI is based on a single global trajectory defined by combining global budget considerations with global emission levels of 2°C, as defined in the United Nations Environment Programme's 2020 Emission Reduction Needs and Opportunities Gap Report, and a zero emission assumption by 2070 to limit warming to 2°C, as presented in the IPCC's 1.5°C Special Report. This global trajectory, illustrated below, is then used to allocate a 2°C carbon budget to companies.

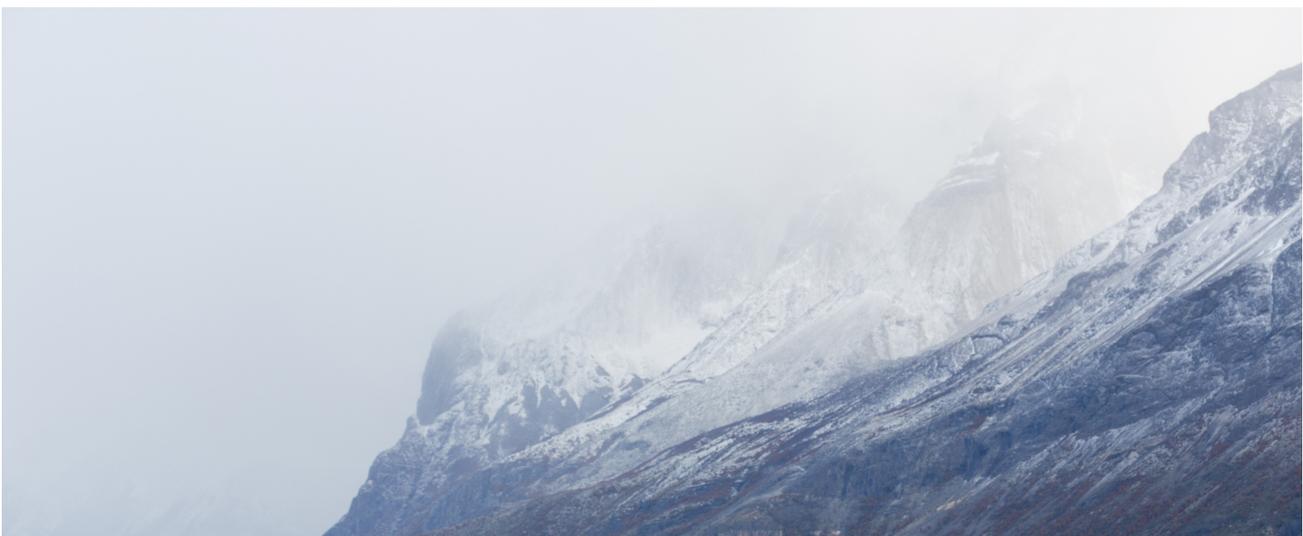
Exhibit 3: Global 2°C pathway based on a net zero assumption by 2070 and global emission levels as defined in the 2020 UNEP Gap report.



Source: MSCI ESG Research.

The MSCI methodology is based on several assumptions and estimates. At the global level, a central estimate concerns the global carbon budget, i.e. the amount of carbon emitted into the atmosphere that leads to a warming of 2°C. It is estimated on 01/01/2020 at 1551 GtCO₂, according to the remaining carbon budget estimated on 01/01/2018 in the IPCC special report on global warming of 1.5°C. To calculate the budget as of 01/01/2022, 2018 and 2019 emissions were subtracted. At the emitter level, the methodology takes into account the emission reduction targets set by the company and makes the assumption that these targets will be met. This particularly strong assumption could lead to significant changes in the temperature of a company in the event of a change in the targets set. Furthermore, failure to meet the targets would lead to an indicator that does not reflect the impact of the company's activities on the environment.

¹ According to the IPCC special report on 1.5°C, net zero emissions must be reached by 2070 to limit warming to below 2°C (https://www.ipcc.ch/site/assets/uploads/sites/2/2019/09/IPCC-Special-Report-1.5-SPM_fr.pdf).



For each company, greenhouse gas (GHG) emissions are projected by scopes. Scope 1 and 2 emissions are based on published emissions when available, supplemented by estimated emissions when the company does not measure its emissions. Scope 3 emissions are estimated in order to reduce double counting. Finally, the 2°C carbon budgets per scope are aggregated to obtain a global carbon budget for the company.

In order to arrive at a comparable forward-looking estimate between companies, MSCI ESG Research has developed an approach to analyze the emissions reduction targets declared by companies. If the company has declared an emissions reduction target covering the scope in question, a normalized reduction is applied to the current emissions level for that scope. After the target year, emissions are assumed to be constant. If the company does not have a stated emissions reduction target, a growth rate of 1%² is applied. The methodology provides an assessment by GHG scope and allows for the projection of a company's absolute emissions, assuming that the target is fully met.

² Percentage defined based on the average emissions growth rate assessed in the United Nations Environment Programme's 2020 Emissions Reduction Needs and Opportunities Gap Report (<https://www.unep.org/fr/emissions-gap-report-2020>) adjusted for GDP based on World Bank data.

SECTORAL AND GEOGRAPHICAL GRANULARITY

Each company's 2°C Scope 1 carbon budget is allocated based on the country and sector budget and a revenue breakdown using the fair share indicator. The country and sector budgets are informed by the countries' NDCs (Nationally Determined Contributions). Each company's 2°C Scope 2 carbon budget is allocated according to the sector budget (based on GICS® or equivalent) and a breakdown of revenues as an indicator of the fair share of allowances. Each company's 2°C Scope 3 carbon budget is allocated on the basis of a global budget and the use of revenues as an indicator of the fair share of allowances.

C ITR Results 12/31/2021

- Lazard Frères Gestion temperature: 2.53°C
- Coverage rate: 83.6%.

The coverage rate is calculated on outstandings excluding cash and external UCIs.

The results of the temperature indicator for funds over €500m will be available in the funds' annual reports (see by fund on the website: https://www.lazardfreresgestion.fr/FR/Fonds_71.html)

D Index funds

Lazard Frères Gestion does not manage index funds.





Putting the temperature indicator into perspective with the other indicators monitored



This new indicator, aggregated at the fund and management company level, has the advantage of being a meaningful indicator for assessing a portfolio's alignment with the Paris Agreement. Easily linked to global issues, it makes the link between companies, portfolios and climate science.

However, our integration of ESG principles is not limited to temperature. Indeed, it is important not to evaluate a company's environmental performance solely on its ITR. A company with high emissions may have a low ITR if the reduction targets it has set are ambitious. But their achievement is not certain, and

it will be several years before the gap between their performance and their objectives becomes visible. This is why our analysts pay particular attention to a set of criteria, which are judged as material thanks to our materiality table. These criteria are included in our proprietary ESG grid, which includes more than 20 material indicators, and takes into account the main negative impacts (PAI).

For more information on our ESG analysis, please refer to our ESG Approach:

https://www.lazardfreresgestion.fr/FR/ESG-ISR_112.html



Climate policy link



This report marks the beginning of Lazard Frères Gestion's strategy of alignment with the Paris Agreement, validated by the Executive Committee in 2022. As such, the management company undertakes to communicate on any changes that may occur in the implementation of the objectives defined above. The Executive Committee of Lazard Frères Gestion will be informed at least annually of the progress made towards achieving these objectives.

Already, as part of its Climate Policy, Lazard Frères Gestion has defined a strategy for the exit from coal by 2030. It aims to participate in the fight against climate change and the reduction of human pollution, while taking into account the financial risks associated with the abandonment of assets affected by the energy transition. Indeed, thermal coal combustion remains the main source of global warming, accounting for more than 29% of total greenhouse gas (GHG) emissions linked to human activities and more than 40% of anthropogenic carbon dioxide

(CO2) emissions in 2019 according to the International Energy Agency. Its reduction will therefore be one of the most effective measures to limit the rise in temperature.

Scope of application

Lazard Frères Gestion therefore excludes any investment in companies whose :

- More than 30% of revenues from thermal coal activities
- More than 30% of the energy mix (per MWh generated) is based on coal
- Annual thermal coal production exceeds 20 MT per year
- Installed coal-fired capacity exceeds 10 GW
- Projects concern the development of thermal coal mines or coal-fired power plants.

To date, we do not have a policy to exit from hydrocarbons. For more information on our thermal coal exclusion policy, please see page 44.



Follow-up actions



This section will be completed in the annual update of this report.



7

Strategy for alignment with biodiversity long-term objectives



The preservation of biodiversity is a major issue in which all players have a role to play. Lazard Frères Gestion has set a series of short, medium and long-term objectives in order to integrate the protection of ecosystems into its investment activities and to support companies involved in the fight against biodiversity loss.

SHORT-TERM OBJECTIVES (2022 - 2023)

- Sign the Finance for Biodiversity Pledge
- Participate in the Task Force on Nature Related Financial Disclosure (TNFD)
- Integrate biodiversity criteria into internal ESG analysis grids (Moody's ESG and CDP data)
- Publish biodiversity indicators and the limits of the method
- Engage with the 10 worst performers on our biodiversity score
- Engage with the 10 companies representing our largest exposure on our biodiversity score
- Add a commitment to biodiversity in our voting policy

MID-TERM OBJECTIVES (2024 - 2030)

- Link our biodiversity monitoring indicators to the European Taxonomy objective of "Protection and restoration of biodiversity and ecosystems"
- Decrease, through engagement, the share of companies without biodiversity targets
- Increase the share of investments in sectors with a strong positive impact on biodiversity
- Launch a biodiversity thematic fund
- Raise awareness of biodiversity issues among Lazard Frères Gestion teams and clients
- Reflect our commitments in the CSR strategy: reduce avoidable consumption and eliminate single-use plastic

LONG-TERM OBJECTIVES (2030 AND BEYOND)

- Lead all our investments to a Zero Deforestation policy
- Increase the water efficiency of our investments, particularly in water-stressed areas
- Invested companies (for which biodiversity is material) must have a validated biodiversity alignment trajectory
- Provide clients with a range of targeted products to address biodiversity issues

METHODOLOGY USED

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

Economic activities are intrinsically linked to nature, and can negatively impact or be dependent on it. The governance of the company and its practices can exacerbate or alleviate this potential pressure or dependence of the company's activities on its natural environment. The indicator therefore covers three dimensions: Impact, Dependence, Governance.

Impact	Dependence	Governance
Societies' impacts on biodiversity and natural capital.	Corporate dependence on natural capital and ecosystem services to generate revenue.	Corporate practices to preserve natural areas and reduce biodiversity loss.
Assessed throughout the value chain, including supply chain operations and production.		

The assessment of these dimensions is based on established scientific frameworks.

For "Impact," Moody's ESG Solutions framework draws on IPBES, which has identified five main drivers of biodiversity loss: land and sea use change, direct exploitation of organisms, climate change, pollution, and invasion of alien species. For "Dependence," the framework leverages industry models to understand the extent to which a company depends on nature. Finally, the "Governance" dimension measures the level of engagement in conservation initiatives and the extent of companies' efforts to reduce species and biodiversity loss along their value chain.

For example, under the Governance component, to assess a company's leadership on biodiversity engagements and implementation, company actions are compared to best practices defined in international standards and reference texts. These include the United Nations Convention on Biological Diversity (1992) and the United Nations Agenda 21.

The assessment includes the following three equally weighted pillars and indicators:

- **Company leadership:** the comprehensiveness of relevant biodiversity commitments
- **Company implementation of measures to address biodiversity risks:** including processes in place at management and site level, their coverage and the geographic scope of implementation
- **Company performance:** including published key performance indicators (KPIs), stakeholder feedback, and controversy analysis.

These indicators are part of a broader assessment of a company's biodiversity protection, which is based on its publications, responses to Moody's ESG Solutions questionnaires and other publicly available information. A company's biodiversity protection score is the average of its scores in the three pillars and ranges from 0 to 100, with 100 representing the best possible score.

Biodiversity Score			
Assets excluding cash & external UCIs		€32 Bn	
	Biodiversity Score (/100)	Coverage rate	Rate noted
Biodiversity Score Lazard Frères Gestion	55.8	28.9%	24.0%

8 Taking ESG criteria into account in risk management

POLICY FOR INTEGRATING ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

In a world marked by uncertainty, Lazard Frères Gestion wishes to offer its clients conviction-based management with a long-term perspective. Our investment process takes the form of active management and emphasizes a demanding selection of securities to optimize the risk/return ratio, in particular through the consideration of ESG parameters.

Our approach, which take into account sustainability risks and negative impacts on sustainability is based on **5 pillars**:

- ESG analysis
- Integration into management
- Exclusions
- Monitoring of controversies
- Dialogue, voting and engagement

We apply this approach to **three different categories** of mutual funds:

- UCIs that comply with Article 6
- UCIs that comply with Article 8
- UCIs that comply with Article 8 and have the SRI* label

For more information, please refer to our risk integration policy: https://www.lazardfreresgestion.fr/FR/ESG-ISR/Documents_118.html

**Label awarded by the French Ministry of Finance and Public Accounts. For more details on the methodology please refer to the website: www.lelabel.isr.fr.*

9 Continuous improvement plan

This section will be completed before effective date of the applicable provisions of section 29 on January 1, 2023.

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