Sustainability disclosures

Product: Responsible Mandate

a) With no sustainable investment objective

This financial product promotes environmental or social characteristics but does not have a sustainable investment objective.

A minimum of 30% of assets must be invested in sustainable investments as defined by SFDR Article 2(17). This minimum includes all investments having an environmental objective aligned or not with the European Union taxonomy or having a social objective. Some activities may contribute to several objectives.

Sustainable investment as defined by SFDR is based on selecting indicators that make a substantial contribution to one or more environmental or social objectives, it being understood that such investments must do no significant harm to any of these objectives and that the companies in which the investments are made apply good governance practices.

Environmental indicators used are as follows:

- Carbon footprint (PAI 2)
- Carbon intensity (PAI 3)
- Implied temperature rise (ITR)
- Number of low-carbon patents held

Social indicators used are as follows:

- Percentage of women in executive management
- Number of hours of employee training
- Social welfare coverage
- Management diversity policies

Substantial contribution is measured by applying thresholds for each indicator. For example, regarding the ITR threshold, a company must make a contribution to increased temperatures of no more than 2 degrees. The definition of these criteria is subject to an independent verification by the Risks and Compliance department, as overseen by the ESG Risk Committee. A detailed description of the method used to classify an investment as sustainable can be found on the Lazard Frères Gestion website under “Sustainable investment methodology”.

The “Do No Significant Harm” (DNSH) principle is assessed on the basis of the set of PAI indicators listed in table 1 of Annex I of Delegated Regulation (EU) 2022/1288 of 6 April 2022. In the event of insufficient coverage of the investment universe by certain indicators, substitute criteria may be used on an exceptional basis (such as for PAI 12, use of an indicator covering management’s attention to diversity). Such substitution is subject to an independent verification by the Risks and Compliance department, as overseen by the ESG Risk Committee. The substitute indicators are also presented on the Lazard Frères Gestion website under “Sustainable investment methodology”.

Compliance with minimum guarantees in labour rights, human rights (based on the OECD Guidelines for Multinational Enterprises and the UN Principles on Business and Human Rights) and the eight fundamental conventions of the International Labor Organization constitutes an essential criterion for ensuring that companies in which investments are made apply good governance practices.

We therefore verify whether the company applies a due diligence policy in labour rights, based the eight fundamental conventions of the International Labor Organization (PAI 10) as part of our DNSH process. We also ensure that the companies in question apply bonne governance practices by setting a minimum external rating on the Governance pillar.

b) Environmental or social characteristics

In implementing its investment strategy, researching securities and conducting the ESG integration process described below, the portfolio promotes the following environmental characteristics:

Environmental policy:
- Integration by companies of environmental factors suited to their sector, geographical location and any other relevant material factor
- Developing a strategy and an environmental management system
- Developing a climate strategy

Controlling environmental impacts:
- Limitation and adaptation to climate change
- Responsible water and waste management policies
- Preservation of biodiversity

Managing the environmental impact of products and services:
- Eco-design of products and services
- Environmental innovation

The portfolio also promotes the following social characteristics:

Respect for human rights:
- Preventing situations in which human rights are violated
- Respecting the right to personal safety and security
- Respect for privacy and protection of data

Human resources management:
- Constructive labour dialogue
- Training and career management that promotes human development
- Promotion of diversity
- Health, safety and well-being at the workplace

Managing the value chain:
- Responsible supply-chain management
- Product quality, safety and traceability

This product does not use any specific index to determine how aligned it is with the environmental and social characteristics that it promotes.

c) Investment strategy

Binding criteria used in the investment strategy to achieve the environmental and social goals promoted by this product cover, in the case of securities held directly in the portfolio:

- Extra-financial research ratio

The extra-financial research ratio of investments in securities held by the product directly is, depending on its investment categories, greater than:

- 90% for equities issued by large-cap companies headquartered in “developed countries”, investment grade debt securities and money-market instruments, and sovereign debt issued by developed countries;

- 75% for equities issued by large-cap companies headquartered in “emerging market countries”, equities issued by small and mid cap companies, high yield debt securities and money-market instruments, and sovereign debt issued by “emerging market countries”.

These ratios are in terms of percentage of total assets, not counting cash.

- The portfolio’s average ESG rating

The analyst-managers ensure that the portfolio’s average weighted ESG rating is higher than the average of the benchmark universe, based on Moody’s ESG Solutions extra-financial benchmark rating.

The portfolio’s ESG benchmark universe is as follows: 80% Stoxx 600 + 20% S&P 500. This universe reflects the mandate’s allocation, which may include directly held European and US securities.

- The SFDR category of funds held by the portfolio:

The share of non-Article 8 or non-Article 9 (SFDR) funds in the portfolio shall not exceed 20% of net assets.

Moreover, the management company makes the following exclusions prior to investing:

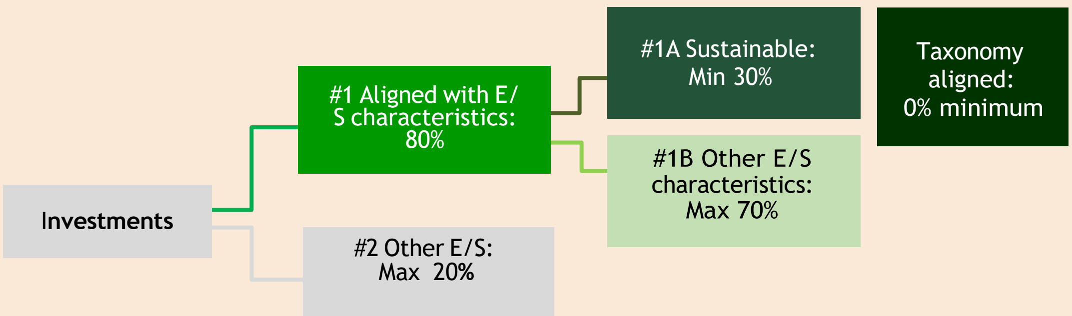
- Norms-based exclusions pertaining to controversial weapons (cluster weapons, antipersonnel mines, and biological and chemical weapons) and violations of the United Nations Global Compact.
- Sector-based exclusions (tobacco and thermal coal).

And, lastly, quality of governance has always been a decisive criterion in our investment policy. As such, the G pillar rating in in-house ESG grids is slightly overweighted at 40% of companies’ overall ESG rating, vs. 30% for the E and S pillars.

As part of their ESG research on companies, the analyst-managers take the following aspects into account:
-the independence, competence and diversity of the board of directors or supervisory board;
-the quality of management;
-the quality of financial and extra-financial disclosures;
-the transparency and consistency of manager remuneration.

Our voting and engagement policies systematically take good governance criteria into account.

d) Proportion of investments



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments

e) Verifications of environmental or social characteristics

1/ Level-1 controls

Like all funds managed by Lazard Frères Gestion, this portfolio is subject to pre-trade controls to ensure that it complies with the norms-based and sector-based exclusions laid out in our ESG policy. The list of excluded issuers is inputted directly by the Risk team into the constraint engine of our management software. From that moment forward, any attempt to buy a stock that is on the exclusion list triggers an alert.

Automatic systematic controls are also conducted at pre- and post-trade stages in Wealth Management's Responsible Mandates:

- Controls of sustainable investment thresholds – SFDR (minimum 30% sustainable investment not counting cash);
- The mandate's ESG rating must be higher than that of its benchmark ESG universe (i.e., 80% STOXX 600 + 20% S&P 500);
- The maximum proportion of non-Article 8 or non-Article 9 (SFDR) funds must not exceed 20% of net assets not counting cash.

2/ Level-2 controls

As part of their controls of ratios, the Risk and Compliance teams ensure on a daily basis that the fund is more than 90% covered by research provided by our external data provider, Moody's ESG Solutions. An escalation procedure has been set up to manage compliance breaches.
Compliance also carries out level-2 controls pertaining to the ESG thematic, based on an annual audit schedule.

In the event of an operational anomaly, the question is placed on the agenda of the monthly meeting of the ESG Risk committee, whose members are the Head of Institutional Management, the COO, the Chief Compliance and Internal Controls Officer, the Chief Risk Manager and operational personnel in charge of level-1 controls.

f) Methodologies applicable to environmental or social characteristics

The degree to which this product aligns with the environmental and social characteristics that it promotes is measured in terms of sustainability indicators at two levels.

At the level of valuation in the in-house research model:
ESG research on directly held securities uses a proprietary model based on an in-house ESG grid. Based on various data provided by our ESG partners (including extra-financial research agencies, external service providers, etc.), companies' annual reports and direct contacts with those companies, the analysts in charge of monitoring each company produce an in-house ESG rating.

This note is based on an approach that is both quantitative (energy intensity, personnel turnover, board independence, etc.) and qualitative (solidity of the environmental policy, employment strategy, board director skillsets, etc.).

Each E, S and G pillar is rated between 1 and 5 based on at least five key relevant indicators for each dimension.

These internal ESG ratings are integrated into valuation models through the beta used to determine weighted average cost of capital (WACC) for equity management and through a process of selecting issuers and determining their weightings in the case of bond management.

At the level of controls of investment strategy elements with an external data provider:
Moreover, to confirm the robustness of the in-house model, the head analyst-managers compare the portfolio's average ESG rating with that of its ESG universe by using ratings from Moody's ESG Solutions.

g) Data sources and processing

We use various data providers as sources for our research.

Moody's ESG Solutions: we have entered into a historic partnership with Moody's ESG Solutions, with an initial contract signed as far back as 2001. Moody's ESG Solutions provides us with information on most companies in our investment universe. It provides a detailed analysis of each company and rates their environmental, social and governance performances. Since 2019, Moody's ESG Solutions has also provided a tool for analysing controversies involving companies in our portfolios.

MSCI: Our partnership with MSCI allows us to assess physical and transition risks. For example, we are able to calculate a portfolio "temperature", i.e., in other words, to assess its capacity to meet the 2°C alignment stipulated in the Paris Agreement. We also use PAI data provided by MSCI as part of our sustainable investment methodology as defined by SFDR.

Trucost: this agency specialises in companies' carbon data that we input into our in-house ESG research grids and our extra-financial performance reports.

ISS Ethix: a research tool for controversial weapons that we use to monitor and exclude from our portfolios those companies that are in direct or indirect violation of the Ottawa Convention of 1997 (on antipersonnel mines) or the Oslo Convention of 2010 (on cluster munitions).

Proxinvest: this French company advises investors on their engagement policies and on exercising voting rights. It analyses resolutions at shareholder meetings that are within our voting perimeter and issues voting recommendations that serve as a decision-making tool for our analyst-managers.

As part of our due diligence, our data providers' offerings are reviewed on a regular basis to be certain that we are receiving the services that are most suited to our investment management. We are in constant dialogue with service providers when we identify an irregularity in the data they provide to us.
We monitor the coverage rate of relevant indicators to ensure adequate consolidation of the data at the level of the funds in question.

Aware of the importance of intra-sector comparisons and proper understanding of the operating, geographical and regulatory environment in which companies operate, we pay special attention in our research methodology to the materiality of risks and ESG opportunities. To adequately reflect each company's ESG performances, data must be considered differently, as a function of its sector, country and even its own idiosyncrasies.
To better assess materiality and understand how sustainability data can affect an issuer's financial performance, in January 2021 Lazard Frères Gestion established a proprietary table of materiality. This table of materiality is used to formalise transparently the way in which analyst-managers select the data most relevant to their research from within an in-house ESG research grid. It also serves as a basis for Lazar Frères Gestion's thematics and engagement with companies.

Moreover, the data provided by external providers are integrated into the calculations of scores, the monitoring of controversies, our engagement policies based on indicators (Paris Agreement, biodiversity), our dialogue, voting and engagement policies, and into our exclusion policies, etc. They are used as a decision-making tool and the basis for alerts.

We also use the Wizzinvest platform to consolidate, enhance transparency, and verify our funds' ESG data.

We prefer the use of reported data for our analyses and calculations. However, some data is not accessible, and data providers create models in order to provide estimated data. At this stage, for example our data pertaining to the European Union's Taxonomy are estimated by MSCI, as companies have not yet reported actual data of their degree of alignment with the European Taxonomy.

h) Limitations of methodologies and data

Lazard Frères Gestion is aware of the limitations involved in the supply of ESG data in our ESG strategies and in particular their potential influence on the degree to which the environmental and social characteristics promoted by our financial products are met.

Data providers' methodologies may contain inherent biases, for example in shedding light on just one dimension of the assessed company and thus degrading data quality. Other limitations are the lack of maturity of certain calculation methodologies, low coverage levels or inaccurate data.
However, such limitations do not restrict the analyst-managers' ability to analyse the environmental and social characteristics promoted by the financial product.

For this purpose, we take a constant improvement approach, in particular in the new strategies of alignment with the Paris Agreement and alignment with long-term biodiversity objectives.

For example, we use the temperature indicator to assess alignment with the Paris Agreement. This is a new indicator, based on a forward-looking research method. However, our integration of ESG principles is not limited to ITR. For, it is important not to evaluate a company's environmental performance solely on the basis of its ITR. A heavy-emitting company may perhaps have a low ITR if it has set ambitious reduction targets. But such targets are not certain to be met and the gap between its performances and its objectives may be visible for several years. That's why our analyst-managers pay special attention to a set of criteria deemed material on the basis of our table of materiality. These criteria can be found in our proprietary ESG grid, which includes more than 20 material indicators and takes principal adverse impacts (PAI) into account.

Likewise, as part of our strategy of alignment with long-term biodiversity objectives, Lazard Frères Gestion has set a series of short-, medium- and long-term objectives to integrate protection of ecosystems into its investment activities and to assist invested companies in combatting the depletion of biodiversity.
As a result, through our transparency and constant-improvement approach, one of our short-term objectives is to report biodiversity indicators and the limitations of the method.

i) Due diligence

More than 90% of the funds' assets, not counting cash, are subject to an ESG evaluation. The in-house evaluation is combined with binding management criteria based on research by external providers.

Lazard Frères Gestion pays close attention to good ESG practices by all financial market actors. Regarding delegated asset management, Lazard Frères Gestion ensures that its partners apply an exacting ESG policy. This policy is assessed through due diligence questionnaires and through our direct contacts with the external companies concerned. However, analysis and integration of ESG criteria, voting and engagement policies and exclusions (excluding norms-based exclusions) come under each delegated management company's own policies.

j) Engagement policy

Engagement is part of the investment strategy of Lazard funds in the portfolio as well as shares held directly.

As part of its active management philosophy, Lazard Frères Gestion urges analyst-managers to conduct dialogue and engagement to promote the implementation of good ESG practices.

We have found that companies make a lasting transformation on their environment and sometimes must address conflicting interests. In so doing, they may face controversies of varying seriousness. In such cases, exclusions apply only to extreme cases. Moreover, we believe that renouncing our shareholder status would give us less influence on the response that companies are able to provide.

We seek above all to promote dialogue with companies through a process of engagement. This process is part of a broader effort to integrate ESG criteria into Lazard Frères Gestion's management practices.

Our engagement approach thus has a dual purpose:

- To fine-tune our research and promote consideration, through the ESG prism, of the risks and opportunities that companies may face;
- To assist companies in constantly improving their sustainable development policies by discussing them with the management teams.

Lazard funds in the portfolio, as well as shares held directly comply with Lazard Frères Gestion's procedures for managing sustainability controversies.

ONGOING MONITORING OF CONTROVERSIES

Lazard Frères Gestion monitors on an ongoing basis controversies involving companies in its investment universe, based on various external sources and data. Since January 2020, this process has been enriched with research on ESG controversies conducted by Moody's ESG Solutions. This analysis makes it possible to grasp any event that may tarnish a company's reputation, its legal and economic security and its financial value. This is an important component of the analysis of the company's ESG risks and the proprietary ESG research grid that Lazard Frères Gestion devotes to it includes a section that influences its in-house rating of companies. Information provide by the media and brokers also provides ongoing alerts to the analyst-managers of controversies that, when they arise, could affect the companies in their investment universe.

SYSTEMATIC INCLUSION IN IN-HOUSE ESG RESEARCH

Controversies that analyst-managers deem relevant and particularly severe are subject to in-depth analysis. If the analyst-managers deem it necessary, they revise the issuer's E, S or G ratings based on their analysis of the controversy. In so doing, they directly integrate the controversy's impact on the in-house ESG evaluation of the company's securities. Moreover, by assessing each controversy based on its severity and frequency, and the company's responsiveness to it, Moody's ESG Solutions informs the analyst-managers of issuers' ability to manage such controversies. The data provided are used as a decision-making tool and a basis for alerts.

i) Designated benchmark

This product does not use any specific index to determine its alignment with the environmental and social characteristics that it promotes.