

Sustainability disclosures – Summary

Product: Responsible Mandate

- **Without a 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).

- **Environmental and 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, control of environmental impacts, managing the environmental impact of products and services, managing social impacts (respect for human rights, human resources management, and managing the value chain).

- **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:

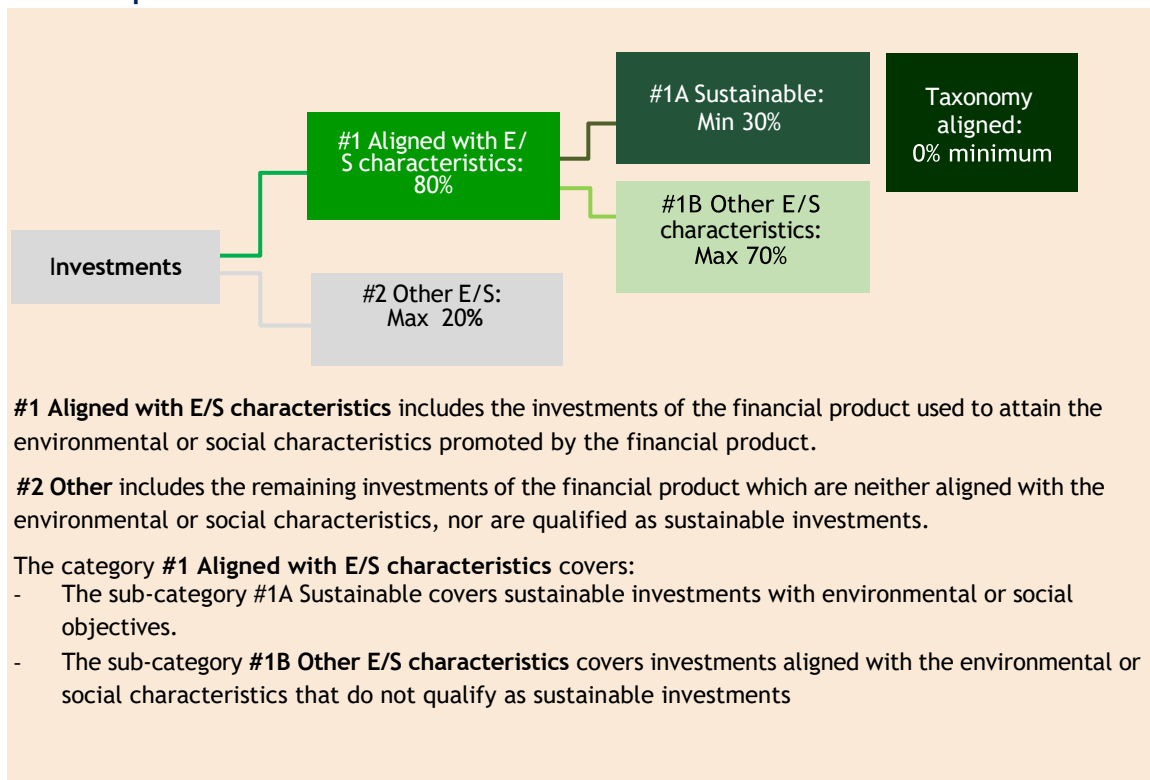
- the extra-financial research ratio, and
- the portfolio's average ESG rating

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.

- **Proportion of investment:**



#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

- **Verifications of environmental and social characteristics:**

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 (level-1 controls). The Risk and Compliance teams also conduct level-2 controls on binding aspects of the investment strategy.

- **Methodologies:**

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 in-house 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.

- **Data sources and processing:**

We use various data providers as sources for our research, including Moody's ESG Solutions, MSCI, Trucost, ISS Ethix, and Proxinvest. 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.

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.

- **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.

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.

- **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.

- **Engagement policy:**

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 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.

- **Benchmark:**

This product does not use any special benchmark in determining its alignment with the environmental and social characteristics that it promotes.