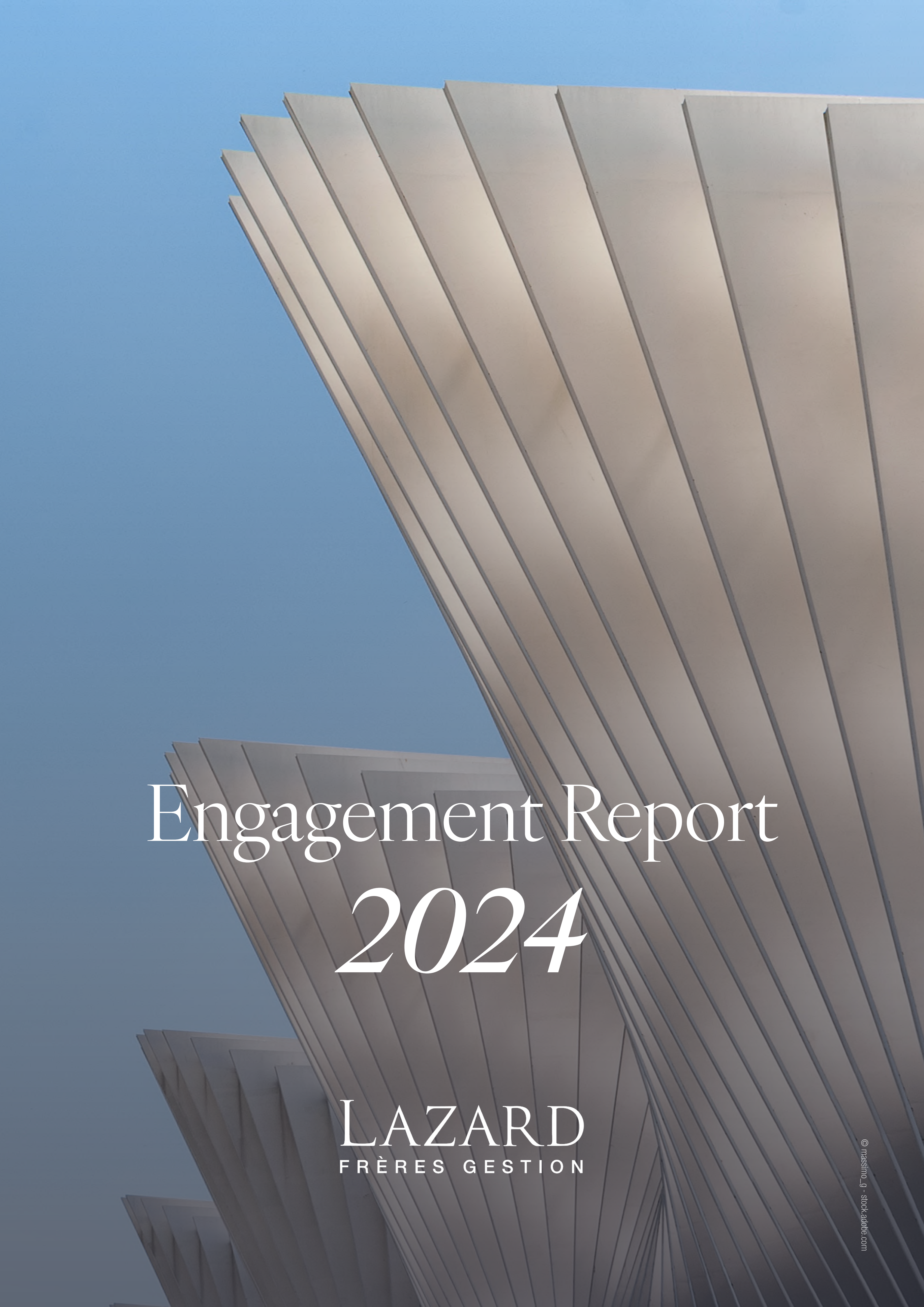

Engagement Report 2024

LAZARD
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Contents

Introduction

Lazard Frères Gestion firmly believes that the consideration of long-term factors by companies is essential for the sustainability of their economic performance. Among these factors, environmental, social, and governance (ESG) criteria receive particular attention from us, as do long-term issues that interest and affect all stakeholders (shareholders, employees, suppliers, and consumers) of these companies.

It is therefore important for Lazard Frères Gestion to encourage companies to integrate ESG issues into their development models. The means to achieve this objective is to exercise our voting rights in accordance with the interests of our clients and to engage with the companies in which we invest.

As part of our active management philosophy, we undertake engagement actions aimed at promoting the implementation of good ESG practices. These engagements can take three forms: collaborative engagements, stakeholder engagements, and individual engagements with companies.

1. Collaborative engagements: collaborative engagement is a joint form of engagement that involves multiple investors. It is characterized by groups of investors working together to exert more influence on one or more companies. By collaborating with other investors and organizations, we strengthen our influence to promote credible and transparent ESG practices within companies.

2. Stakeholder engagements: we maintain an ongoing dialogue with various stakeholders, including regulators, NGOs, data providers, and our peers. This interaction allows us to stay informed about regulatory developments and the challenges faced by these players while actively contributing to the development of ESG standards.

3. Individual engagements with companies

We distinguish two types of individual engagements:

- **Dialogue:** conducted mainly by analyst-managers, dialogue takes the form of an exchange with the company on financial and extra-financial elements. It allows us to express our interest and sensitivity to ESG themes and to monitor over time the evolution of the company's extra-financial performance.

- **In-depth engagement:** this type of engagement may involve concrete requests to companies or more in-depth dialogue where ESG constitutes a significant element. In this case, the objective is to raise the company's awareness on one or more areas for improvement and to incorporate this consideration into the investment decision. These areas are evaluated over time and may lead to an improvement or deterioration of the company's internal rating.

The monitoring of dialogue and engagement actions is carried out through databases that compile all reports of engagements undertaken by ESG specialists and analyst-managers.

As signatories of the PRI (Principles for Responsible Investment), CDP (Carbon Disclosure Project), TCFD (Task Force on Climate-related Financial Disclosures), and TNFD (Taskforce on Nature-related Financial Disclosures), we encourage companies to communicate transparently and ambitiously consider environmental, social, and governance criteria.

Lazard Frères Gestion also supports active shareholding, which allows shareholders to influence the ESG strategies and practices of companies. We apply our own policy when voting at General Meetings of issuers, and the number and reasons for dissenting votes are recorded in a tool and form an integral part of the annual voting report.

1. Principles for Responsible Investment. 2. Carbon Disclosure Project. 3. Task Force on Climate-Related Financial Disclosures. 4. Task Force on Nature-Related Financial Disclosures.

Collaborative engagements

In 2024, Lazard Frères Gestion intensified its individual engagement with the companies in its portfolio while also enhancing its participation in collaborative engagement initiatives in partnership with other investors. These collaborations with other market participants are of paramount importance as they allow for the pooling of efforts and increase the impact of the actions taken.

For the third time, Lazard Frères Gestion participated in the Non-Disclosure Campaign organized by the Carbon Disclosure Project (CDP). This initiative encourages companies to complete CDP questionnaires regarding climate change, forest management, and water preservation.

These questionnaires provide investors with standardized data that facilitate the comparison of companies' environmental performance, particularly concerning their carbon footprint.

In 2024, we took on the role of "Lead"* in engagement efforts with 41 companies.

However, we observed a decline in responses from the companies approached. This trend can be attributed to several factors. On one hand, many companies had to allocate significant resources to the preparation and submission of their first CSRD (Corporate Sustainability Reporting Directive) report. On the other hand, the CDP (Carbon Disclosure Project) questionnaire, while voluntary, is perceived as particularly lengthy and overlapping with the information required under the CSRD. As a result, companies likely prioritized compliance with regulatory requirements over voluntary participation in the CDP.

Results of our engagements as "Lead":

	Number of companies	Survey answers	No answer
Climate Disclosure Project - Lead	41	6	35
Climate	22	5	17
Water	20	2	18
Forest	10	1	9

* Being "Lead" means being the investor responsible for encouraging and guiding a targeted company to meet the CDP questionnaire.

Engagements with the stakeholders

Engagement with the SBTi

The Science Based Targets initiative (SBTi) is an organization that aims to establish decarbonization trajectories based on scientific assumptions for various sectors of the economy. By developing voluntary standards, tools, and guidance, SBTi helps these actors set greenhouse gas (GHG) emission reduction targets in line with the requirements needed to limit global warming to non-catastrophic levels and achieve the Net Zero goal by 2050 at the latest.

In July 2024, SBTi launched a public consultation as part of the development of the FINZ (Financial Institutions Net-Zero) standard, seeking feedback on several critical aspects. Topics under review included the clarity of the standard, the approach to identifying, measuring, and reporting portfolio emissions, as well as how the standard can facilitate engagement and identify areas for improvement among issuers.

Our response to this consultation highlighted several key points to enhance the effectiveness and credibility of the proposed analytical framework.

We emphasized the importance of having reliable data providers and ensuring the quality of the data used. It is also crucial to clearly articulate the differences between terms such as “Paris Agreement-aligned”, “Net Zero”, and the 1.5°C target, which are often used by financial actors, in order to maintain the credibility of the framework.

More broadly, we stressed the need for greater precision to avoid divergent interpretations and to ensure that reported scopes are comprehensive, thereby preventing financial institutions from excluding high-climate-impact activities from their commitments.

Finally, we recommended that activities with a significant climate impact should not be subject to less stringent requirements than low-impact activities when science supports stricter measures and viable alternative technologies are available.

Engagement with the University of Geneva

As part of our ongoing commitment to human rights and social responsibility, in August 2024, we responded to an invitation from the University of Geneva to participate, as industry experts, in a research study on finance and human rights. This study aimed to explore how financial institutions in Europe address and integrate human rights into their practices and strategies.

We contributed our expertise and shared our perspectives on the efforts undertaken by financial institutions to respect and promote human rights.

Our involvement in this study reflects our commitment to supporting responsible and ethical financial practices, ensuring that operations and investments align with international human rights standards.

Engagement with our supplier for extra-financial data

Lazard Frères Gestion conducts annual reviews of its ESG data providers. We may also reach out to them on an ad hoc basis if we identify an area for improvement or a particular need.

As part of our 2024 engagement campaign, we engaged with one of our ESG data providers, MSCI, to address a gap in information related to several themes.

Among the topics discussed were alignment with the European Taxonomy, employee turnover rate, employee training hours, and the gender diversity rate of executive management. We identified these gaps during our analysis and took the initiative to search for this data in publicly available documents on the company's website.

We subsequently provided this information to MSCI, which updated its database to include the missing data. This action not only helped complete MSCI's data but also improved the transparency and reliability of the ratings assigned to these companies.

We also engaged in discussions with several issuers for whom MSCI assigned two distinct ESG ratings based on the legal entity considered. These issuers are legally owned by a holding company (Holdco), whose main activity is to hold and manage stakes in various businesses. The commercial and operational activities, on the other hand, are conducted by the operating companies (Opco), which publish the reports that ESG data providers use for their analyses.

We sought to understand why some issuers displayed significant discrepancies between the ESG ratings of the Holdco and the Opco, even though the data used for the ESG analysis came from the reports published by the Opco. The provider explained that these rating differences were mainly due to the country of domicile of the Holdco and the Opco, which leads to different sectoral comparisons. Additionally, since the Holdco are publicly listed, unlike the Opco, this also influences the ratings.

These engagements demonstrate our commitment to actively contribute to the improvement of the quality of available ESG data, and to better understand the ratings assigned by ESG data providers. By doing so, we enhance the accuracy of the ESG evaluation of companies and support better decision-making for sustainable investments.

Participation as an active member of the Association Française de Gestion (AFG) (French Association of Asset Management)

As a responsible and committed asset management company, Lazard Frères Gestion is deeply invested in its active role within the financial community. As a member of the board of the Responsible Investment Commission (bureau de la Commission d'Investissement Responsable), Lazard Frères Gestion significantly contributes to discussions and initiatives aimed at promoting sustainable investment practices.

In 2024, our commitment was demonstrated through our participation in three working groups established by the AFG.

Working Group on the Just Transition

Lazard Frères Gestion had the honor of chairing the working group on Just Transition, a topic of central importance to us, alongside the development of our own transition plan analysis model. We are deeply convinced that the environmental transition must incorporate social dimensions to ensure its successful implementation and to prevent any stakeholder from being adversely affected.

During the working sessions, we worked to develop a common position with other asset management companies participating in the working group. This collective effort resulted in the creation of a Just Transition guide (guide de la Transition Juste) designed for investors.

This guide is structured into several sections: the history and definition of Just Transition, relationships and implications for stakeholders, references to Just Transition in regulations and international frameworks, and finally, the integration of Just Transition by investors through analysis, engagement, and voting.

This experience has allowed us to further strengthen our expertise while actively contributing to the development of a reference framework for the future of responsible investment.

Working Group on the Transition Plans Operationalization

Similarly, Lazard Frères Gestion also participated in the working group on the operationalization of transition plans.

Thanks to the expertise of our ESG specialists, we were able to provide valuable contributions to the development of the analysis of transition plans. This working group notably helped clarify methodologies and develop practical tools for evaluating and monitoring companies' progress in their transition towards more sustainable economic models.

This collaboration has reinforced our commitment to integrating transition criteria into our investment processes.

Working Group on Biodiversity

Lazard Frères Gestion contributed to the working group on biodiversity.

The objective set by its members was to draft a guide enabling asset management companies to develop a material and measurable approach to this increasingly important topic, which is attracting growing interest from both regulators and investors.

Biodiversity is a multifaceted concept with numerous levers for action. The discussions focused on the financial definition of natural capital and on issues that may be specific to biodiversity or interconnected with climate and local populations.

This professional guide is structured into five parts: the definition of biodiversity from the perspective of asset managers, the identification of priority issues for companies within a portfolio, the measurement of risks and opportunities associated with biodiversity, and the development of investment products dedicated to the theme of biodiversity.

Lazard Frères Gestion contributed to this collaborative effort by bringing its experience, expertise, and convictions. Better integration of biodiversity issues by investors will encourage all stakeholders to implement virtuous practices that enable the preservation and restoration of our ecosystems.

For more information, you can click here.

Individual engagements

Equity Management

A. Overview of our engagement activity

1. Engagement framework

Lazard Frères Gestion stands out for its conviction-based management, which relies on frequent meetings between our analyst-managers and ESG Equity specialists with publicly listed companies.

Our team, consisting of 15 analyst-managers and 3 ESG specialists, conducted over 606 meetings with company management in 2024.

	Number of meetings	Number of engagements	O/w ESG dialogues	O/w in-depth engagements
Total	606	332	85	247

	Engagements with Small Cap companies (<€2bn)	Engagements with Mid and Large Cap companies (>€2bn)
Total	61	271

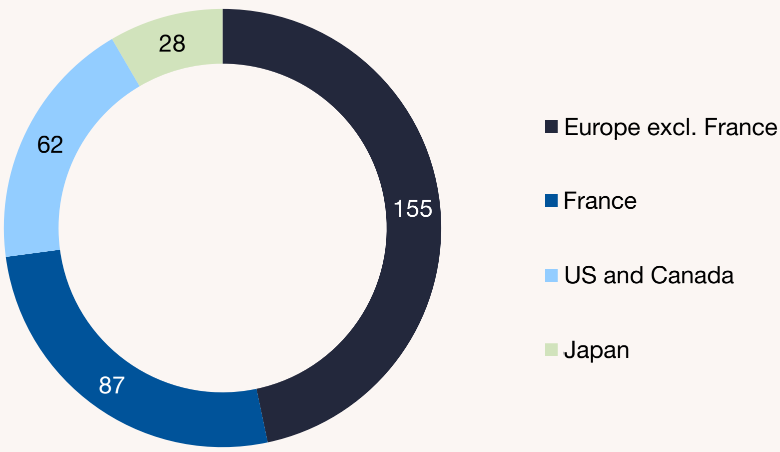
These meetings provide a unique opportunity to encourage a company to improve its practices or to obtain targeted responses on specific ESG issues.

The impact of Lazard Frères Gestion is particularly significant because our analyst-managers interact directly with company executives. This direct engagement facilitates the implementation of changes and allows for quicker resolution of any blocking points.

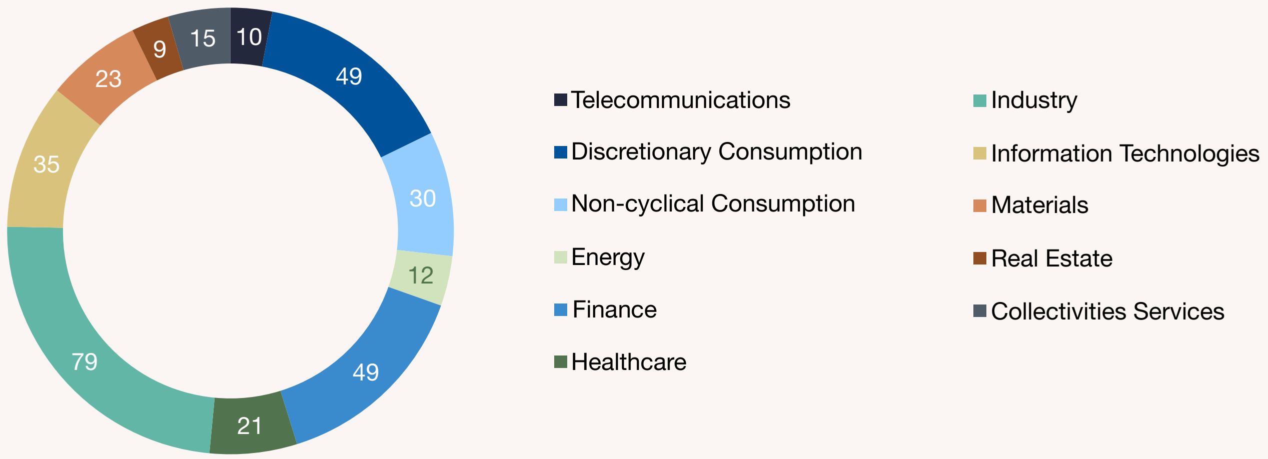
2. Targeted actions

In 2024, 276 companies have been the subject of dialogue or in-depth engagement on topics relative to the environment, social practices, or governance and extra-financial transparency.

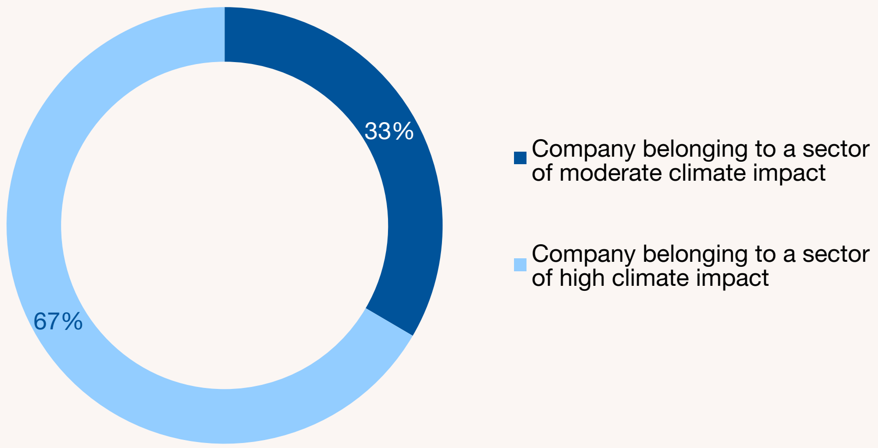
Geographical breakdown of engagements



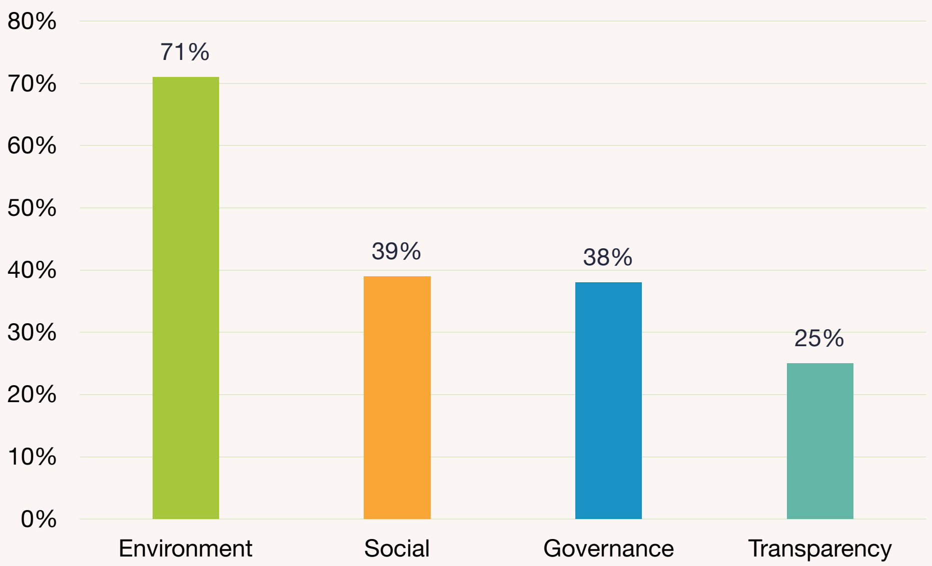
Breakdown of engagements by sector



Breakdown of Companies based on the climate impact of their sector (NACE)



*Commitments breakdown by theme**



* During an engagement, several themes may be addressed simultaneously, which explains why the percentages do not add up to 100%.

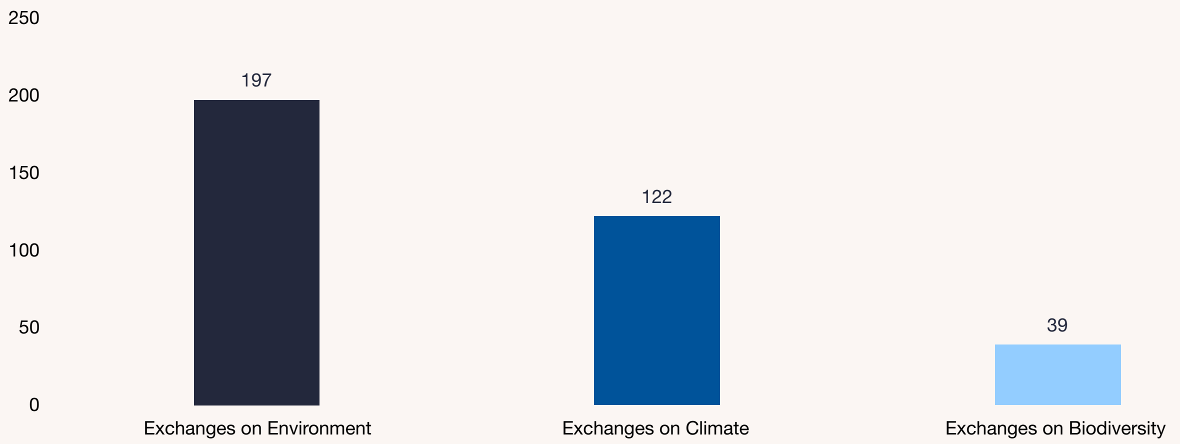
Encouraging companies to adopt sustainable environmental practices and to align with the European Green Taxonomy

During our 2024 engagement campaign, we engaged with 197 companies on topics relative to their environmental practices.

CLIMATE AND BIODIVERSITY

During our engagements relative to the environmental pillar, we addressed Climate issues in 62 % of cases and Biodiversity issues with approximately 1 in 5 companies.

We discussed with these companies the alignment of their strategies with the Paris Agreement, the measurement of their impact on Biodiversity, and the development of their Biodiversity policies, particularly in line with our engagements under Article 29 of French law “Energie Climat”.



When our engagements did not address climate and biodiversity topics, they focused on waste management, particularly recycling, the circular economy, or the reduction of water usage.

Aligning with the European Green Taxonomy

As part of the management of our Article 9 fund Lazard Green Capital, we select companies that provide solutions with a positive environmental impact and strong alignment with the European Taxonomy.

We initiated a dialogue with all 36 companies in our portfolio. Our approach particularly emphasized the alignment of their activities with the European Taxonomy, encouraging them to improve their practices and assessing their ability to produce the necessary reporting.

We also urged these companies to increase the proportion of their aligned activities. Discussions with each of these companies covered topics such as climate, energy transition, and the management of environmental issues within their value chain.

In total, engagements related to the European Green Taxonomy accounted for 39 interactions.

We also conducted 10 collaborative engagements focused on the Environmental pillar. More details on these engagements can be found in the “Collaborative Engagements” section.

In total, 226 engagements were related to environmental topics.

Promoting Responsible Human Capital Management and Respect for Social Rights

We engaged with 119 companies on social topics.

For the vast majority of these, the focus was on missing social data (such as employee turnover, training, gender diversity, etc.) or specific requests related to their human capital management, Just Transition practices, and respect for human rights.

This year, we prioritized themes such as diversity in recruitment and promotion processes, gender parity at all levels of the organization, fluctuations in employee turnover rates, workforce training, employee benefits, and the prevention of negative externalities from company products on their consumers.

In total, these efforts accounted for 128 engagements.

HUMAN CAPITAL

As part of the management of our Article 9 fund Lazard Human Capital, where we select companies that are leaders in human capital management, we engaged with 40 companies in the portfolio.

With each of these companies, sometimes on multiple occasions, we discussed topics such as employee training, gender diversity in senior management, broader diversity within the workforce, employee turnover rates, and social benefits.

In total, engagements related to human capital accounted for 46 interactions.

Promoting sound governance and support companies before and after General Meetings

A total of 114 companies were contacted regarding governance matters by the Equity team at Lazard Frères Gestion. Discussions covered topics such as the agenda of General Meetings, Say on Climate initiatives, shareholder-proposed resolutions, anti-corruption and anti-money laundering measures, the separation of CEO and Chairman roles, the independence and gender diversity rate of the Board of Directors, as well as the remuneration of executives and members of the Executive Committee.

In total, these efforts accounted for 126 engagements.

PRE AND POST GENERAL MEETINGS DIALOGUES

We engaged with 20 companies either before ou after their General Meetings to make informed voting decisions or, in some cases, to explain to the company the reason for a “against” vote. More details on this can be found in our 2024 Voting Report.

Optimizing interactions with extra-financial data providers for accurate ESG assessments reflecting actual practices

The Equity team at Lazard Frères Gestion engaged with 77 companies to raise awareness about communication with external extra-financial data providers.

The primary objective of these engagements was to ensure that external ESG ratings more accurately reflect the actual practices of the companies. In many cases, these ratings are negatively impacted by a lack of information provided to the data providers, who often assign low scores by default.

In total, these efforts accounted for 82 engagements.

3. Engagements results

The engagement process holds significant importance at Lazard Frères Gestion.

Indeed, analyst-managers, whose extra-financial analysis is refined with the technical support and expertise of ESG specialists, can upgrade or downgrade a company's internal rating following a meeting.

Companies with a score of 1/5 on any of the three pillars (E, S, or G) are excluded from Equity investments. Our escalation process based on internal ratings includes a step of in-depth engagement with the company once this threshold is reached. More information on this can be found in our Engagement Policy.

As a result, a stock may be sold following an engagement that proves disappointing. Conversely, if an engagement is successful, an improvement in the rating may lead to removal from the exclusion list, the purchase of a stock, or an increase in its portfolio weighting.

In managing the Lazard Human Capital fund, we engaged with several portfolio companies to address gaps in information on various topics. Simultaneously, we consulted our data provider, MSCI, to better understand these deficiencies and reintegrate the data when provided by the companies or available on their websites. These efforts led to improvements in the internal Human Capital rating used for this fund for certain stocks.

Similar initiatives were also undertaken in managing the Lazard Green Capital fund. These led to the decision not to invest in certain stocks due to insufficient available data.

In 2024, 18 engagements resulted in the improvement of an internal rating and/or were followed by a management action:

Internal ESG ratings improvements/Human Capital	6
Sale following an engagement	3
Non-investment following an engagement	9

B. Examples of our engagement actions

ENGAGEMENT ON THE ENVIRONMENTAL PILLAR

Name	BMW
Sector	Automotive
Head office	Germany
Market Cap	Large Caps
Themes	Product contribution to climate change mitigation Climate Transition Just Transition

As part of our engagement with BMW, we discussed several aspects of their ESG strategy, particularly regarding transparency and carbon footprint reduction. The company has already published a transition plan in compliance with CSRD requirements but still needs to adapt it to incorporate best practices.

In terms of carbon footprint reduction, the company limits the use of offsets to only 10% of emissions. However, the group's visibility on reducing scope 3 emissions beyond 10 years remains limited due to uncertainty about future demand. Alignment with the taxonomy is increasing, although the sourcing, such as that for batteries, is not accounted for in CAPEX.

BMW has achieved a reduction of more than 20% in its CO2 emissions compared to set targets, mainly thanks to its electric vehicle offerings, which cover 90% of its markets. The CO2 footprint of vehicles and the materials used for batteries are published transparently. The company uses green steel and aluminum from Canadian and Swedish suppliers, aiming to use one-third low-carbon steel.

LFP batteries, which do not use cobalt and are safer, will equip electric vehicles starting in 2025. The company is also committed to not engaging in deep-sea mining for manganese, cobalt, and lithium.

Regarding Just Transition, the company began this process 10 years ago, which limits the impact on employees. For example, a plant is set to achieve 100% electric production by 2026, with electric motors manufactured in Austria. Some employees have been relocated or retrained.

Name	L.D.C.
Sector	Food Industry
Head office	France
Market Cap	Small Caps
Themes	12 CONSOMMATION ET PRODUCTION RESPONSABLES; 13 MESURES RELATIVES À LA LUTTE CONTRE LES CHANGEMENTS CLIMATIQUES; Climate and Biodiversity Strategy

We discussed the climate strategy published in 2024 by L.D.C. The strategy includes both mitigation and adaptation to climate change, considering GHG emissions as well as water usage.

The company aims to reduce GHG emissions across all scopes by 40% by 2035, in line with CSRD requirements. The physical risk analysis aims to ensure the company's resilience and performance, which is crucial given its heavy reliance on agriculture, a sector particularly affected by climate change.

L.D.C. has been investing for several years in poultry houses that reduce energy consumption by 50% through insulation and low-energy equipment. The composting of effluents reduces CO_2 emissions by 30%, and vegetated and wooded areas protect animals during the summer. The company also uses a specialized tool to calculate GHG emissions from farmers and adjusts its requirements based on the sites.

Regarding transition risk, the company plans to publish a Climate Transition analysis in 2025, including the impact of a carbon tax. Discussions are ongoing at the executive committee level to consider SBTi certification with the ambition to limit warming to 1.5°C.

For biodiversity, specific action plans are implemented at sites where biodiversity is critical. The company also aims to reduce water consumption by 20 to 30%, subject to necessary permissions.

The company's governance is trained on climate and biodiversity issues, with a climate day in 2023 and a biodiversity day in 2024. A green capex unit has been established to define an internal carbon price and calculate a carbon ROI for new projects presented.

Name	Enel
Sector	Energy
Head office	Italy
Market Cap	Large Caps
Themes	Just Transition

As part of our engagement with Enel, we discussed their just transition strategy related to their coal phase-out.

Currently, the company holds 4.6 GW of coal capacity, representing 3% of their revenue. The company plans to completely exit coal by 2027, replacing the remaining plants with renewable energy sources.

The company is firmly committed to ensuring a just transition for all employees of the coal plants. A budget of €1.8 billion has been allocated to facilitate professional transitions, ensuring that no one is left behind.

Thus, 80% of the employees will be retrained to work in renewable energy or network operations, providing sustainable employment opportunities aligned with the energy transition.

Additionally, Enel is taking steps to address raw material supply issues and comply with human rights standards, while selectively investing in regions with favorable regulatory environments.

These actions demonstrate the company's commitment to integrating responsible and ethical practices throughout its value chain.

ENGAGEMENT ON THE GOVERNANCE PILLAR, BEFORE A GENERAL MEETING

Name	TotalEnergies
Sector	Energy
Head office	France
Market Cap	Large Caps
Themes	16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES — Pre-General Meeting dialogue on the company's governance

Following our participation in TotalEnergies' governance roadshow ahead of their General Meeting, we discussed several key points regarding the company's governance.

The first resolution concerned the renewal of the CEO's mandate. After multiple discussions with the company's investor relations team, it became clear that the CEO had not participated in the Board vote that decided not to include an external resolution proposed by a group of shareholders on the agenda of the 2022 General Meeting.

We therefore decided to vote in favor of his renewal, considering that a vote against would likely result in the end of his tenure as CEO—a scenario that would not be in the social interest of the group nor in the interest of its shareholders, given the major disruption this would cause.

However, we chose to vote against the renewal of the lead independent director. We had hoped for greater involvement on his part in improving dialogue between the company and its shareholders. He unanimously supported the Board's decision not to include the external consultative resolution on the agenda, which ultimately jeopardizes the CEO's mandate.

Shareholder democracy is perceived as a weak point for the company, with General Meetings proving to be contentious year after year. The lead independent director has been on the Board for three years and has served as lead director for one year.

The explanations provided by the company during the phone discussion about the process that led the Board to select him as lead director were limited. Furthermore, it is difficult to demonstrate that he represents a genuine counterbalance in the group's governance.

Fixed Income Management

A. Overview of our engagement activity

1. Engagement framework

Within our Fixed Income management, engagements are led directly by ESG specialists. These engagements fall entirely under the category of "in-depth engagements" and take the form of discussions dedicated to ESG topics.

It is worth noting that an increasing number of issuers are integrating ESG and financial issues by addressing them at the highest levels.

Our contacts are more and more frequently members of the Executive Committee, and sometimes the Chief Executive Officer directly.

Engagement priorities are determined to address strategic objectives, meet the targets outlined in our climate and biodiversity policies, and ensure compliance with European, French, and other specific regulations where applicable.

Our team consists of two ESG specialists supported by 15 analyst-managers; they conducted 176 engagements with 165 issuers in 2024.

Contacted companies	Number of engagements	Discussions
165	176	70

We prioritize engagements in the form of direct discussions with issuers, which allow to delve deeper into key topics, communicate our expectations, and understand the challenges and limitations in implementing measures deemed beneficial.

Between 2023 and 2024, we doubled the number of such discussions, increasing from 36 to 70.

Fixed Income management is organized around four strategic divisions: High Yield, Investment Grade, Financial Debts, and SSA (Sovereighs, supranationals, and agencies).

Our engagement activities and prioritized themes are tailored to the specific ESG characteristics of each division.

Number of engagements	High Yield	Investment Grade	Financial Debts	SSA
176	81	24	63	8
100%	46%	12%	38%	4%

HIGH YIELD

We carried out 81 engagement actions with 78 High Yield issuers. Within this strategy, we focused our efforts on the following themes: the integration of environmental and social criteria into executive compensation; the composition and independence of boards of directors; and the implementation of quantified and time-bound environmental and social strategies. The High Yield management pillar accounted for the majority of our engagements. This is due to the need to obtain more data directly from issuers to compensate for the lack of transparency observed by ESG data providers.

INVESTMENT GRADE

We carried out 24 engagement actions with 22 Investment Grade issuers. In 2024, considering that these issuers' maturity permits them to adhere to high standards, we chose ambitious environmental themes by discussing their decarbonization strategies, biodiversity, and the quality of reporting of their Green, Sustainability-linked and Blue bonds.

FINANCIAL DEBTS

We carried out 63 engagement actions with 58 financial debts issuers. We engaged with 34 of these issuers through calls, meetings, and conferences dedicated to ESG. Our engagement themes for these issuers, which have very specific characteristics, included: reporting of Scope 3 Category 15 emissions according to the PCAF methodology, which corresponds to emissions associated with financed projects; decarbonization strategy through participation in industry initiatives such as the Net Zero Banking Alliance; strengthening of audit policies and internal control functions; financial inclusion of vulnerable populations.

SOVEREIGNS, SUPRANATIONALS AND AGENCIES (SSA)

We conducted 8 engagement actions with 8 SSA issuers. Investing in these issuers exclusively through green bonds, our strategy was to encourage them to adopt market best practices, namely: earmarking financing for specific projects and the measures taken to minimize the negative externalities of their activities.

2. Les actions ciblées

We strive to maintain continuity in our engagements with issuers present in our portfolios. This practice allows us to engage over different timeframes and discuss the progressive achievement of set objectives.

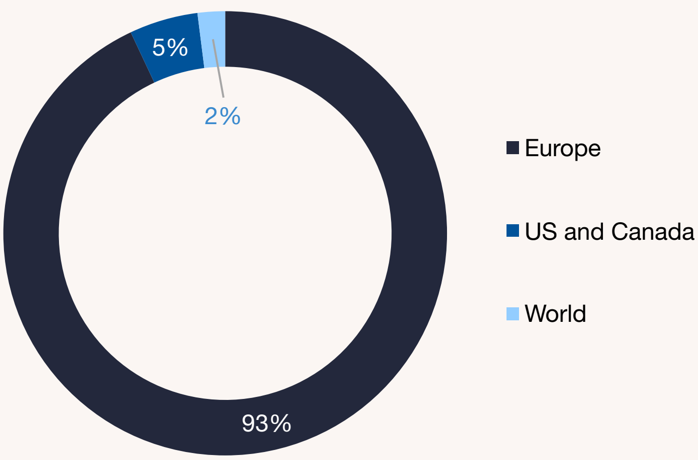
In 2024, we observed that 70% of the companies engaged had been subject to engagement in the past. We believe that this in-depth monitoring of the evolution of best practices enhances the impact of our actions and the credibility of our engagement efforts.

Regarding the thematic distribution of our engagements, we addressed environmental issues in 93% of cases, social issues in 60% of cases, and governance issues in 61% of cases. We place significant importance on the transparency of information and its effective communication, which was a topic of discussion in nearly half of our engagements.

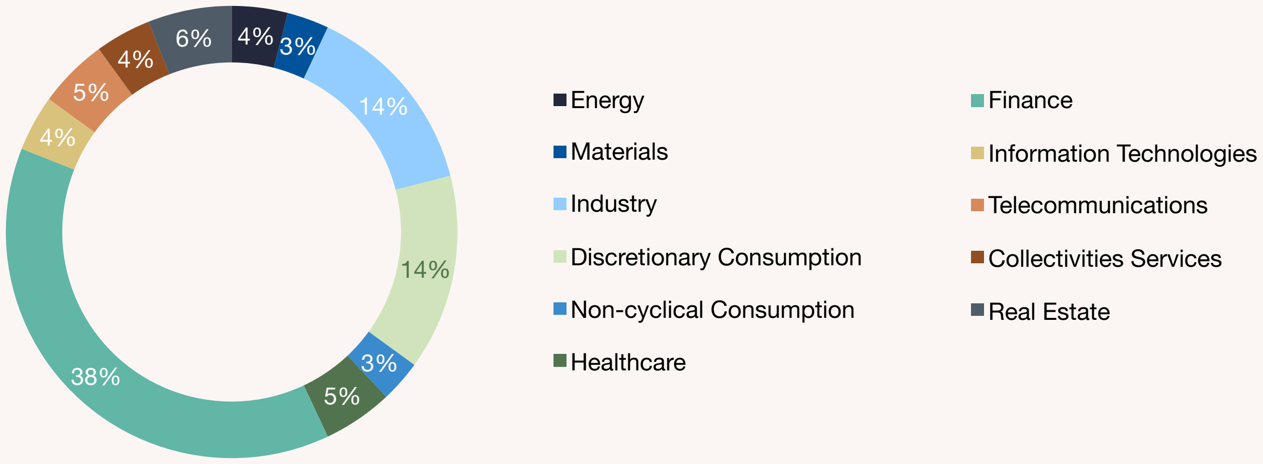
Sector-wise, we have substantial holdings in our subordinated financial debts strategy and are overweight in this sector for our overall strategy. Consequently, issuers in these sectors received particular attention, representing 38% of our total engagements.

Our portfolios are almost exclusively invested in European issuers. Accordingly, our engagements have proportionally targeted issuers from this geographical area.

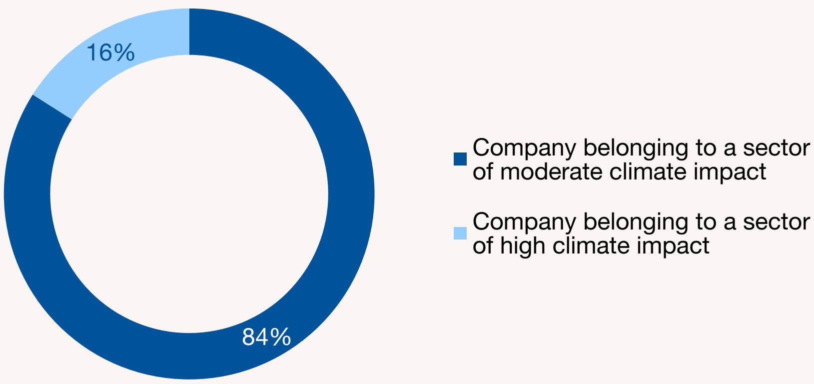
Breakdown of engagements by geography



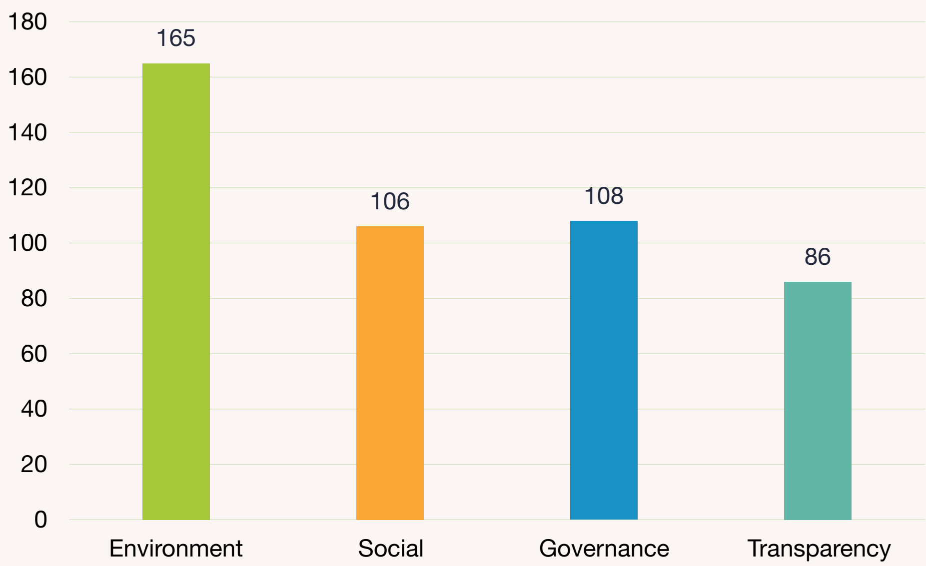
Breakdown of engagements by sector



Breakdown of companies based on their sector's climate impact



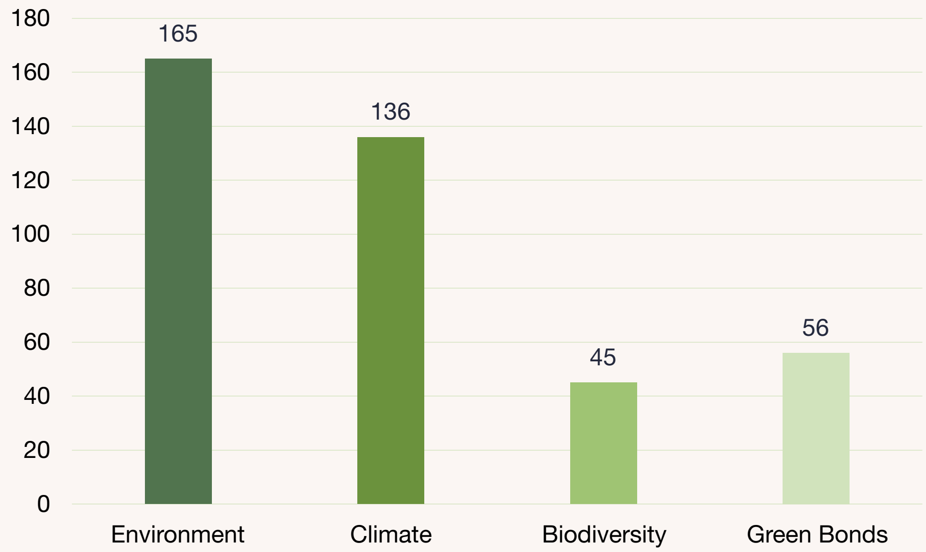
*Commitments breakdown by theme**



* During an engagement, several themes may be addressed simultaneously, which explains why the percentages do not add up to 100%.

Aligning issuers' strategies with the Paris Agreement and biodiversity preservation

We carried out 165 engagement actions with 154 issuers regarding their environmental policies.



We primarily focused on topics related to the climate impact of issuers and their carbon emission reduction strategies. Our discussions addressed the implementation of scope 3 emission reduction targets, participation in sectoral initiatives such as the Net Zero Banking Alliance, and engagement with the Science Based Targets initiative to define emission reduction pathways.

Particular attention was given to issuers' measurement of their biodiversity impact and the development of related policies, especially in the context of our short-term commitments linked to the application of Article 29.

We are strongly committed to raising awareness among issuers for whom biodiversity is a material issue, encouraging them to integrate it into their strategy by considering European reporting frameworks and the conclusions of the COP conferences.

More broadly, we engaged with companies on the alignment of their strategies with the Paris Agreement, the identification of physical and transition risks, the environmental impact of their value chains, the development of sector-specific financing policies, and the implementation of coherent, quantified, and time-bound environmental policies.

Additionally, we carried out 29 collaborative engagements focusing on the Environmental pillar. More details about these engagements can be found in the "Collaborative Engagements" section.

GREEN BONDS

We paid particular attention to green bonds, delving into this topic with 54 issuers during our discussions. We engaged with both issuers who have already issued such bonds and those who are potential issuers.

Our objective is to share best practices observed in the market, such as developing a specific allocation and impact report for each bond, providing detailed reports that allow investors to appreciate the beneficial impact of their investments, and ensuring compliance with Taxonomy criteria.

We also consulted issuers regarding the potential issuance of European green bonds in accordance with the new EU Green Bond Standards (EU GBS). The majority of issuers expressed their intention to consider issuing a green bond under the EU GBS format, while noting that they preferred to observe the market's reaction to such issuances before committing.

Furthermore, we engaged with certain issuers when our internal analysis of green bods revealed significant deviations from market best practices. These discussions aim to encourage issuers to align their issuances with the highest standards.

In 2024, we participated in the inaugural issuance of a Blue Bond, a bond whose funds are allocated to water-related projects. This opportunity allowed us to enhance our expertise in this type of issuance and engage in an in-depth dialogue with the issuer.

We questioned the issuer on the additionality of this bond, highlighting that the issuance framework permitted the acquisition of capital from other companies, which we consider to have low additionality. The issuer assured us that the funds raised would primarily be allocated to Capex to support recent contract signings and renewals with municipalities.

We also discussed the analysis of physical and transition risks, which we consider particularly relevant for this issuer. The issuer informed us that an in-depth study aimed at identifying and mapping these risks was underway, with results expected in 2025. Finally, we addressed other areas for improvement identified during our ESG analysis of the issuer and communicated our recommendations to them.

Promoting ambitious social policies and reinforcing issuers positive impact on their stakeholders.

During the 2024 engagement campaign, we conducted actions with 100 issuers to discuss their social practices and their impacts on all stakeholders. Our discussions aimed to promote measurable social policies, focusing particularly on well-being, inclusivity, and just transition.

We placed significant emphasis on topics related to talent attraction and management, considering this aspect critical for the effective operation and valuation of the company. This included monitoring employee turnover rates, retention policies, employee satisfaction and engagement, as well as access to tailored training programs to develop their skills. Employee health and safety were also central to our discussions, with particular attention given to mental health, product safety, Environment, Health, and Safety (EHS), and cybersecurity.

Diversity and inclusion formed another key focus of our engagements. We addressed policies aimed at combating discrimination, gender pay gaps, and the representation of women within organizations. We also stressed the importance of communicating about these initiatives and measuring progress.

In addition, we discussed the social impact of the products and services offered by companies to their customers and society. This included topics such as accessibility, availability, and affordability of products, particularly in critical sectors like pharmaceuticals.

Social relations and dialogue with internal stakeholders were also discussed. We emphasized the importance of collective bargaining, unions, and social dialogue to ensure a fair and inclusive work environment. Simultaneously, we addressed supply chain-related issues and human rights concerns, including child labor and adherence to the principles of the United Nations Global Compact (UNGC).

Specifically for financial debt issuers, we underscored the importance of financial inclusion, encouraging companies to expand access to financial products, insurance, and services for underserved communities across all geographic areas where they operate.

Helping issuers build robust, independent, and sustainable governance structures

During our 2024 commitment campaign, the Fixed Income team at Lazard Frères Gestion engaged with 102 issuers on governance-related topics.

Discussions often focused on the composition and independence of boards of directors. We encouraged companies to increase the number of board members independent of management, to appoint an independent chairperson to ensure effective oversight, and to improve the representation of women on boards.

We also addressed additional levers to strengthen the integration of ESG within the governance frameworks of issuers:

- The Role of ESG Oversight Bodies: we evaluated the role of governance bodies responsible for ESG topics (such as sustainability committees or CSR teams) in the overall corporate strategy. Specifically, we assessed whether ESG issues are overseen at the board level or remain confined to lower levels without meaningful influence on strategic decisions. We emphasized the importance of transparency regarding their meetings and processes, as well as the need for periodic evaluations of their performance and effectiveness to ensure continuous improvement.
- Integration of ESG Criteria into Compensation Policies: we emphasized the importance of integrating ESG criteria into both short-term and long-term compensation plans. Ambitious and measurable objectives should be set, with a significant percentage of remuneration tied to these criteria. Additionally, we encouraged transparent disclosure of the objectives established ex-ante and the results achieved ex-post to ensure accountability and enhance the credibility of compensation practices.

Finally, we highlighted the necessity of improving audits and internal controls to ensure effective oversight of risks and compliance with laws, regulations, and internal policies. These measures also aim to prevent potential controversies and mitigate reputational and financial risks for the company.

Signifying the importance of accurate ESG data to reflect real-life practices

The Fixed Income team at Lazard Frères Gestion engaged with 80 issuers to emphasize the importance of communication with extra-financial data providers, particularly encouraging them to anticipate and prepare for the implementation of the CSRD.

This initiative aims to improve the accuracy of external ESG ratings so that they accurately reflect companies' practices. A lack of transparency or insufficient information communicated to data providers can result in unfavorable default ratings. In this context, we encouraged companies to formalize long-term CSR strategies by setting ambitious, credible, and measurable objectives.

To support these efforts, we urged issuers to adopt internationally recognized reporting frameworks, such as the TCFD, SASB, or the emerging TNFD framework.

Additionally, we raise our transparency requirements for High Yield issuers each year. As a result, we strongly encourage them to adopt sectoral best practices recognized in the market.

3. Engagements results

The engagement process holds significant importance at Lazard Frères Gestion. Analyst-managers, whose extra-financial analysis is refined with the technical support and expertise of ESG specialists, can upgrade or downgrade a company's internal rating following an engagement.

For example, as part of our escalation process, an in-depth engagement step is initiated with a company as soon as the score for any of the E, S, or G pillars is 1/5 or if the overall ESG score is 2/5 or lower. More information on this can be found in our Engagement Policy.

As a result, a stock may be sold if an engagement proves disappointing. Conversely, if an engagement is successful, an improved rating may lead to removal from the exclusion list or the purchase of a stock.

In 2024, 169 engagements resulted in the improvement or degradation of an internal rating or led to a new rating:

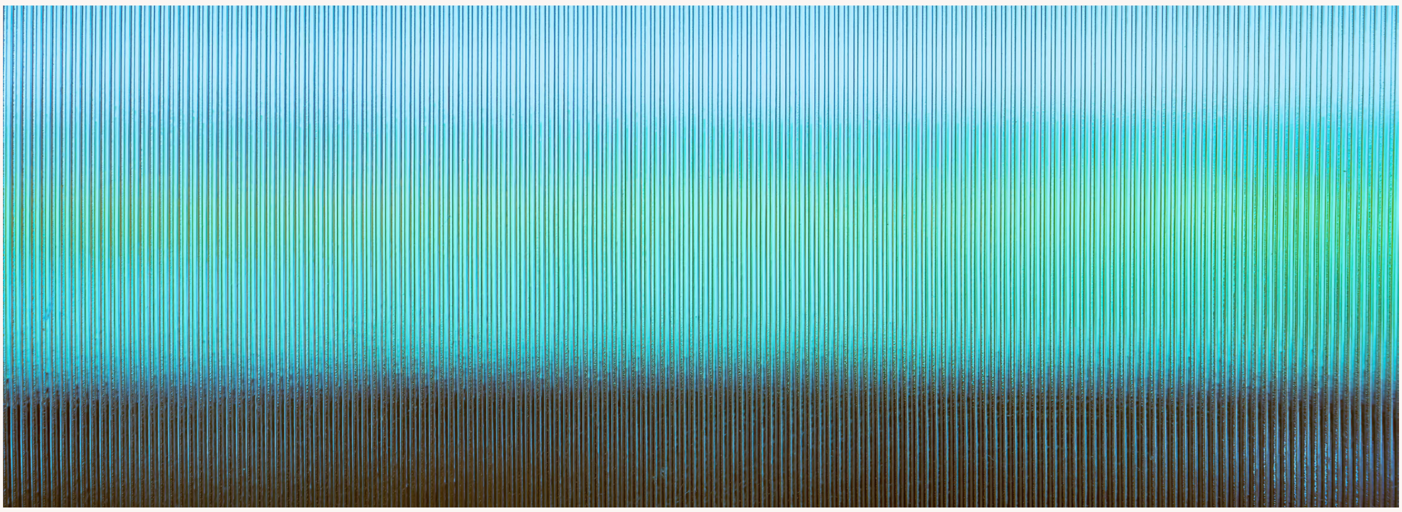
Improvement of internal ESG ratings	39
Continuation of internal ESG ratings	83
Downgrade of internal ESG ratings	31
New ESG ratings	16

The overall impression from this engagement campaign is as follows:

We observe a steady improvement in practices and enhanced communication from issuers, regardless of their size. However, our expectations continue to grow over time, and we anticipate seeing tangible improvements before making significant adjustments to ratings. This explains why we maintain a large number of ESG ratings.

- Many issuers have informed us that certain practices are already in place but suffer from poor communication, which is often perceived as a lack of transparency.

- Issuers are setting increasingly precise extra-financial objectives and are actively participating in a growing number of industry initiatives.



B. Examples of our engagement activities

EXAMPLE OF ENGAGEMENT WITH A FINANCIAL DEBTS ISSUER

Name	Deutsche Bank
Sector	Bank
Head office	Europe
Market Cap	Financial Debts
Themes	

As part of our long-term engagement strategy, we initiated our first dialogue with Deutsche Bank in 2021.

Our objective was to gain a better understanding of the ESG strategy implemented in 2019 and to encourage improved communication with ESG rating agencies. We also sought to clarify the issuer's commitment to the Net Zero Banking Alliance (NZBA) and requested the publication of carbon data for Scope 3, Category 15 (emissions linked to investments) following the PCAF methodology.

In 2022, as part of our controversy monitoring process, we aimed to understand the causes of and mitigation measures implemented to prevent the recurrence of a controversy involving its asset management subsidiary. We also took the opportunity to discuss the handling of legacy instruments to ensure sound governance and fair treatment of investors across all asset classes.

In 2023, we deepened our engagement with the issuer by sharing areas for improvement in their ESG strategy, identified through our analysis of industry best practices. Our recommendations focused on the following points:

- Strengthening of audit and internal control functions
- Enhancement of client protection mechanisms and clarification of the distribution of responsibilities among stakeholders
- Transparency of extra-financial criteria in managers remunerations
- Multifactorial evaluation of the environmental and social impact of investments

In 2024, as part of the preparation of the issuer's CSRD report, we were invited to collaborate on the double materiality analysis, recognizing the quality of our ESG discussions.

During this collaboration, we reiterated the critical importance of internal controls and audits, as well as the financing of the transition.

Maintaining long-term engagement with issuers allows us to strengthen our influence, be recognized as trusted investors, and effectively support the issuer in its transition toward more sustainable practices.

EXAMPLE OF ENGAGEMENT WITH A HIGH YIELD ISSUER

Name	Teva Pharmaceutical
Sector	Healthcare
Head office	Middle East
Market Cap	High Yield
Themes	

Since 2022, we have been closely monitoring Teva Pharmaceutical. We initiated engagement with the company after identifying an underperformance in its ESG rating. We explained the impact of a low ESG score on our investment policy and our objective to support higher-performing companies. Several questions were raised to clarify significant ESG issues.

This initial engagement was followed by an in-depth meeting with the issuer, which allowed us to better understand its ESG strategy and identify its shortcomings. Following this meeting, we shared a detailed report outlining 25 areas for improvement across environmental, social, governance, and transparency domains. These recommendations were based on a thorough analysis of industry best practices and included concrete suggestions for alignment.

The following year, the issuer became involved in several social controversies and legal actions. In 2023, we conducted a follow-up review to assess these controversies as part of our controversy monitoring process. The mitigation measures implemented by the issuer met our expectations and those of other stakeholders, effectively reducing negative externalities and preventing recurrence. As a result, we decided to retain the issuer in our portfolio.

In 2024, we assessed the implementation of our recommendations following the publication of the 2023 Sustainability Report. An in-depth analysis revealed significant progress in several areas, including:

- Enhanced communication of data related to the generation, reduction, and management of waste, particularly hazardous waste. This is a critical aspect in mitigating antimicrobial resistance, which is exacerbated by the release of pharmaceutical products into the environment.

- Improvements in accessibility, availability, and affordability of products through better demand planning and reductions in stockouts and shortages. The issuer has also begun disclosing key data, such as price variations for certain products in the United States. This progress is particularly relevant given the controversies the issuer has faced on this issue in recent years.

- An increase in the proportion of the workforce covered by an externally certified Environmental, Health, and Safety Management System (EHSMS).

- Identification and mapping of areas and sites at risk of water stress.

Overall, the issuer has achieved 7 of the 25 recommended improvements and is actively working on 10 others. We continue to closely monitor this issuer and have already initiated new discussions for 2025 to share additional recommendations on more than 15 material issues.

EXAMPLE OF ENGAGEMENT WITH AN INVESTMENT GRADE STRATEGY

Name	Telefonica
Sector	Telecommunications
Head office	Europe
Market Cap	Investment Grade
Themes	

In 2023, we met with Telefonica to discuss updates to its ESG strategy. Our objective was to understand how the new targets were developed, ensuring they were quantified, time-bound, sufficiently ambitious, and aligned with the 1.5°C climate trajectory validated by the SBTi.

We also questioned the issuer on the integration of Scope 3 emissions into its targets. Telefonica informed us that it is working on establishing a reliable and robust methodology to estimate Scope 3 emissions. Additionally, we sought to understand how the issuer manages data and cybersecurity risks, as well as how it audits its supply chain.

Furthermore, we addressed the Principal Adverse Impacts (PAIs) that prevented the issuer from being considered sustainable according to our internal methodology. Following this discussion, Telefonica contacted its data provider to correct inaccurate information.

Finally, we used this meeting to discuss the European Taxonomy and the potential inclusion of telecom activities. The issuer informed us that it is collaborating with other industry players to advocate for the inclusion of these activities in the regulatory framework.

In 2024, during a conference dedicated to ESG topics, we reconnected with the issuer.

This time, discussions centered on financing its transition and updating the green bond issuance framework to include new activities. We also addressed a recent minor controversy related to tax payments by its subsidiaries in Latin America.

A few weeks later, the issuer reached out to us to seek our expectations regarding the reporting of green bonds issued. We encouraged the company to enhance transparency in the allocation of funds raised for each bond issued.

This ongoing engagement demonstrates our commitment to working closely with the issuer to ensure a rigorous and transparent ESG strategy aligned with market best practices.

EXAMPLE OF ENGAGEMENT WITH AN SSA ISSUER

Name	Île-de-France region
Sector	Transportation
Head office	Europe
Market Cap	SSA
Themes	9 INDUSTRIE, INNOVATION ET INFRASTRUCTURE; 11 VILLES ET COMMUNAUTÉS DURABLES; 12 CONSOMMATION ET PRODUCTION RESPONSABLES; 13 MESURES RELATIVES À LA LUTTE CONTRE LES CHANGEMENTS CLIMATIQUES; 16 PAIX, JUSTICE ET INSTITUTIONS EFFICACES; 17 PARTENARIATS POUR LA RÉALISATION DES OBJECTIFS

In 2024, following the launch of the Global Bond Opportunities fund, which invests exclusively in sovereign, supranational, or quasi-sovereign issuers, we initiated an engagement to better understand the positive impact of the financed projects.

We had the opportunity to meet with the Ile-de-France region during an ESG conference dedicated to SSA issuers. During this meeting, we aimed to deepen our understanding of its issuance schedule and encouraged it to update its sustainable bond issuance framework, which is no longer aligned with current best practices.

We questioned the issuer on the relevance of issuing green bonds, given that 95% of the projects it finances are eligible for this format. The issuer indicated that it was considering the possibility of issuing green bonds to succeed the existing sustainable bonds, noting that this work was still ongoing. The issuer wants to wait and see if these bonds could be issued under the European Green Bond Standards (EU GBS) format.

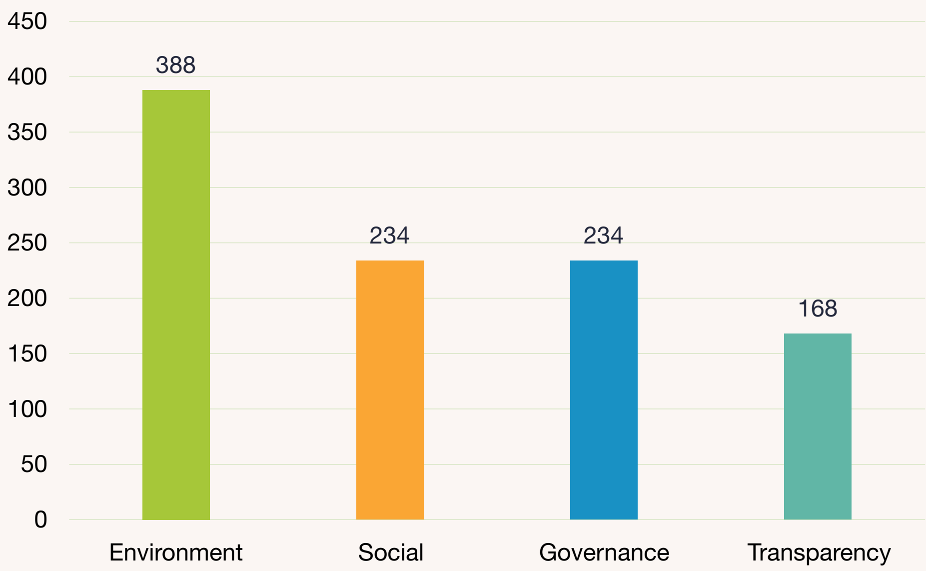
The financed projects mainly involve investments in mobility infrastructure, such as funding for metro or RER lines, as well as the renovation of buildings, particularly high schools.

We emphasized to the issuer the paramount importance we place on the good governance of its structure and its budgetary balance, which is necessary to ensure the sustainability of its investments.

Global statistics

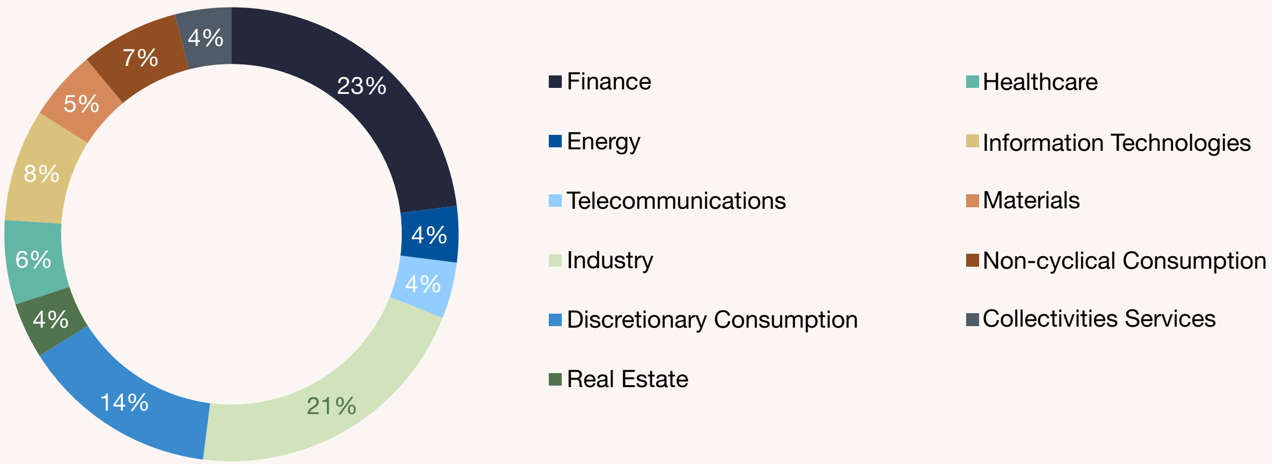
Lazard Frères Gestion carried out 508 engagement actions with 441 companies in 2024.

*Breakdown of engagements by theme**



* During an engagement, several themes may be addressed simultaneously, which explains why the percentages do not add up to 100%.

Breakdown of engagements by sector



Portfolio statistics

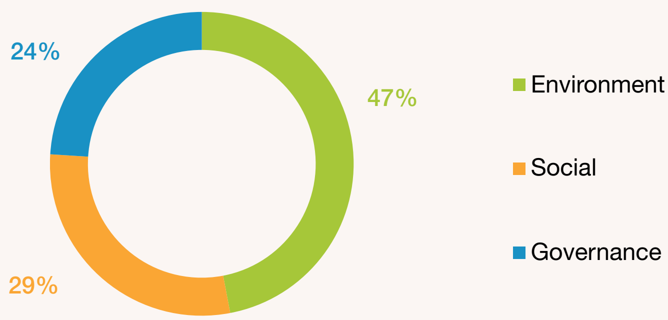
Equity Management

Lazard Alpha Euro

Below are the statistics obtained on a portfolio of 39 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	89	29	81%
Engagements	59	38	100%
O/w in-depth engagement	44	37	97%
O/w ESG dialogues	15	11	25%

Breakdown of engagements by theme

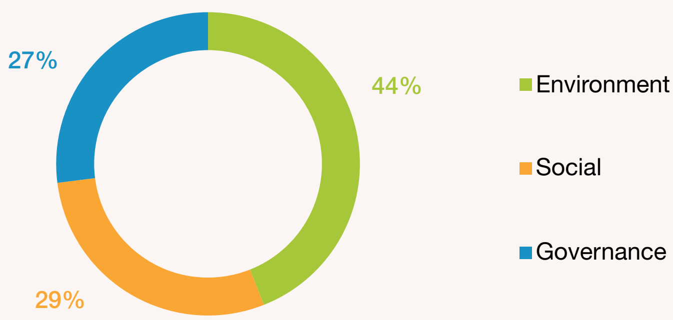


Lazard Equity SRI

Below are the statistics obtained on a portfolio of 43 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	94	33	79%
Engagements	61	43	100%
O/w in-depth engagement	49	42	100%
O/w ESG dialogues	12	8	17%

Breakdown of engagements by theme

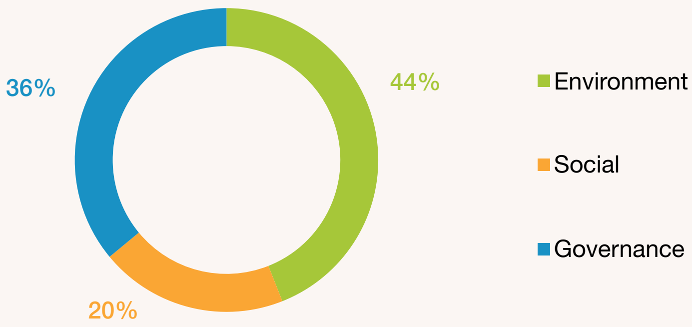


Norden SRI

Below are the statistics obtained on a portfolio of 31 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	38	20	71%
Engagements	38	31	100%
O/w in-depth engagement	28	25	85%
O/w ESG dialogues	10	9	26%

Breakdown of engagements by theme

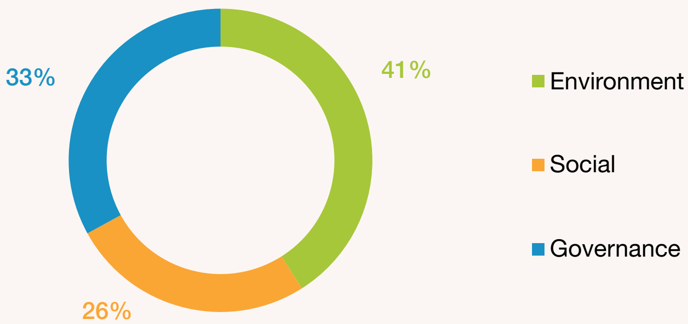


Lazard Dividend

Below are the statistics obtained on a portfolio of 40 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	44	24	62%
Engagements	46	40	100%
O/w in-depth engagement	40	37	95%
O/w ESG dialogues	6	5	9%

Breakdown of engagements by theme

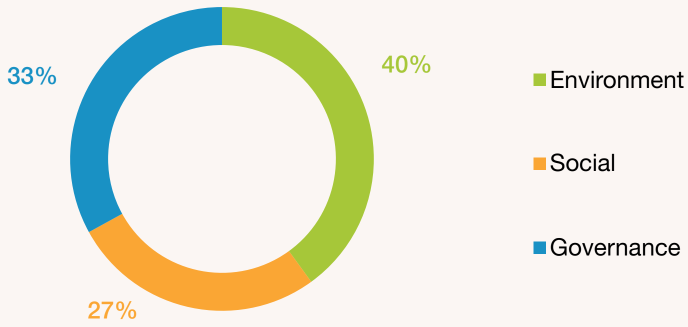


Lazard Small Caps Euro

Below are the statistics obtained on a portfolio of 40 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	80	33	88%
Engagements	29	17	45%
O/w in-depth engagement	18	13	38%
O/w ESG dialogues	11	10	24%

Breakdown of engagements by theme

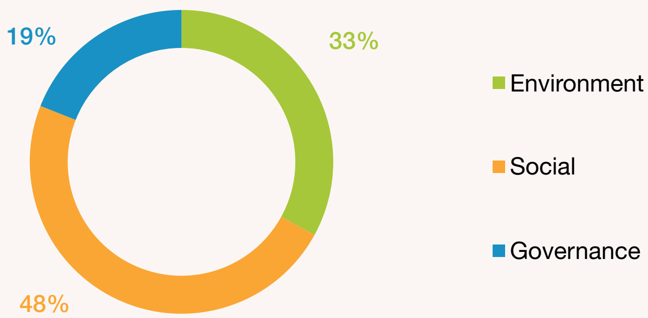


Lazard Human Capital

Below are the statistics obtained on a portfolio of 40 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	45	15	41%
Engagements	52	40	100%
O/w in-depth engagement	46	40	100%
O/w ESG dialogues	6	4	8%

Breakdown of engagements by theme

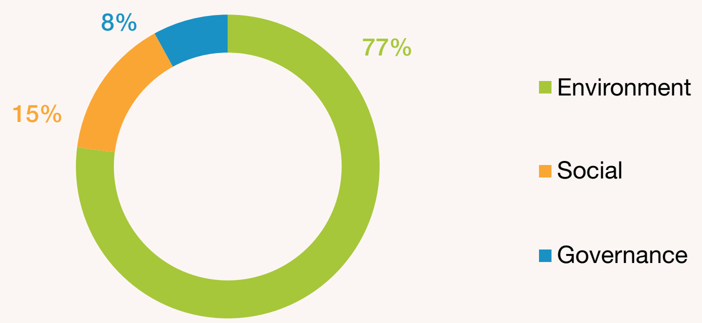


Lazard Green Capital

Below are the statistics obtained on a portfolio of 36 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	37	13	40%
Engagements	43	36	100%
O/w in-depth engagement	39	36	100%
O/w ESG dialogues	4	3	7%

Breakdown of engagements by theme

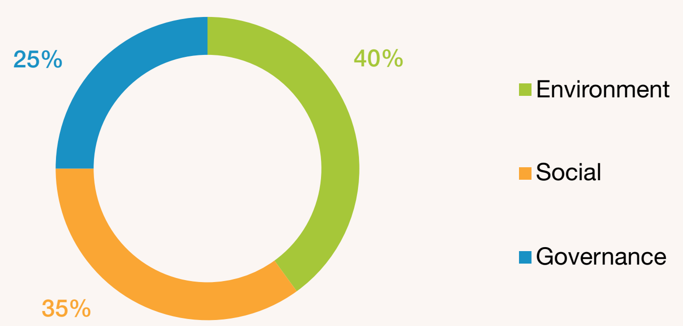


Lazard Patrimoine Actions SRI

Below are the statistics obtained on a portfolio of 26 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	41	16	69%
Engagements	29	22	95%
O/w in-depth engagement	25	22	95%
O/w ESG dialogues	4	3	9%

Breakdown of engagements by theme



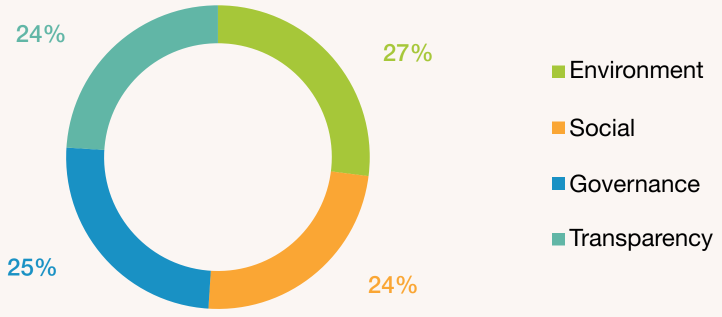
Gestion obligataire

Lazard Capital Fi SRI

Below are the statistics obtained on a portfolio of 39 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	61	31	91,15%

Breakdown of engagements by theme

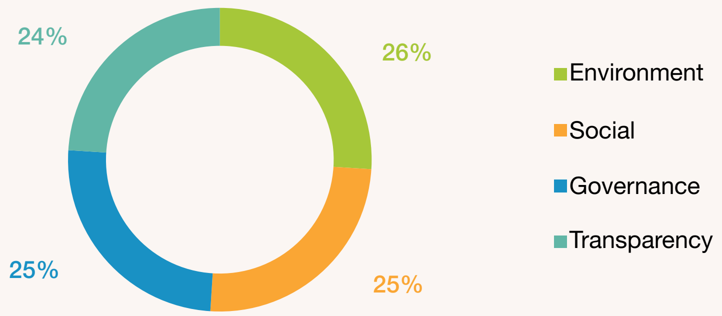


Lazard Crédit Fi SRI

Below are the statistics obtained on a portfolio of 61 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	84	41	78,68%

Breakdown of engagements by theme

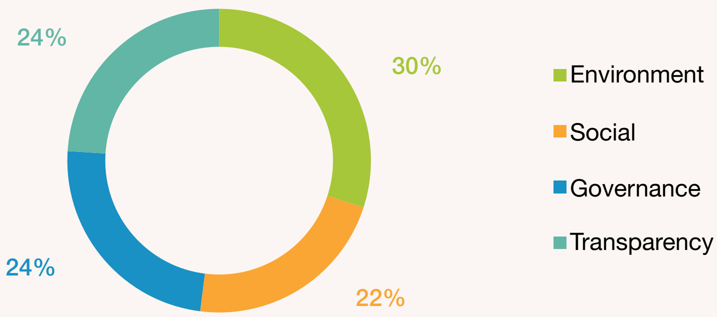


Lazard Euro Short Duration High Yield SRI

Below are the statistics obtained on a portfolio of 53 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	78	41	84,09%

Breakdown of engagements by theme

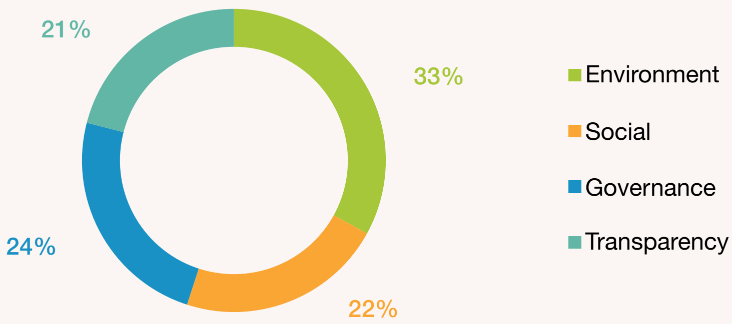


Lazard Euro Short Duration SRI

Below are the statistics obtained on a portfolio of 71 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	61	50	69,41%

Breakdown of engagements by theme

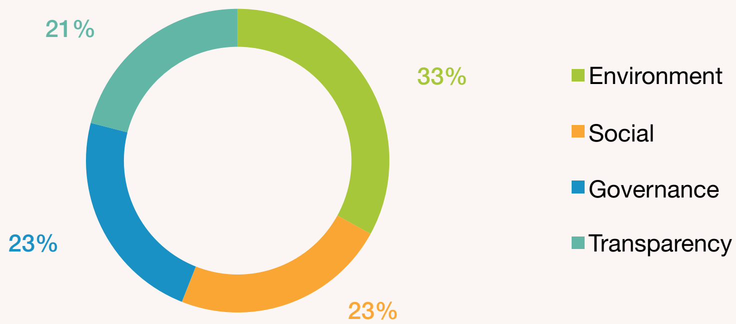


Lazard Euro Crédit SRI

Below are the statistics obtained on a portfolio of 94 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	129	65	79,36%

Breakdown of engagements by theme

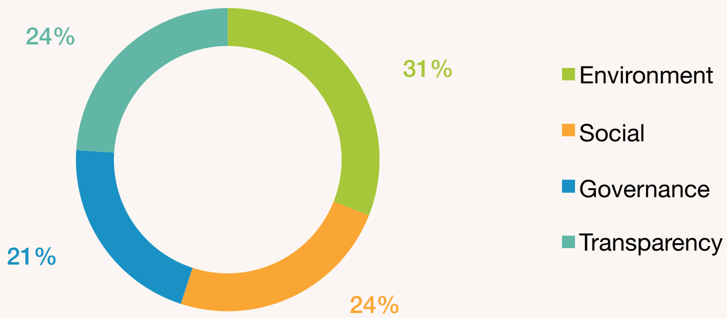


Lazard Global Green Bonds Opportunities

Below are the statistics obtained on a portfolio of 64 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	79	45	77,46%

Breakdown of engagements by theme

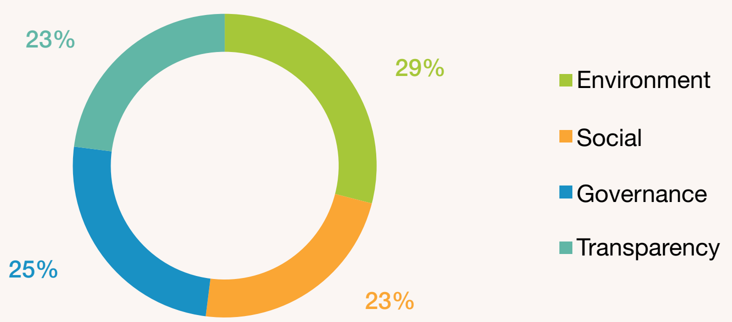


Lazard Credit Opportunities

Below are the statistics obtained on a portfolio of 82 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	119	53	80,77%

Breakdown of engagements by theme

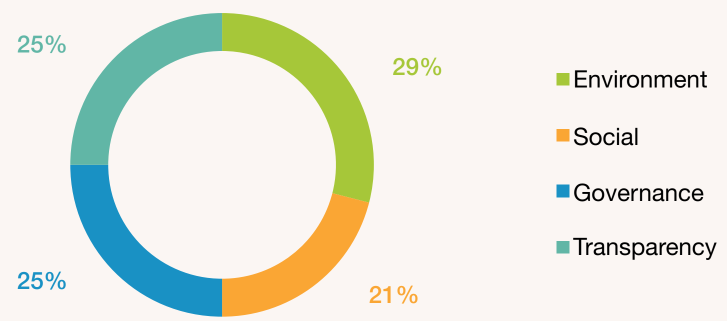


Lazard Euro Corp High Yield

Below are the statistics obtained on a portfolio of 76 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	86	34	58,51%

Breakdown of engagements by theme



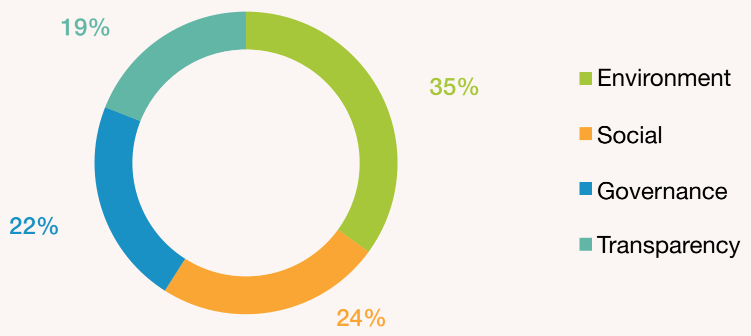
Gestion diversifiée

Lazard Patrimoine SRI - Fixed Income Segment

Below are the statistics obtained on a portfolio of 80 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	96	61	79,76%

Breakdown of engagements by theme

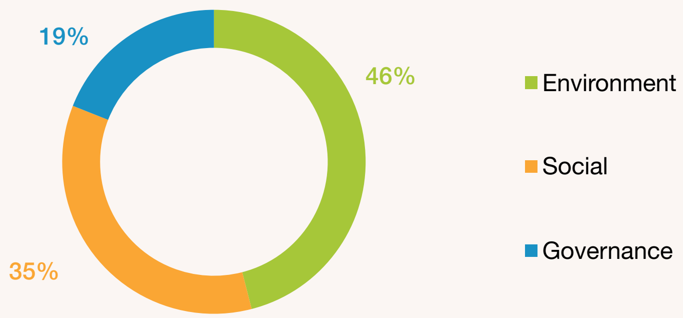


Lazard Patrimoine SRI - Equity Segment

Below are the statistics obtained on a portfolio of 45 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	44	20	46%
Engagements	57	45	100%
O/w in-depth engagement	50	45	100%
O/w ESG dialogues	7	5	10%

Breakdown of engagements by theme

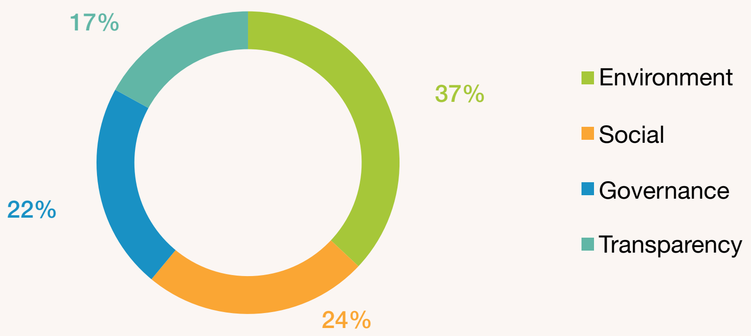


Lazard Patrimoine Opportunities SRI - Fixed Income Segment

Below are the statistics obtained on a portfolio of 69 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Engagements	71	49	75,46%

Breakdown of engagements by theme

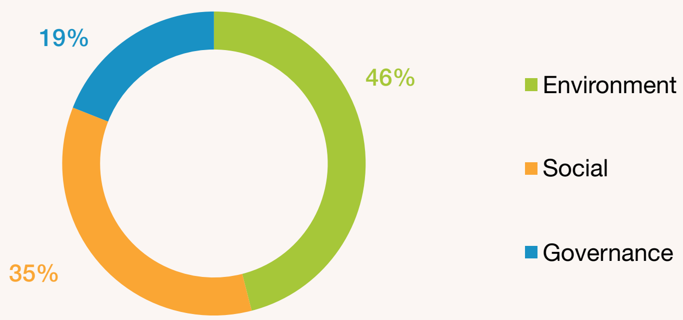


Lazard Patrimoine Opportunities SRI - Equity Segment

Below are the statistics obtained on a portfolio of 45 companies:

	By number of occurences	By number of companies	As a % of the portfolio
Meetings	44	20	46%
Engagements	57	45	100%
O/w in-depth engagement	50	45	100%
O/w ESG dialogues	7	5	10%

Breakdown of engagements by theme




LAZARD
FRÈRES GESTION