RISK INTEGRATION POLICY

for sustainability and adverse impacts

Section 3 SFDR

LAZARD
FRERES GESTION

LAST UPDATE - JULY 2021

CONTENTS

Introduction

Regulatory context

The signing of the Paris Agreements in 2015 and the growing importance of environmental, social and governance (ESG) issues made it essential for States and public actors to define a structural framework designed to promote better consideration of risks and associated opportunities. In order to harmonise regulations at European level, the European Commission launched an action plan on sustainable finance in 2018.

As a long-term investor, Lazard Frères Gestion is fully committed to the transition to a greener and more responsible finance.

This document, in accordance with the requirements set out in Article 3 of EU Regulation No. 2019/2088 on the publication of sustainability information in the financial services sector (SFDR - Sustainable Finance Disclosure Regulation) establishes the Lazard Frères Gestion policy for integrating sustainability risks and taking into account the adverse impacts.

For more information, please consult the document "Our ESG Approach" available at http://www.lazardfreresgestion.fr/FR/ESG-ISR_112.html or contact your sales representative.

Definitions

- **What is sustainability risk ?**

Le risque de durabilité est définit dans règlement UE n°2019/2088 sur la publication d'informations en matière de durabilité dans le secteur des services financiers (SFDR) comme « un événement ou une situation dans le domaine environnemental, social ou de la gouvernance qui, s'il survient, pourrait avoir une incidence négative importante, réelle ou potentielle, sur la valeur de l'investissement ».
Pour les entreprises, le risque de durabilité peut prendre différentes formes : destruction de capital physique, risque de réputation, coûts juridiques et réglementaires.

- **What are the adverse impacts relating to sustainability, or PAI (Principal Adverse Impact) ?**

The adverse sustainability impact is the overall adverse effect of investment decisions on the various sustainability factors (environment, society, governance). These elements should be subject to standardised PAI reporting at European level, but the regulatory technical standards (RTS) have not yet been published in their final version.

- **What is double materiality?**

On one hand, the materiality of sustainability riskss concerns fianncial information is of interest to investors to the extent that they can have an impact ont he value of a company. On the otehr hand, the materiality of adverse impacts concerns issues related to sustainability, society and the environment as a whole.

In order not to overlook either of the two aspects, the European Commission has introduced the concept of "double materiality". For example, the Commission points out that extra-financial information can have a financial impact and, on the other hand, that finance can have consequences for the environment and/or society.

- **What is the SFDR classification ?**

The SFDR defines three categories of financial products classified according to their integration of sustainability risks, their consideration of ESG criteria and PAIs :

- So-called "Article 6" products: these are all financial products that are not eligible under Article 8 or Article 9. No consideration of the ESG criteria is required for these products. However, they must meet the duty of transparency on integrating sustainability risks.

- So-called "Article 8" products: these are products that promote environmental or social characteristics.

- So-called "Article 9" products: these are products that aim at sustainable investment, that is, investing in an economic activity contributing to an environmental and/or social objective.

For "Article 8" and "Article 9" products, the transparency and communication requirements are more stringent.

Thus, in the same way as market risk, credit risk or liquidity risk, sustainability risk must be taken into account in the decision-making process when making an investment.

I. Integrating sustainability risks and taking into account the principal adverse impacts in the management of UCIS

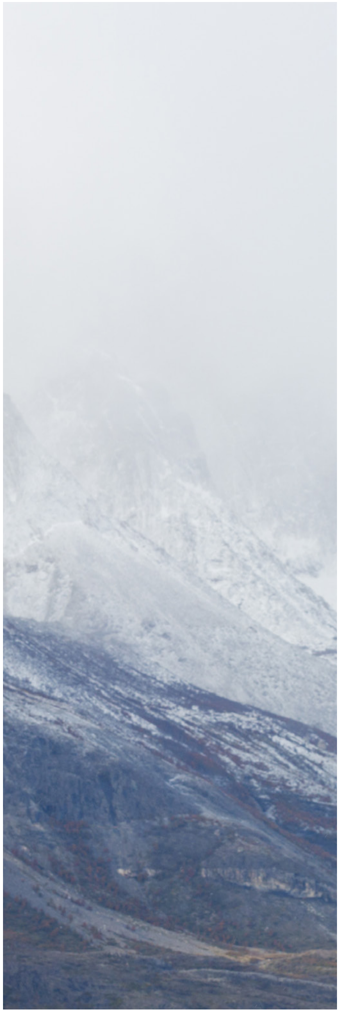
In a world marked by uncertainty, Lazard Frères Gestion wishes to offer its clients a conviction management in a long-term perspective. Our investment process takes the form of active management and puts forward a selection of demanding securities to optimize the risk-return torque, particularly through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

Our approach to addressing sustainability risks and adverse impact on sustainability is based on 5 pillars :

- ESG analysis
- Integration in investments
- Exclusions
- Monitoring of controversies
- Dialogue, voting and engagement

We apply this approach to three different categories of collective investment undertakings :

- Article 6-compliant UCIs
- Article 8-compliant UCIs
- Article 8-compliant, SRI-certified UCIs

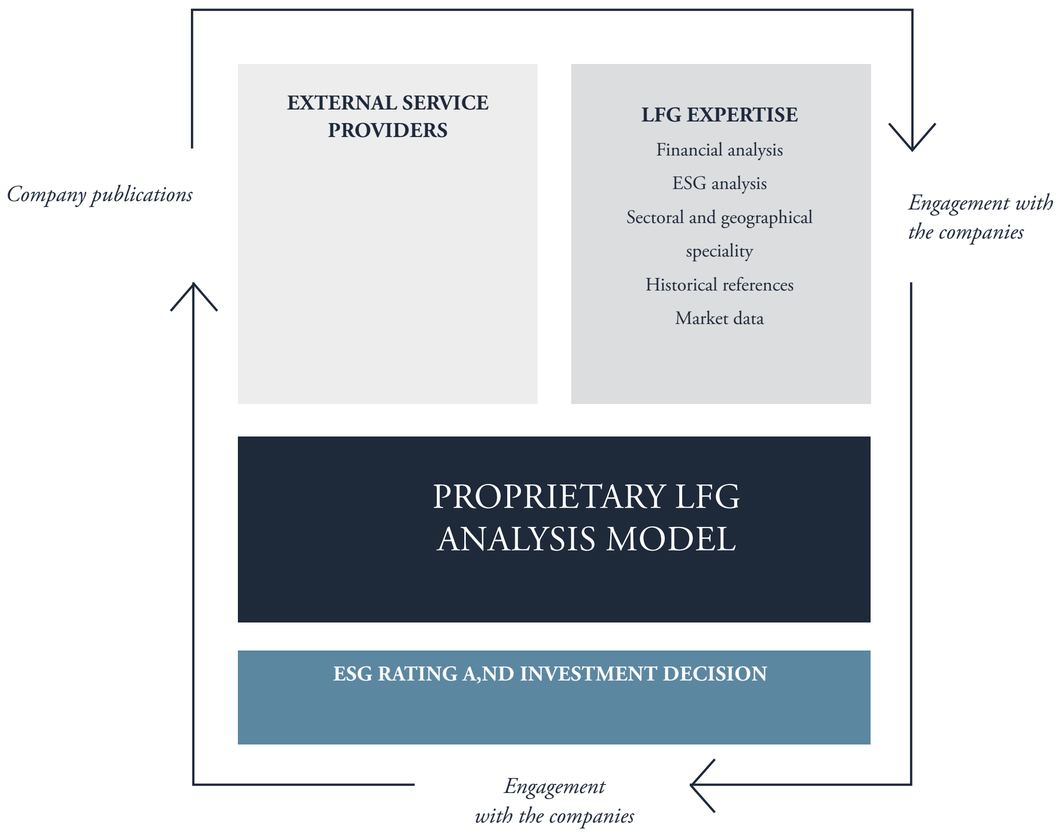


*Awarded by the Ministry for Finances and Public Accounts in France; for more details on the methodology, visit the website: www.lelabel isr.fr.

1

ESG analysis process

Building the ESG analyses involves an in-depth and informed study of the practices of companies and, where appropriate, sovereign issuers. The analyses are carried out directly by our analyst-managers themselves in accordance with our desire to reject a "siloed" ESG approach. To conduct them, we rely on information published by companies or collected through a direct dialogue with management, data from public institutions and NGOs, as well as analysis elements provided by our ESG data providers.



INTERNAL ANALYSIS GRID

The information relating to each company is summarized in an internal grid common to all analyst-managers. Sectoral analysts, responsible for tracking each security, draw up an ESG internal rating based on a quantitative and qualitative approach: for each of the E, S and G pillars, fifteen key indicators are monitored and aggregated in a summary rating.

Each pillar is rated on a scale of 5 and the overall ESG rating for the company synthesises the ratings for each pillar according to the following weightings: 30% each for Environment and Social/Societal and 40% for Governance, which has always been an essential element and therefore warrants a slightly heavier weighting. The overall ESG rating is between 1 and 5 (5 being the best rating).

In total, more than 50 indicators are studied during each analysis. We are aware of the importance of intra-sectoral comparisons and a good understanding of the operational, geographical and regulatory environment in which these companies operate. Consequently, in our analysis methodology, we pay particular attention to the materiality of ESG risks and opportunities. We have to take into account different criteria relating to sectors, countries and specific characteristics in order to adequately report on ESG performance in each company.

Built with the desire to combine granularity and efficiency, this rating allows management teams, among other things, to integrate into their ESG analysis elements that are likely to exert an influence in the future that is underestimated today.

INDICATORS

E Environnemental

CRITERIA

Objective : to value companies that adopt environmentally friendly behaviours, control their polluting emissions, participate in the sustainable management of natural resources and implement energy and environmental innovations.

Domain	Objectives	Criteria
Environmental policy	Development of an environment strategy and management system	Definition and establishment of guiding principles, priorities, appropriate resources, and specific quantifiable targets
	Integration of environmental factors adapted to sector-specific issues	Integration of regulation linked to the sector
Understanding of environmental impacts	Responsible water and waste management	Optimisation of water use, limitation of discharge into the environment
	Control of risks associated with climate change	Limitation of GHG emissions and anticipation of physical consequences linked to climate change
	Preservation of biodiversity	Measurement of the impact of activities on biodiversity and reduced exploitation of sensitive zones, ecosystems, plants and organisms
Environmental impact of the product or service	Environmental innovation	Development of technological innovations, energy efficiency solutions
	Eco-design of products or services	Reduction of impact linked to the manufacture, use and disposal of products or services, development of the circular economy

S Social

CRITERIA

Objective : to value companies that promote the development of human capital by guaranteeing satisfactory working conditions through an appropriate human resources policy, fair remuneration, skills development for employees, the promotion of diversity and gender equality, and good management of the social component in the event of restructuring. And to value companies that promote a responsible customer relationship in the financial services business lines leading to interactions that benefit all stakeholders.

Domain	Objectives	Criteria
Respect for human rights	Prevention of situations of or acts of complicity in human rights violation	Respect for fundamental human rights, elimination of prohibited forms of work, in particular child labour and forced or compulsory labour
	Respect for individuals' right to safety and security	Protection of employees against potential threats, particularly in high-risk locations
	Privacy and data protection	Compliance with regulations regarding personal data protection
Human resource management	Constructive social dialogue	Respect and promotion of freedom of association and the right to collective bargaining
	Training and careers management to promote human development	Employment strategy: training plan, transition of the sector, internal development policy and management of restructuring
	Promotion of diversity	Principle of equal opportunity and equal treatment of persons
	Health, safety and well-being at work	Prevention of accidents in the workplace and occupational diseases and continued improvement in health and safety conditions at work
Value chain management	Responsible management of the supply chain	Elimination of prohibited forms of work at suppliers and subcontractors and sustainable cooperation with suppliers
	Quality, security and traceability of products	Protection and respect for the rights of clients/ consumers : prevention of anti-competitive practices, security, contractual protection and client information

G Gouvernance

CRITERIA

Objective : to value good governance practices, including conflict of interest prevention, fair treatment of shareholders, audits and internal controls.

Domain	Objectives	Criteria
Board of Directors of Supervisory Board	Independence of the Board Competence and diversity of the Board Limitation of total mandates	Board able to control and advise executive directors to ensure balance of powers: • Separation of the positions of Chairman and Chief Executive Officer • Diversity and complementarity of expertise • Significant proportion of independent members allowing objective and impartial control of directors
Quality of management	Quality of the strategy Business ethics Effectiveness of the audit and control mechanisms	Establishment and implementation of a strategy that is coherent with the external environment and internal resources Prevention of all forms of corruption, among private players as well as public officials Internal control systems that can identify and evaluate risks facing the company and guarantee confidence in the independence and objectivity of external auditors
Quality of financial and extra-financial communication	Confidence in forecasts and transparency Accessibility of management	History of profit warnings Publication of quantitative data and qualitative explanations giving a true and fair view of the company's current situation and its prospects with regard to financial and extra-financial issues
Remuneration of directors	Clear formulation of directors' remuneration Transparency with regard to remuneration Consistency with results achieved	Remuneration policy that describes principles and mechanisms, and details the different elements Integration of ESG objectives in the remuneration policy Remuneration in line with the strategy, linked to company performance and changes in the company share price over the long term

CONSIDERATION OF PHYSICAL AND CLIMATE TRANSITION RISKS

The way issuers consider physical risks and transition risks in their growth model is analysed according to the following methodology:

Controversies deemed relevant and particularly severe by the analyst-manager are subject to an in-depth analysis. If deemed necessary, the analyst manager revises the issuer's E, S or G rating based on his analysis of the controversy. In this way, the analyst manager directly incorporates the effects of the controversy on the company's internal ESG rating.

In addition, by evaluating each controversy according to its severity, frequency and the company's responsiveness, Vigeo-Eiris informs the analysts/managers on the capacity of issuers to manage controversies. The data provided is used as a decision-making tool and a basis for alerting investors.

Physical risk assesment

- The assessment examines the level of control of these risks by issuers, and examines whether companies have identified and quantified the climate-related physical risks to which they may be exposed.

- The measures taken to prevent, adapt and mitigate these risks.

- Indicators reflecting the results of these efforts to anticipate and mitigate the consequences that the physical impacts of climate change may have on its activities.

  - Impact on company assets (damage, destruction of buildings or production equipment, early retirement of existing assets, etc.)

  - Supply chain impacts (reduction of availability, increase in costs of raw materials, components or equipment, etc.)

  - Impact costs (insurance costs, investment costs, operating expenses, etc.)

  - The impact on the company's ability to carry out its activities and operations (reduction or disruption of production capacity, impacts on workforce management and planning, etc.)

Transition risk assessment
3 transition risks are identified

- The risk associated with changes in energy prices: this measures the commitments of issuers to reducing their energy consumption and associated emissions, or how companies are changing their energy mix.

- The risk of technological advances:
  - These risks correspond to companies' exposure to obsolescence risks related to lack of technological innovation and the substitution of existing products and services by others whose emissions are lower.

  - This measures the efforts made by companies to develop and market products and services that have a reduced impact on the climate and their implications in R&D activities for environmentally friendly products and services.

- The risk linked to regulatory changes: this amounts to measuring how companies plan for regulatory changes:

  - Carbon footprint/carbon price: a carbon footprint measure makes it possible to assess the sectors and companies that emit the most greenhouse gases and thus which are the most exposed to climate regulations.

  - Stranded asset/depreciation risk: the identification of issuers whose income derives from fossil fuels and those with fossil energy reserves to determine those which are most exposed to the risk of impairment of their assets.

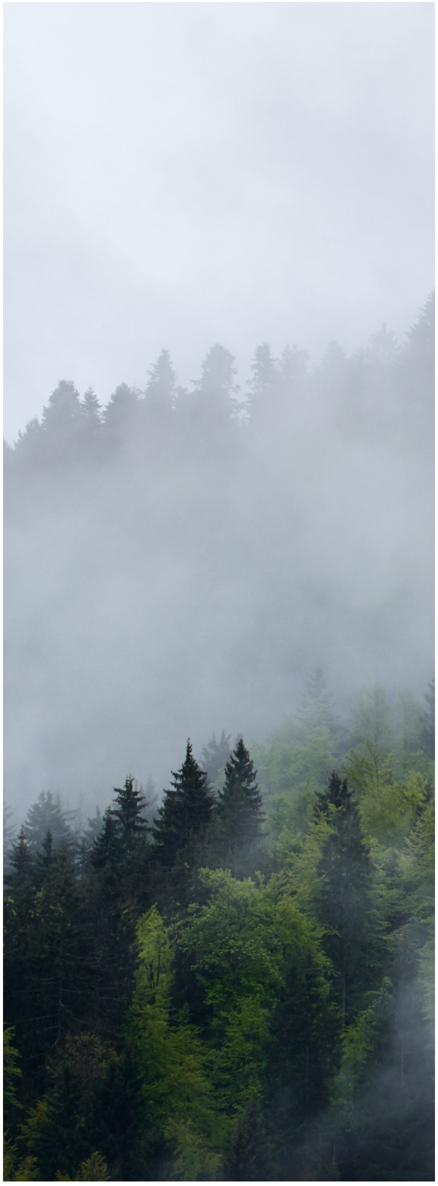
  - Compliance with 2° scenarios: A measure of the level of commitment of issuers to integrating the energy transition in their business model. Assess the level of commitments and efficiency of the measures implemented to reduce GHG emissions, to change their energy mix and reduce their energy consumption.

CONSIDERATION OF MATERIALITY

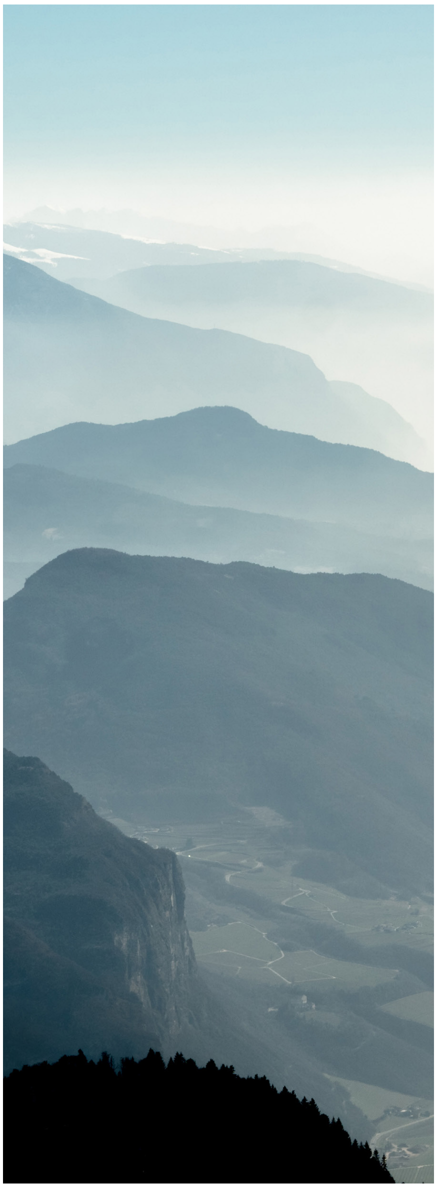
We are aware of the importance of intra-sectoral comparisons and a good understanding of the operational, geographical and regulatory environment in which these companies operate. Consequently, in our analysis methodology, we pay particular attention to the materiality of ESG risks and opportunities. We have to take into account different criteria relating to sectors, countries and specific characteristics in order to adequately report on ESG performance in each company.

To better assess materiality and understand how sustainability factors can affect an issuer's financial performance, Lazard Frères Gestion created a proprietary materiality table in January 2021.

This materiality table serves a dual purpose: firstly, it allows for a transparent formalisation of the way in which analyst-managers select the most relevant indicators for their analysis from the internal ESG analysis grid. Secondly, it serves as a basis for the themes and commitment actions carried out by Lazard Frères Gestion with companies.



CONSIDERATION OF BIODIVERSITY



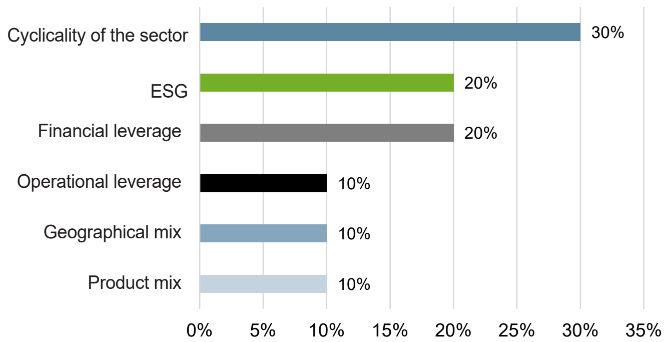
As part of its ESG Approach, Lazard Frères Gestion intends to fully integrate biodiversity into its ESG strategy. The internal materiality grid already allows us to identify sectors particularly exposed to the risk of biodiversity reduction. In addition, biodiversity-related factors are integrated into the analyses of our data provider ESG Vigeo-Eiris for the Pillar E (Environment) rating when considered material.

By the 1st half of 2022, Lazard Frères Gestion pledges to explicitly integrate the risk of biodiversity in accordance with the second phase of entry into force of the SFDR (PAI reporting) and Article 29 of the Climate Energy Act. To this end, our teams remain as up-to-date as possible on the data available on this subject which, in our opinion, suffers in terms of the quantity and quality of the information.

2

Systematic and quantitative into our management

For equity management, our analyst-managers integrate the ESG ratings from the internal analysis grids into the cost of capital of the companies that they follow, by calculating the beta. This calculation gives a measure of all the company's risks. We consider the financial and extra-financial criteria according to the weighting below :



In the case of fixed rate management, bond analyst-managers exclude issuers with low internal ratings (≤ 2/5) from the investment universe. Moreover, for Investment Grade issues, the proportion of issuers rated between 2/5 and 3/5 is limited to 30% of stocks in the portfolio. For High Yield portfolios, more exposed to small issuers, and traditionally less well rated, this share is limited to 50% of the portfolios:

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

The diversified management team defines, depending on the cycle and the markets, tactical allocation and delegates the management of equity and interest pockets to the specialist management teams.

3 Monitoring of controversies

Lazard Frères Gestion ensures continuous monitoring of controversies affecting the companies in its universe, from different sources and external data. Since January 2020, internal monitoring has been enriched by the analysis of ESG controversies, conducted by our partner Vigeo-Eiris.

This analysis provides a view on all events that could affect the reputation of the company, its legal and economic security, and its financial value. It is an important part of the company's ESG risk analysis, and Lazard Frères Gestion's proprietary ESG analysis grid devotes a section to it which influences the internal rating of companies.

Information provided by the media and brokers also constantly alert analyst-managers of possible controversies that could affect companies in their investment universe.

Any controversy that is considered to be relevant and particularly serious by the analyst-manager will be the subject of an in-depth investigation. The analyst-manager will, if they consider it necessary, revise the issuer's E, S or G rating based on their analysis of the controversy. In this way, they integrate the effects of the controversy directly into the internal ESG evaluation of the company stocks.

In addition, by assessing each controversy based on its severity, frequency and responsiveness, Vigeo-Eiris informs analyst-managers about the ability of issuers to manage controversies.

The data provided are used as a tool to aid in decision-making, and a basis for alerts. Companies affected by serious and frequent controversies, and that do not respond to these in an appropriate manner, are placed on a “Warning List”. They are the subject of particular attention from analyst-managers and are preferred targets for carrying out commitment actions.

4 Dialogue, voting and engagement

Lazard Frères Gestion attaches particular importance to meetings with corporate management. The objective is to encourage these companies to continuously and constructively improve all ESG practices: transparency, integration of sustainable development issues, SDGs (Sustainable Development Goals), good governance, etc. During these interviews, analyst-managers discuss a variety of ESG topics with the company's management. On the strength of their expertise, it is the analyst-managers who define the salient points to be addressed at these meetings. The dialogue and engagement actions are monitored through a database containing all the minutes of meetings conducted by analyst-managers. For example, these individual meetings with management are a key moment in the analysis and monitoring process.

Lazard Frères Gestion is also in favour of active shareholding, which enables shareholders to influence the ESG strategies and practices of companies. We apply our own voting policy (available online) when we vote at the General Meetings of the issuers that fall within the defined scope. The number and reason for dissenting votes are recorded in a tool and form an integral part of the annual voting report.

5 Exclusion policy

NORMATIVE EXCLUSIONS

Lazard Frères Gestion complies with regulations in accordance with the Ottawa and Oslo agreements. Thus, for all managed products, we exclude any investment in companies involved in manufacturing or marketing anti-personnel mines, cluster bombs and chemical and biological weapons.

We have entered into a partnership with the ISS-Ethix agency to carry out this monitoring. Based on information provided by our partner ISS- Ethix, an internal list of exclusions is established and tracked by our Risk department.

Beyond compliance with the regulations in force in France (Law no. 2010-819 of 20 July 2010 on the elimination of sub-munition weapons and Law no. 2343-2 of 8 July 1998 on the elimination of anti-personnel mines), we can also apply tailor-made exclusion policies (tobacco, armaments, alcohol, etc.) when requested by clients within our dedicated funds.

SECTORAL EXCLUSIONS

The exit from coal combustion

In 2020 Lazard Frères Gestion defined a thermal coal exclusion strategy that is applied to all the portfolios it manages. Its objective is to fight climate change and reduce human pollution, while taking into account the financial, regulatory, physical and reputational risks related to coal assets in context of the energy transition.

Lazard Frères Gestion therefore excludes any investment in companies for which :

- More than 30% of revenue comes from activities linked to thermal coal,
- More than 30% of the energy mix (per MWh generated) is based on coal,
- Annual production of thermal coal exceeds 20 MT per annum,
- Installed coal-fired capacities exceed 10 GW,
- There are projects under way that relate to the development of thermal coal mines or coal-fired power plants.

Tobacco

The tobacco industry, in particular, is the subject of many ESG controversies relating to child labour in tobacco cultivation, transparency about the composition of tobacco products, and deforestation. In response to these major ESG issues, Lazard Frères Gestion excludes from its investment universe companies for which the manufacture of tobacco or tobacco products is a central activity*.

**Tobacco exclusion : the exclusion policy does not apply to companies that are indirectly involved in the tobacco industry via secondary products and/or services (e.g packaging suppliers, airlines, airport sales services) as their businesses are not exclusively focused on tobacco.*

II. Integrating sustainability risks and taking into account the principal adverse impacts in discretionary management

1 Adaptation to customer preferences

All the management teams at Lazard Frères Gestion share the internal ESG analyses described above and take this into account in the context of their UCI and discretionary management activities.

Currently, Lazard Frères Gestion is still awaiting the publication of regulatory texts defining the way in which the consideration of customers' sustainability preferences will influence the products and services offered today.

2 Discretionary management services offered

As part of its discretionary management activities, Lazard Frères Gestion recognises three management approaches that incorporates ESG criteria at differerent levels :

- Paper securities: we apply to paper securities the same approach that we apply to the management of UCIs.
- Lazard Frères Gestion UCIs: all Lazard Frères Gestion UCIs incorporate extra-financial criteria, including ESG criteria, in their management.
- External UCIs: the extra-financial criteria are taken into account during analysis prior to selection, particularly in the context of due diligence. However, they are not blocking when it comes to the final decision and investment.l'investissement finaux.

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