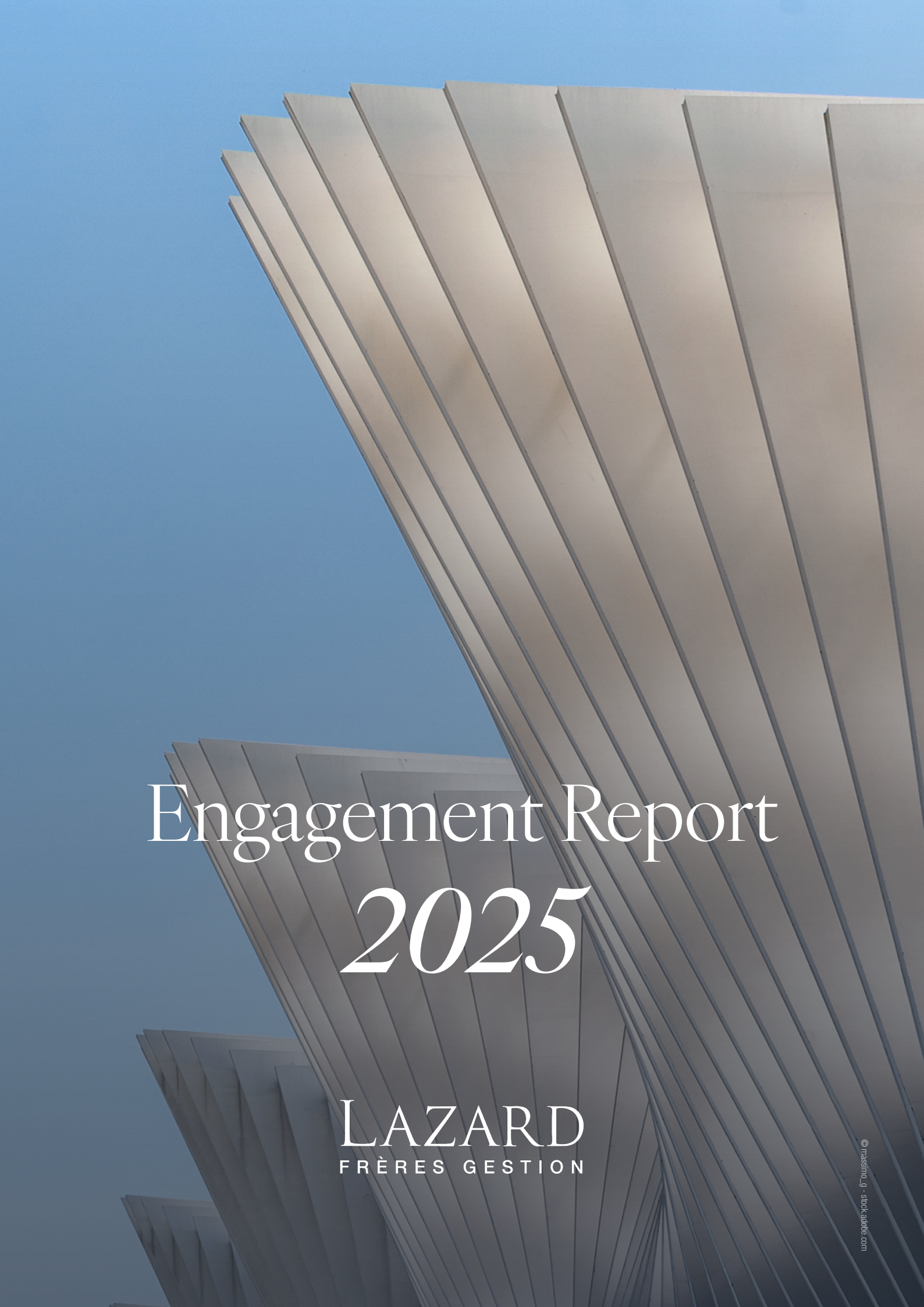
Engagement Report 2025

LAZARD
FRÈRES GESTION



© massimo_g - stock.adobe.com

Contents

Introduction
p. 3

Collaborative engagements
p. 4

Stakeholder engagements
p. 5

Active member of the French
Asset management Association (AFG)
p. 7

Individual engagements
p. 9

Portfolio statistics
p. 27

Equity Management
Fixed Income Management
Multi-Asset Management

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.

Our approach is rooted in a philosophy of active and conviction-based management. It is based on an in-depth understanding of the companies in which we invest and on regular dialogue with their management teams. This close relationship enables us to maintain a rigorous and constructive long-term engagement, grounded in a detailed understanding of business models, sector-specific constraints, and the unique characteristics of each issuer.

For Lazard Frères Gestion, it is therefore essential to encourage companies to fully integrate ESG issues into their strategy and business model. In this regard, engagement is a key driver of our responsible investment approach. It is an extension of our active management and relies on both the exercise of our voting rights and direct, regular dialogue with the companies in which we invest, in the best interests of our clients.

With several years of experience, Lazard Frères Gestion has developed specific expertise in engagement, particularly on certain themes such as social issues, but also across various asset classes. This experience allows us to tailor our approach to the unique characteristics of each market and each issuer, including in segments that are sometimes less covered by traditional engagement approaches, notably the high-yield segment of the bond market.

As part of this effort, we are undertaking engagement initiatives designed to promote the implementation of sound ESG practices. These engagements can take three forms: collaborative engagements, engagements with stakeholders, and individual engagements with companies.

1. Collaborative engagements: collaborative engagement is a form of joint engagement that brings together multiple investors. It involves groups of investors working together to exert greater 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 engage in 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 actors while actively contributing to the development of ESG standards.

3. Individual engagements with companies: we maintain a direct and regular dialogue with the companies in which we invest to address both financial and non-financial topics, and in particular ESG issues. These exchanges enable us to better understand the strategies implemented by issuers, track their progress over time, and raise their awareness of specific areas for improvement. The insights gained from these interactions are fully integrated into our analysis via our internal ESG analysis framework, which systematically and quantitatively influences our investment decisions.

As signatories to the UN PRI[1], CDP[2], TCFD[3], and TNFD[4], we encourage companies to engage in transparent disclosure and to ambitiously incorporate environmental, social, and governance criteria.

Lazard Frères Gestion also supports active shareholder engagement, which enables shareholders to influence companies' ESG strategies and practices. We apply our own policy when we vote at issuers' Annual General Meetings, 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 2025, we took on the role of "Lead"* in engagement efforts with 22 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	22	5	17
Climate	16	4	12
Water	7	2	5
Forest	7	0	7

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



Engagements with stakeholders

Engagement with MSCI

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 specific need.

As a regular user of raw data from MSCI ESG Research, particularly carbon emissions, Scope 3 estimates, and the Implied Temperature Rise (ITR) indicator—for which we have set targets—we systematically participate in consultations aimed at advancing methodologies. In 2025, we contributed to the consultation held between May and June on two changes:

- Adjusting the estimate of Scope 3 category 11 emissions for certain sectors;
- Updating the treatment of budget overshoots in the aggregated ITR calculation.

Key messages conveyed to MSCI in 2025

- **Limited usefulness of ITR values capped at 10°C**
- **Relevance of a multi-scenario approach**
- **Support for improved consideration of overshoots**

In 2025, we intensified our engagement with our data providers when certain methodologies could generate results that were not representative. In this context, we engaged with MSCI regarding the application of its Implied Temperature Rise (ITR) indicator to two major issuers, Air Liquide and RWE, to improve the relevance of their climate assessments.

Air Liquide was initially assessed at the maximum temperature of 10°C, as MSCI believed the company had already exceeded its entire emissions budget consistent with a Net Zero 2050 scenario. All of its emissions were thus classified as overshoots, which significantly worsened its climate profile. Upon analysis, we identified that MSCI was using NGFS trajectories that did not correspond to its sector. A correction should be made in the next model update.

This dialogue illustrates how our engagement helps improve the quality of market data and support issuers in accurately representing their ESG profile.

At the same time, we held technical discussions with MSCI regarding the ITR assigned to RWE, which was initially assessed at 10 °C. Our analysis showed that this result stemmed from an abnormally low initial carbon budget compared to that of other players in the Utilities sector, despite all being subject to the same NGFS trajectories.

Upon reviewing the methodology, we identified that this situation was linked to an inappropriate sector classification.

Following discussions and the submission of additional analyses, MSCI confirmed this incorrect classification and indicated that it had corrected recent years while specifying that prior years were not revised for methodological reasons. We emphasized that a cumulative metric such as the ITR requires a consistent starting budget, otherwise the entire trajectory may be skewed. MSCI acknowledged the validity of this point and forwarded it to its research teams for further review.

This engagement illustrates our approach of critically analyzing ESG indicators, identifying methodological limitations, and engaging with data providers to enhance their reliability.

Engagement with ISS ESG

We initiated a dialogue with ISS ESG in 2025 regarding their analytical methodologies for several high-stakes sectors, notably banking and insurance. Our discussions focused on the criteria used for the ESG assessment of issuers.

On that occasion, we shared our doubts regarding certain indicators whose relevance we felt was limited due to their highly specific nature or their low coverage rate. ISS ESG informed us that it is currently in the process of methodological review for these sectors, with the upcoming introduction of significant changes, particularly regarding pillar-based weightings and the streamlining of the least robust indicators.

These discussions demonstrate our engagement to actively contributing to improving the quality of available ESG data and to deepening our understanding of the ratings produced by providers. This approach ultimately aims to enhance the accuracy of ESG assessments of companies and to support more informed decision-making regarding sustainable investing.

ISS ESG

Engagement with the TNFD

The Taskforce on Nature-related Financial Disclosures (TNFD) is an international initiative that develops guidelines and a reporting framework to help companies and financial institutions integrate nature and biodiversity considerations into their decisions by identifying, assessing, and managing their dependencies on and impacts on ecosystems.

A signatory since 2022, Lazard Frères Gestion participated in January 2025 in the public consultation on a guide designed to facilitate market access to reliable biodiversity data useful for decision-making.

TNFD Taskforce on Nature-related Financial Disclosures

In our contribution, we addressed in particular:

- The strong link between climate and biodiversity;
- The specific challenges related to the protection of marine biodiversity;
- Governance and data fragmentation;
- The use of estimates and alignment with European frameworks.

This participation reflects our engagement to contributing to robust, science-based international standards that facilitate the integration of biodiversity considerations into the financial sector's analysis, management, and reporting.



Active member of the French Asset management Association (AFG)

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 2025, our engagement was demonstrated through our participation in three working groups established by the AFG.

Working Group on the review of the Level I of SFDR

As part of the review of SFDR Level 1, we actively contributed to proposals aimed at strengthening the consistency, clarity, and effectiveness of the European regulatory framework for sustainable finance.

We advocated for an overall simplification of the framework, so that sustainability requirements are more understandable to end investors and more consistent across different regulations (SFDR, MiFID, IDD, Taxonomy, ESMA). We also supported the evolution of the SFDR from a purely declaratory regime to a framework incorporating minimum requirements, thereby enhancing the credibility of ESG approaches.

With this in mind, we proposed the implementation of a mandatory categorization aligned with market practices, based on three product families:

"Sustainable," "Transition," and "ESG Focus." Each of these categories should be based on objectives that are measurable, verifiable, and understandable to the end investor.

We also advocated for clarification and simplification of PAI indicators to focus requirements on the most relevant data—data that is truly available and comparable—while strengthening the link between the SFDR and the sustainability preferences of MiFID/IDD.

Finally, we have encouraged better integration of existing European and national labels, as well as alignment with ESMA's naming rules to ensure consistent and standardized information across the entire European market.

Working Group on CSRD

As part of the Omnibus revision proposed by the European Commission regarding the CSRD, we have emphasized the importance of preserving the availability, quality, and comparability of non-financial data, which is an essential prerequisite for supporting the transition of companies and complying with SFDR obligations.

We have therefore expressed reservations regarding the narrowing of the scope of companies subject to the CSRD, which could increase investors' reliance on estimated data, including in the unlisted sector. A welcome simplification would be one focused on "substance" rather than "scope," prioritizing a significant reduction in the number of required data points rather than excluding a large number of issuers from the reporting scope. In line with this approach, we supported the idea of a reduced set of mandatory indicators while maintaining double materiality as a guiding principle.

Finally, we reiterated that the revision of the CSRD must be coordinated with those of the Taxonomy and the SFDR to ensure a regulatory framework that is coherent, progressive, and tailored to the needs of both investors and companies.

Working Group on exclusions

As part of the AFG working group dedicated to exclusion policies, we contributed to discussions aimed at enhancing the clarity, consistency, and transparency of market practices. Although exclusions represent only a limited aspect of responsible investment, they are a particularly sensitive issue that is closely monitored by stakeholders. The work thus highlighted the importance of increased transparency regarding the sources of data used and the methodologies applied (update frequency, restatements, exceptions), in order to ensure traceable and auditable systems.

The discussions also identified several categories of exclusions that are widely used among asset management firms in the Paris financial center, notably those related to weapons, violations of international standards and UN Guiding Principles, tobacco, coal, unconventional fossil fuels, and palm oil. The work focused on open-ended funds and does not include institutional mandates that meet specific client requirements.

Finally, the discussions highlighted the importance of clarifying the definitions, thresholds, and scope of application of exclusions (asset classes, geographic areas, treatment of parent-subsidiary relationships), as well as establishing guidelines for any restatements and exceptions. Group members also highlighted the existing discrepancies among data providers and called for greater transparency and better regulation of these actors at the European level.

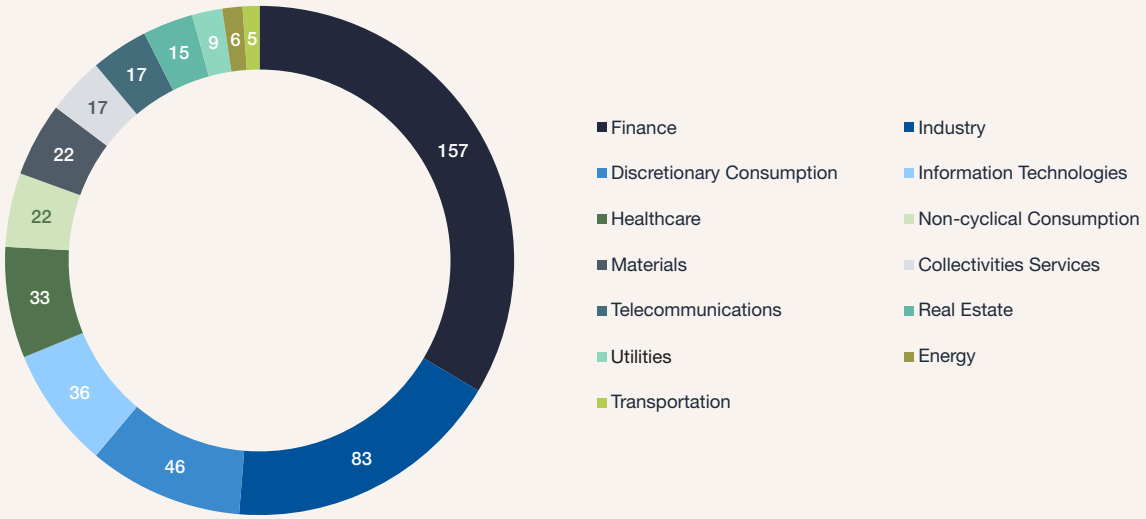


Individual engagements

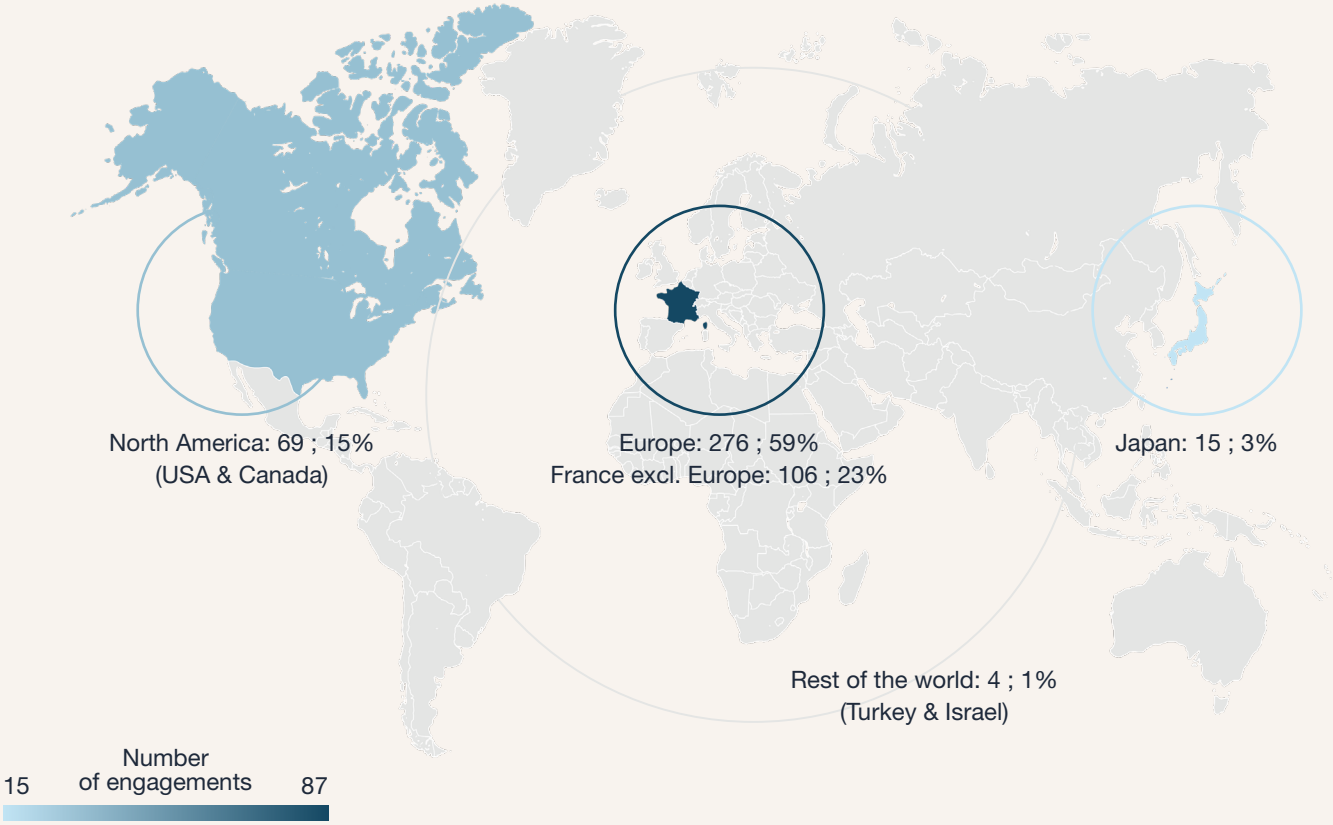
Global statistics

The teams at Lazard Frères Gestion conducted 468 engagement activities with 415 companies in 2025.

Sectoral breakdown of engagements

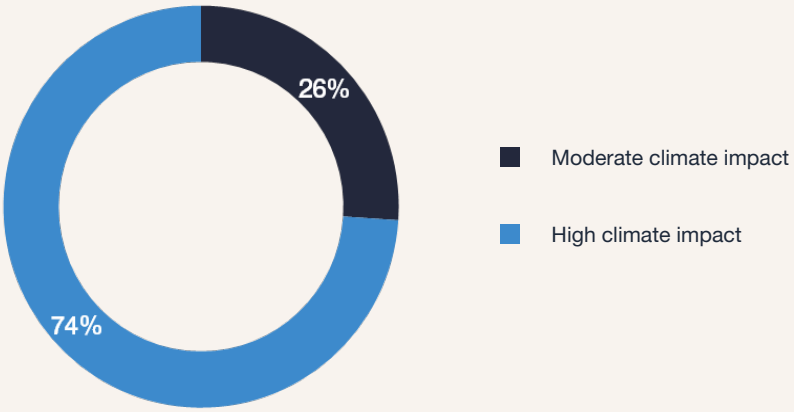


Geographical breakdown of engagements

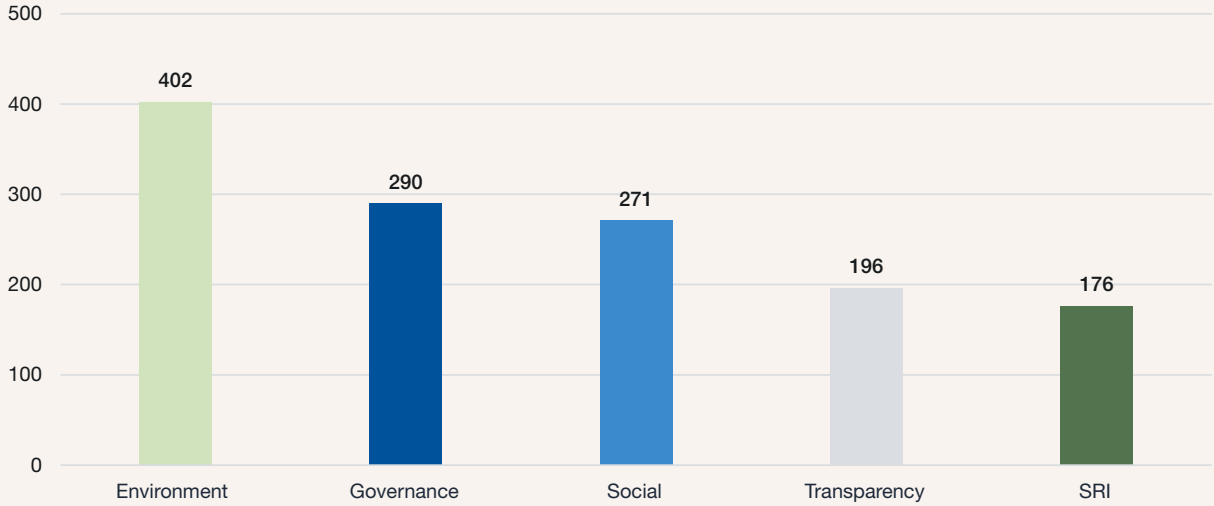


© Australian Bureau of Statistics, GeoNames, Microsoft, Navinfo, Open Places, OpenStreetMap, Overture Maps Foundation, TomTom, Zenrin. Powered by Bing.

Breakdown according to climate impact of the sector (NACE sectors)



Thematic breakdown of engagements



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

For each pillar of our engagement approach, we have defined specific objectives to guide our engagement activities and assess companies' progress:

Environment

- Climate change mitigation
- Taxonomy alignment
- Climate risk management and adaptation
- Sustainable resource management (water, waste, energy, pollution)
- Biodiversity footprint management
- Compliance with the Green Bond Principles (GBP)
- *Other*

Social

- Responsible human capital management
- Consideration of the Just Transition
- Respect for labor rights
- Respect for human rights
- Stakeholder relations
- *Other*

Governance

- Good governance practices
- Pre- and post-AGM engagements
- *Other*

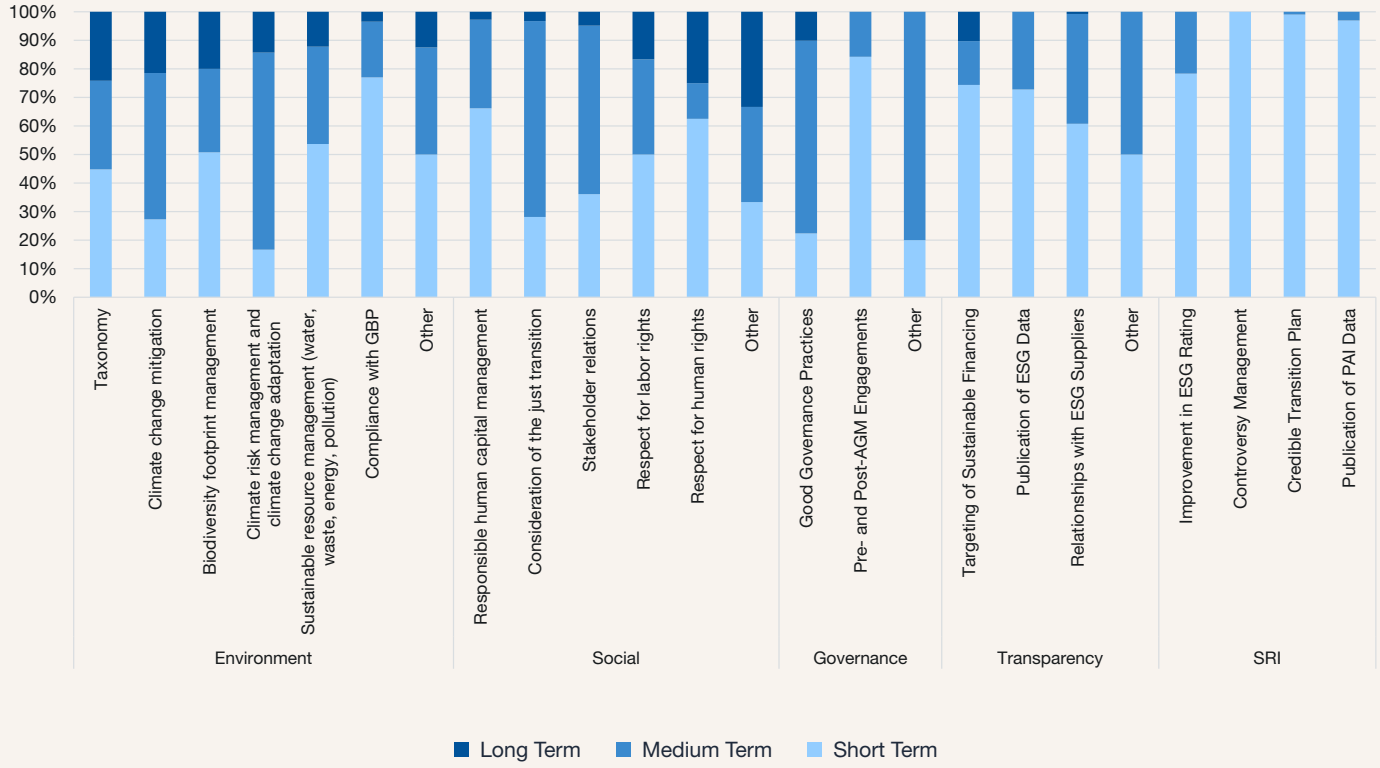
Transparency

- Publication of ESG data
- ESG supplier relations
- Earmarking of sustainable financing
- *Other*

SRI

- Improvement of ESG ratings
- Controversy management
- Credible transition plan
- Publication of PAI data

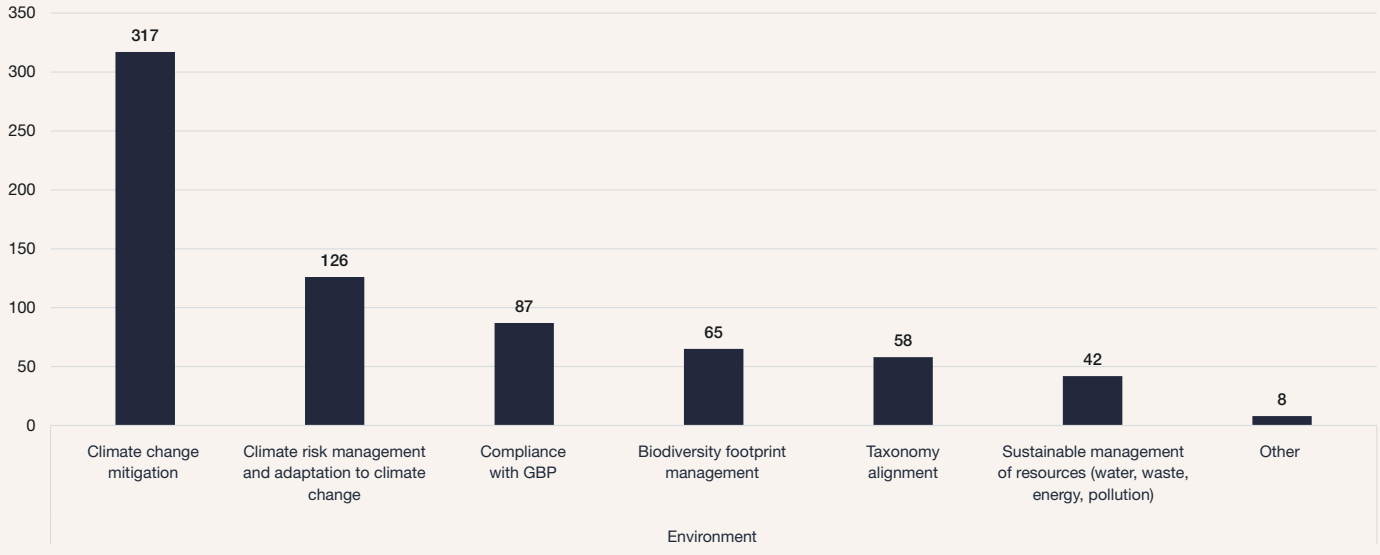
Breakdown of engagements by time period



Engaging companies on sustainable environmental practices

During our 2025 engagement campaign, we engaged with 366 companies on issues related to their environmental practices.

In total, 402 engagements focused on the environment.



Climate

In our engagements regarding the environmental pillar, we addressed the issue of climate change in 63% of cases. Our discussions with companies focused primarily on strengthening climate trajectories and on the quality of emissions data, particularly Scope 3 data. In Category 15 in particular, we have been engaging with financial institutions for the past three years to improve the quality and reliability of reported data. We have encouraged the formalization of targets aligned with industry methodologies (SBTi, NZBA) and the more systematic consideration of physical and transition risks in industrial and financial decisions. We have also paid particular attention to the robustness of transition plans as well as to the governance of climate issues, which is essential to ensuring the credibility of long-term alignment.

CASE STUDY

Name: Air Liquide

Sector: Industry

Headquarters: Europe

Strategy: Equities, Large Caps

Background

We discussed with Air Liquide the gaps identified by CA100+ regarding the lack of a Scope 3 reduction target, as well as their MSCI ITR temperature (10°C). We also requested clarification on the contribution of Scope 3, the calculation methodology, and the consideration of Scope 4.

Objectives

- Clarify the reasons for the absence of a quantified Scope 3 reduction target and the associated calculation methodology.
- Assess the level of Air Liquide's climate ambition in light of external ratings.

Results

Air Liquide explained that the vast majority of its Scope 3 emissions are based on statistical data, which limits the accuracy of the measurements and its willingness to make quantified engagements. Scope 3 emissions account for 40% of its total emissions, a significant level but lower than that of other carbon-intensive sectors. Three categories account for 90% of emissions: energy losses related to networks (40%), sales of carbon-containing products (CO_2 and N_2O, 30%), and non-energy purchases (15%). Air Liquide is notably developing biogenic CO_2 for agriculture and working on reducing leaks and on alternatives to N_2O for medical use. The company highlights its limited ability to directly reduce these emissions due to its lack of control over end-use and downstream supply chains. For this reason, only Scopes 1 and 2 are covered by short- and medium-term targets, while the 2050 carbon neutrality goal, which includes Scope 3, remains vague.

Air Liquide also noted that its MSCI ITR score is due to a default assumption applied in the absence of engagements regarding Scope 3. The company has nevertheless validated a "well below 2°C" trajectory with the SBTi. It also reiterated its key role in avoided emissions among its customers (Scope 4), an area still largely unrecognized by rating agencies but currently being structured through the Avoided Emissions Platform, to which Air Liquide now contributes.

Biodiversity

Biodiversity accounted for approximately 9% of our discussions under the environmental pillar. This year, our discussions allowed us to delve deeper into how companies assess and manage their impacts on and dependencies regarding ecosystems. We encouraged companies to structure their analyses around recognized frameworks such as the TNFD, the SBTN, or the ENCORE methodology, and to strengthen their policies regarding land and water use. Discussions also focused on managing risks related to chemical and biological substances, particularly antimicrobial resistance, PFAS, and microplastics, which have significant adverse effects on the environment.

Our actions are consistent with our biodiversity policy, particularly on issues such as palm oil and neonicotinoid pesticides, which have been the subject of specific engagements.

With financial institutions, in particular, we have advocated for a more explicit integration of these issues into their loan origination processes, portfolio risk management, and the development of sector-specific policies dedicated to biodiversity.

CASE STUDY

Name: Bayer

Sector: Chemicals

Headquarters: Europe

Strategy: Fixed Income, High Yield

Background

For the past three years, we have been engaged in an ongoing dialogue with the issuer on issues such as biodiversity, environmental impact management, and access to healthcare in low- and middle-income countries. Given the group's structural exposure to crop protection products and biocides, these themes are a central focus of our ESG analysis. This year, we have deepened our engagement on biocides in connection with the publication of our biodiversity strategy, which calls for enhanced dialogue with the stakeholders most exposed to these issues. In this context, our discussions aim to encourage a more structured, transparent, and scientifically grounded approach to managing impacts on ecosystems.

Objectives

- In the short term, encourage the reduction of the environmental impact of crop protection solutions and biocides, in particular through strengthened operational controls, the modernization of industrial facilities, and the use of robust scientific methodologies to assess their effects on biodiversity.
- Promote, in the medium term, a more structured and transparent biodiversity strategy, including greater transparency regarding the management of historical contamination, the reduction of active ingredient discharges, and measures to protect ecosystems and pollinators.
- In the short term, promote a systematic approach to access to care, incorporating access plans from the earliest stages of development, responsible pricing, and improved availability of treatments.

Results

Regarding access to care, the issuer indicated that it has begun developing a framework aimed at integrating access plans from the early stages of development and promoting more responsible pricing in certain therapeutic areas. Several initiatives and partnerships were presented to improve the availability of certain treatments in low- and middle-income countries. These developments represent positive steps, but the initiative is still in the deployment phase, and we continue to encourage the issuer to clarify its scope, implementation methods, and the metrics used to measure its actual impact.

Regarding biodiversity and crop protection solutions, the issuer presented concrete progress in reducing its environmental footprint, notably through the gradual enhancement of its methodology for assessing the environmental impact of crop protection products, which relies on recognized scientific models to measure potential effects on ecosystems and guide impact reduction, and its annual report, which is audited by an independent third party.

The company has invested in modernizing its infrastructure, including new effluent treatment facilities, thermal oxidation units, and a measurable reduction in water withdrawals to limit the risks of soil and aquatic pollution. Environmental monitoring systems have also been strengthened, with the introduction of stricter internal thresholds for active ingredient discharges. These measures represent progress, but they remain incomplete, and we continue to encourage the issuer to enhance transparency regarding the environmental performance of its sites and the trajectories for reducing its impacts.

Aligning with the EU Green Taxonomy

As part of the management of our Article 9 fund, Lazard Green Capital, we select companies that offer solutions with a positive impact on the environment and are strongly aligned with the European Taxonomy.

Our approach has placed particular emphasis on aligning their activities with the Taxonomy by encouraging them to improve their practices and by assessing their ability to produce the necessary evidence of impact.

We have also encouraged them to increase the proportion of their aligned activities. We have discussed, with each of these companies, climate change, the energy transition, and the management of environmental issues within their value chain.

We have engaged with 52 companies on the subject of the European Taxonomy, representing a total of 58 engagements.

CASE STUDY

Name: SPIE

Sector: Industry

Headquarters: France

Strategy: Equities, Large Cap

Background

As part of our climate monitoring and analysis of transition plans, we interviewed SPIE about its Taxonomy alignment trajectory, its 2025 and 2030 targets, and the sustainability of its stated alignment target. The company has been proactively communicating on this topic since 2019, prior to the regulation's entry into force, making it a pioneer within its sector.

Objectives

- Clarify the taxonomy alignment methodology adopted by SPIE and the feasibility of its target.
- Assess the robustness of the 50% alignment target for 2025.

Results

The company is aiming for 50% alignment by 2025, with a goal of maintaining that level through 2030. SPIE has indicated that achieving nearly 100% alignment would require annual growth of approximately 4% exclusively in aligned activities, which would be difficult to achieve. The company confirmed that Taxonomy alignment will progress primarily through the organic expansion of energy transition activities, but within limits compatible with the diversification of the business model.

Green Bonds

As part of the management of our Article 9 Lazard Global Green Bond Opportunities fund, we support the green transition by directing capital toward projects that generate measurable and sustainable impacts. During 2025, we engaged with 86 companies, whether they were already active in the green bond market or likely to enter it in the future.

In this context, we worked to promote best market practices, notably the preparation of allocation and impact reports specific to each issuance. These reports are an essential element in providing sufficient transparency and enabling investors to assess the environmental contribution of the financed projects as well as their compliance with the criteria of the European Taxonomy.

With regard to financial institutions, we have also encouraged the diversification of their investor base by exploring the opportunity to issue green bonds on subordinated capital tranches (AT1, RT1, T2).

Following the entry into force of the European Green Bond Standard (EU GBS), we conducted an in-depth consultation with issuers active in this segment to identify the key operational challenges associated with its implementation and gather their feedback and practical experience. These insights inform our engagement approach and strengthen our ability to support issuers that have not yet adopted this new standard.

Finally, where our internal assessment identified material gaps against expected practices, we initiated a structured dialogue to encourage improvements and progressive alignment with higher standards. This approach helps enhance the quality, credibility and impact of green bond issuances.

CASE STUDY

Name: Iberdrola

Sector: Energy

Headquarters: Europe

Strategy: Fixed Income, Investment Grade

Background

For the past three years, we have been engaged in regular dialogue with the issuer, covering its investments in renewable energy, its social and governance strategy, and the evolution of its green bond framework. During a meeting held in 2024 as part of a conference on sustainable finance, we reiterated our interest in issuances compliant with the European Green Bond Standards (EU GBS), a rigorous framework that is fully aligned with the European taxonomy. This position, shared with the issuer from the moment the regulatory framework was announced and supported by other investors, helped steer its thinking toward adopting this standard.

Objectives

- In the short term, encourage the publication of an issuance framework compliant with the European Green Bond Standards and the conduct of issuances under this framework, in order to contribute to the emergence of a robust and credible market standard.
- Promote, in the short term, the update of the existing green bond framework to incorporate best market practices for activities not covered by the European Taxonomy.
- Encourage greater transparency regarding the allocation of funds and the measurement of the environmental impact of financed projects, in line with stakeholders' growing expectations.

Results

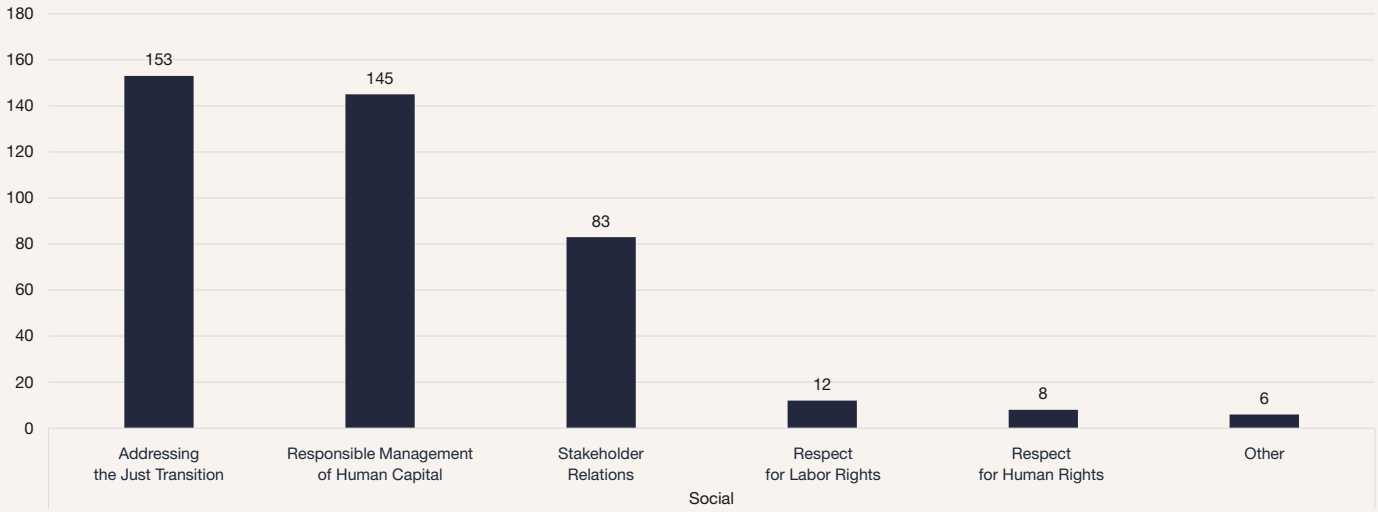
The issuer conducted its first EU Green Bond issuance in the first half of 2025, followed by a second in the second half, which met with exceptional demand, with a seven-fold oversubscription rate and one of the highest greeniums in the market. This momentum confirms investors' strong interest in this more stringent format and underscores the relevance

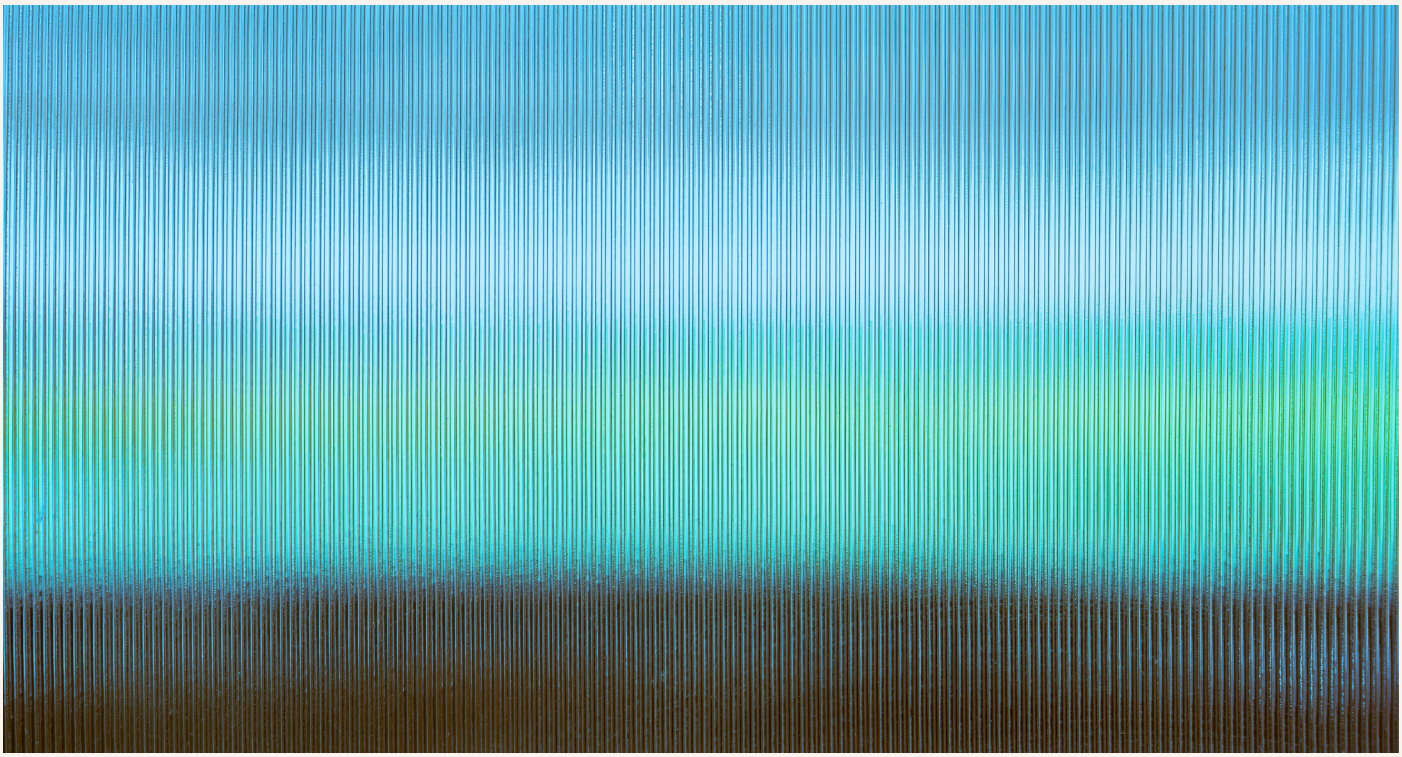
of the recommendations made as part of our engagement.

At the same time, in 2025 we conducted a market survey among issuers who have adopted the EU GBS format to assess the operational implications of transitioning from a traditional green bond to an EU Green Bond. The feedback received, including that from Iberdrola, confirms that the additional effort remains limited for issuers already advanced in sustainable reporting, with the main changes relating to the preparation of specific documentation and obtaining regulatory approval. This analysis strengthens our ability to set precise and technically sound expectations for issuers when structuring their issuance frameworks and future transactions.

Promoting Responsible Human Capital Management and Respect for Social Rights

We discussed social issues with 250 companies, resulting in a total of 267 engagements.





Human Capital and Social Rights

Human capital and social rights were addressed in 54% of our engagements under the social pillar.

Our discussions this year focused on human capital management, skills development, the quality of social dialogue, and practices related to diversity, inclusion, and health and safety. For financial institutions, we also addressed customer protection policies and mechanisms for overseeing business practices.

CASE STUDY

Name: Otis

Sector: Industry

Headquarters: North America

Strategy: Equities, Large Cap

Background

As part of our human capital monitoring for the Lazard Human Capital Article 9 Fund, we asked Otis about two issues: the MSCI assessment indicating a lack of social benefits, and the recent deterioration in their MSCI score for diversity and inclusion. We requested further details on internal practices and the actual status of their diversity initiatives.

Objectives

- Clarify the actual scope of employee benefits offered across all regions.
- Understand the possible reasons for the decline in the MSCI Diversity & Inclusion score.
- Assess the effectiveness of inclusion training and professional development programs.

Results

Otis has confirmed that it offers a wide range of employee benefits covering the majority of its employees, including health insurance (medical, dental, vision), retirement plans, life and disability insurance, tax-advantaged accounts, paid leave (sick, parental, bereavement, vacation), adoption assistance, employee assistance programs, as well as flexible work arrangements for eligible employees. The company emphasized compliance with local laws in all countries and the existence of a global support fund for colleagues affected by natural disasters or humanitarian crises.

On diversity and inclusion, Otis reaffirmed its engagement and detailed several initiatives in place: a “Leading at Otis” development program, training modules on unconscious bias, an annual engagement survey analyzed by demographic groups, an employee program to fund degrees and certifications, and a global disability inclusion policy. The company also cited targeted recruitment efforts to expand its talent pools.

Just Transition

The Just Transition was addressed in 57% of our engagements under the social pillar.

We discussed with issuers how their decarbonization pathways incorporate social dimensions: employee support, skills development, support for suppliers, and local impacts. We encouraged financial institutions to further integrate just transition analysis into their sector-specific policies and into the assessment of risks associated with financing industries undergoing transformation.

CASE STUDY

Name: Michelin

Sector: Automotive

Headquarters: France

Strategy: Equities, Large Caps

Background

Michelin is undertaking several industrial restructuring projects, including site closures in France. These changes are taking place against the backdrop of a sector in transformation, marked by technological transition, evolving skill sets, and increased competitive pressures. Our expectations focused particularly on the quality of social support, regional engagements, and vigilance regarding social risks in the supply chain.

Objectives

- Ensure a responsible restructuring process that protects the interests of affected employees.
- Guarantee a decent wage for all employees.
- Maintain and enhance the employability of our teams in the face of industry transformations.
- Prevent social risks in the supply chain.

Results

Michelin provided a detailed overview of its just transition strategy, emphasizing the responsible management of the restructuring initiatives underway in France. The company explained that every site closure is accompanied by internal mobility options or personalized support, including one year of training or financial compensation for three years to offset any potential wage gaps. It also highlighted the initiatives undertaken with local authorities to revitalize the affected regions: notably, an agreement was reached in Vannes to host new business activities, and in La Roche-sur-Yon, 613 jobs have reportedly already been created to offset 635 cuts, with a target of 800 jobs. Of the 1,254 positions affected by the reorganizations, more than a third of employees have already been reassigned.

The company emphasized its policy of fair wages, noting that for the second consecutive year it has obtained Fair Watch certification for all its employees. Michelin explained that it had made significant adjustments to compensation, particularly in South America and Southeast Asia, based on local analyses of the cost of living (notably in Indonesia). It also indicated that it is collaborating with certain suppliers to promote decent wages throughout the value chain, while acknowledging the operational complexity of the issue.

Stakeholder engagement

As part of our engagements related to the social pillar, issues pertaining to stakeholder relations— whether with customers, suppliers, users, or local communities—were addressed in 31% of cases. These discussions involved both companies in which we hold shares or bonds (corporate and sovereigns), reflecting the cross-cutting nature and strategic importance of these issues.

The discussions highlighted the need for organizations to have robust and structured governance in place to engage with their stakeholders, in order to better anticipate social, operational, and reputational risks. In particular, we addressed how companies collaborate with their suppliers to improve data quality, enhance transparency, and reduce CO_2 emissions.

We also discussed with transportation and land-use planning companies how their investment decisions take into account stakeholder expectations, particularly regarding accessibility, safety, management of local nuisances, and social impact. We encouraged them to develop more systematic assessment processes to ensure that the projects implemented meet the needs of users and the communities concerned.

Finally, we encouraged all issuers to strengthen the identification and management of social risks within their supply chains by promoting the implementation of appropriate monitoring, escalation, and remediation mechanisms.

CASE STUDY

Name: Cajamar

Sector: Banking

Headquarters: Europe

Strategy: Fixed Income, Financial Debt

Background

For the past three years, we have been engaging with the issuer, a cooperative bank with strong roots in the agricultural sector. These discussions are part of our ongoing work on the quality of transition plans, as well as on how financial institutions support their stakeholders in adapting to physical, climate, and regulatory risks. A highlight of the discussion was the presentation of the agricultural expertise center in Paiporta, an applied research laboratory dedicated to developing agricultural technologies and supporting clients in their farming practices, fully reflecting the bank's cooperative mission while raising questions about the structuring and measurement of the impact of these initiatives.

Objectives

- In the short term, publish a credible and structured transition plan that fully incorporates the specific challenges of the agricultural sector as well as established methodologies.
- In the medium term, strengthen support for agricultural stakeholders by further structuring the scientific support mechanisms and advisory tools offered to clients.
- Strengthen, in the short term, a more systematic integration of biodiversity issues into financing decisions.

Results

The issuer has confirmed that its transition plan, scheduled for release in the first quarter of 2026, will incorporate specific aspects related to agriculture and physical risks, in line with the expectations expressed during our discussions. The structure of this plan is designed, in particular, to better align existing initiatives with a more robust methodological framework.

The Paiporta agricultural expertise center, developed in collaboration with the Polytechnic University of Valencia (UPV), serves as a key driver in supporting stakeholders. The research and agricultural innovations developed there are gradually being integrated into the advice provided to farmers and into the structuring of financing granted to the sector,

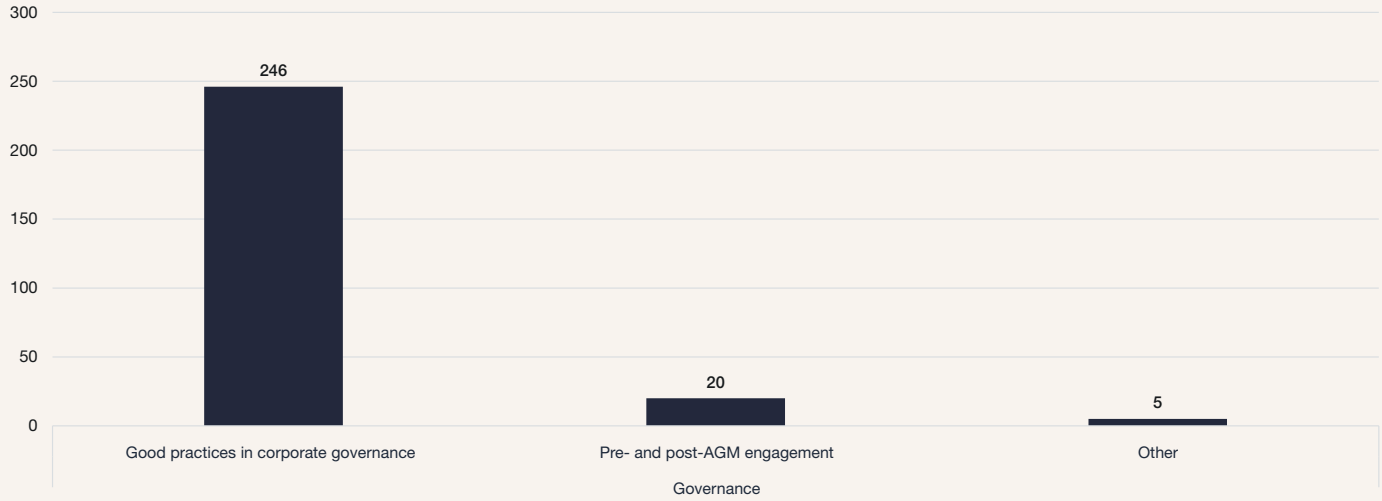
helping to strengthen support for clients in adapting to climate and transition risks. We nevertheless encourage the issuer to further enhance transparency regarding the technologies developed, the projects actually deployed, and the results achieved, particularly through more granular reporting and a more systematic quantification of the impact of these initiatives.

Regarding biodiversity, the issuer has launched several key initiatives: the development of a materiality matrix aligned with TNFD recommendations, the use of the ENCORE methodology in the assessment of certain financed projects, and the gradual integration of these analyses into loan pricing and scoring. Its internal "eco-rating" system now covers climate, biodiversity, and social dimensions, including in particular the just transition, human capital, and relationships with local communities. These developments represent significant progress, even though the consolidation and systematization of these approaches remain key areas for discussion as we move forward with our engagement.

Promoting sound governance and supporting companies before and after Annual General Meetings

A total of 249 companies were contacted regarding corporate governance.

In total, this represents 271 engagement actions.



Good governance practices

During our engagements concerning the governance pillar, we addressed issues related to good governance practices in 91% of cases. This high proportion reflects the priority attention we give to the quality of decision-making structures, transparency, and responsible risk management.

This year, our discussions focused in particular on the composition and expertise of boards of directors or supervisory boards, their diversity, their independence, and the ability of governing bodies to meet the expectations of the markets in which they operate. We also assessed the quality and robustness of internal control systems, a key element in ensuring the integrity and effectiveness of decision-making processes.

A major area of attention concerned the structure of remuneration policies. We encouraged companies to incorporate clearly defined, measurable, time-bound, and sufficiently ambitious ESG criteria into variable compensation in order to ensure alignment between executive incentives and the most material environmental, social, and governance issues.

Our discussions also addressed how ESG risks are identified, documented, and regularly monitored at the board level, as well as how they are integrated into strategic decisions and risk-management processes. Finally, we discussed cross-cutting topics such as tax transparency, the management of controversies, and the prevention of conflicts of interest, which are essential for strengthening the trust of investors and stakeholders.

CASE STUDY

Name: Alpha Bank

Sector: Banking

Headquarters: Europe

Strategy: Fixed Income, Financial Debt

Background

For the past three years, we have held annual discussions with members of the board of directors, including those serving on the nomination and remuneration committee, in order to support the issuer in strengthening its governance and ESG strategy. The issuer, one of the main Greek banking groups, has significantly structured its environmental and social approach in recent years, while governance topics have evolved more gradually, in line with board renewal cycles and remuneration policy votes. Our regular exchanges, based on a relationship of trust with the board, allow us to provide targeted expertise on the material issues for a banking institution.

Objectives

- Strengthen, in the medium term, the expertise of the board of directors through the development of a succession plan and anticipation of future appointments.
- Improve, in the short term, the integration of the ESG strategy within recently acquired entities, notably through the harmonization of commercial practices and internal audit and control processes.
- Improve, in the short term, the transparency of the remuneration policy, clarify the non-financial criteria used, and encourage the publication of measurable and relevant targets.

These objectives, aimed at aligning with best practices in the sector, were explicitly shared with the issuer and reiterated during our regular discussions with board members.

Results

The issuer recently appointed a Chief Integration Officer to the executive committee to oversee the integration of its acquisitions, enabling a gradual alignment of commercial, internal control, and ESG strategies across the group's various entities.

Regarding governance, ahead of the upcoming annual general meeting, the board prepared a list of new independent directors with targeted expertise (artificial intelligence, mergers and acquisitions, sustainability), consistent with the expectations expressed during our previous discussions.

Regarding remuneration, our discussions helped highlight the limitations of the existing framework, characterized by the coexistence of three distinct policies. The issuer has committed to consolidating its remuneration policy and to publishing, from 2026 onward, quantified and time-bound non-financial objectives aligned with the group's strategic priorities, together with the associated results and their impact on executive compensation. A dedicated workshop is already planned to further improve ESG criteria and refine their operational relevance.

Pre- and Post-Annual General Meeting Dialogue

We engaged with 19 companies before or after their Annual General Meetings in order to make informed voting decisions or sometimes to explain to the company the reason for a “vote against.” More information on this topic can be found in our 2025 Voting Report.

CASE STUDY

Name: Bayerische Motoren Werke (BMW)

Sector: Automotive

Headquarters: Europe

Strategy: Equities, Large Cap

Background

As part of the 2024 Annual General Meeting, we requested clarification regarding elections to the Supervisory Board, as well as on the prospects for improving the Board’s international diversity, in line with our governance expectations. We also questioned the company about transparency and the integration of ESG criteria into executive remuneration, in connection with recent changes to their policy.

Objectives

- Ensure a balanced and competent composition of the Supervisory Board, including greater diversity of profiles.
- Strengthen the transparency and robustness of executive remuneration frameworks.
- Increase the visibility and credibility of ESG criteria in both STI (short-term incentives) and LTI (long-term incentives).
- Encourage the gradual integration of peer analysis into the remuneration policy.

Results

BMW planned the election of five members to the Supervisory Board, including Dr. Nicolas Peter, former CFO (2017–2023), whose election would complete a two-year cooling-off period. BMW highlighted the strategic importance of his profile and requested support for his candidacy. The four other renewals concern Marc Bitzer (bringing expertise in the American market), Rachel Empey and Anke Schäferkordt (both with financial expertise), as well as Christoph Schmidt (specialist in economic policy). Each proposed mandate has a duration of four years.

BMW acknowledged that the international diversity of the Supervisory Board is limited, with the majority of members being German (including one American member and four binational members). The company shares our objective of improving this over the medium term, while noting operational constraints, particularly related to time zones and remuneration levels required to attract international profiles.

Regarding remuneration, BMW indicated that it has increased the weight of non-financial objectives in short-term incentives (STI), now setting the share of ESG objectives at a minimum of 50%. Long-term incentives (LTI) now incorporate ESG criteria more strongly as measurable indicators. BMW has also implemented a four-year shareholding requirement to strengthen the alignment of executives’ interests with those of shareholders. The company also specified that STI objectives are reviewed each year to remain aligned with best practices. Finally, BMW acknowledged the value of incorporating peer analysis into its remuneration methodology over time and indicated that it is prepared to study this for future reports.

CASE STUDY

Name: Vossloh

Sector: Industry

Headquarters: Europe

Strategy: Equities, Large Cap

Background

As part of the May 7, 2025 Annual General Meeting, we questioned Vossloh after submitting our voting intentions, particularly since we supported the re-election of Frank Markus Weber despite concerns about the low representation of women on the Supervisory Board. We asked whether the company planned to improve this diversity in the coming years.

Objectives

- Clarify the legal framework governing the composition of the Supervisory Board.
- Understand the constraints and levers available to Vossloh to increase gender diversity within the Board.

Results

Vossloh confirmed that it is not subject to the German law on equal co-determination but to the One-Third Participation Act (Drittelbeteiligungsgesetz), which does not impose a legal quota of 30% women on the Board. The company specified that the Supervisory Board consists of six members, including two employee representatives. Among the other four members, one woman currently serves on the Board, representing 25% of the shareholder representatives and 17% of the Supervisory Board as a whole.

The company also noted that in November 2022 the Board adopted formal diversity requirements aimed at balanced participation of both genders. Vossloh mentioned constraints linked to the small size of the Board and the limited pipeline of candidates in the railway sector, particularly at senior management level. However, the company indicated that it will continue its efforts to identify qualified female candidates and expressed openness to continuing the dialogue on this topic.

Improving companies' engagement with extra-financial data providers

During 2025, 280 issuers were made aware by Lazard Frères Gestion's ESG specialists of the importance of a structured and regular dialogue with extra-financial data providers. This engagement primarily aims to ensure that external ESG ratings accurately reflect companies' practices. Indeed, many issuers are penalized by incomplete or outdated assessments, often due to a lack of information.

Our discussions focused on improving the quality, granularity, and consistency of ESG reporting, as well as on the importance of a systematic review by issuers of the data held by extra-financial rating agencies.

As part of this approach, we regularly share with issuers the inconsistencies, gaps, or outdated information we identify in the analyses of data providers. This support enables companies to improve the quality of their external communication and better showcase their ESG approach to the market.

Finally, we encourage stronger and more proactive dialogue between issuers and extra-financial rating agencies. Clear and up-to-date communication is indeed a key factor in ensuring a fair representation of companies' practices and directly impacts our ability to invest in a sustainable manner and support companies over the long term.

CASE STUDY

Name: Abanca

Sector: Banking

Headquarters: Europe

Strategy: Fixed Income, Financial Debt

Background

We have been engaging with this issuer for four years in order to improve the quality, transparency, and credibility of its ESG reporting. When the engagement began, the issuer's strategy remained very limited and focused mainly on its direct operations, which represent only a marginal share of its total carbon footprint. Financed emissions were neither calculated nor disclosed, even though they are a central element for assessing a banking institution's climate strategy.

Objectives

- Publish robust and comparable data in the short term on financed emissions, particularly category 15 of scope 3 according to the PCAF methodology.
- Strengthen, in the medium term, internal processes for data collection, audit, and control in order to significantly improve the quality of ESG reporting.
- Integrate, in the short term, into the reporting the data used in the analyses of ESG data providers, particularly following a change of provider in 2024 that had highlighted several disclosure gaps.

These objectives, aimed at aligning with best practices in the sector, were explicitly shared with the issuer and reiterated regularly throughout the four years of engagement.

Results

In 2025, the issuer published for the first time scope 3 category 15 data according to the PCAF methodology, significantly improving visibility on its financed emissions, which are a major issue for a banking institution.

The CSRD report has been substantially strengthened and now includes a large share of the information whose publication had been encouraged as part of our engagement.

Furthermore, our engagement conducted simultaneously with the issuer's ESG data provider helped correct several misinterpretations and accelerate external analysis through a consolidated file gathering all updated information. This collaborative and proactive approach led to a significant revision of the issuer's ESG rating, with an increase of around 20 points, marking its transition from an average profile to one considered "prime."

Supporting companies in meeting the requirements of the ISR label

During the 2025 engagement campaign, we engaged with 164 companies regarding compliance with the ISR label requirements, particularly on improving their ESG rating, the credibility and granularity of their climate transition plan, as well as how they manage their most significant controversies. We also called for greater transparency regarding the publication of PAI indicators, which have become essential for assessing companies' ability to measure and reduce their negative impacts.

In total, this represents 176 engagements.

CASE STUDY

Name: Anheuser-Busch InBev

Sector: Non-cyclical consumer goods

Headquarters: Europe

Strategy: Equities, Large Cap

Background

We questioned AB InBev about the robustness and transparency of its climate transition plan. Several key elements were missing from recent publications (absence of 2030 emissions-reduction targets, removal of the reference to the SBTi Net Zero objective, etc.). The objective was to determine whether these elements existed internally, were under development, or reflected an evolution in the company's transparency strategy.

Objectives

- Clarify the post-2025 climate strategy, particularly regarding the existence or absence of a 2030 emissions-reduction target.
- Understand the reasons for withdrawing the SBTi Net Zero target and the role of SBTi in the company's future strategy.
- Assess the presence (or absence) of FLAG targets in its climate trajectory.
- Confirm the existence of a climate risk analysis aligned with IPCC scenarios.
- Verify the availability of key social indicators (employee turnover and training rates).

Results

AB InBev indicated that its future climate targets, including the 2030 target, will be published once the 2025 targets have been completed. The company maintains its ambition to achieve Net Zero across its entire value chain by 2040 but confirmed that it is moving away from voluntary frameworks such as SBTi in order to prioritize strict compliance with regulatory frameworks such as the CSRD. Regarding FLAG emissions, AB InBev recalled that its 2025 targets target the most material levers for the company (climate, water, agriculture, packaging) and include a 25% reduction in emissions across the value chain.

The company confirmed that its climate risk analysis aligned with IPCC scenarios is published in its annual report. On social aspects, AB InBev indicated that key indicators appear in the "Own Workforce" section of its Sustainability Statements. Finally, AB InBev reiterated that its communication is now strictly aligned with CSRD requirements and that its next 2025 report will form the basis of its new cycle of climate targets.

Engagement Results

Dialogue and engagement play a central role in Lazard Frères Gestion's investment philosophy. Analyst-portfolio managers, supported by the technical expertise of the ESG team, may revise an issuer's internal rating following discussions or in-depth analysis.

Our investment framework incorporates strict thresholds based on these internal ratings.

- In equities, companies obtaining a score of 1 out of 5 on one of the three pillars (Environment, Social, or Governance) are excluded from the investment universe.
- In fixed income, issuers whose ESG score is below or equal to 2 out of 5 are excluded. Exposure limits are also applied: for Investment Grade issuers rated between 2 and 3 out of 5, the maximum exposure is set at 30% of the portfolio. This limit rises to 50% for High Yield issuers within a universe that is generally less covered and lower rated.

Once these thresholds are reached, our escalation process systematically involves deeper engagement with the company to understand the causes of the identified shortcomings and to encourage the implementation of corrective measures. More information is available in our Engagement Policy.

This approach may lead to decisive investment actions: a security may be sold if engagement remains unsuccessful or if the identified risks persist. Conversely, successful engagement may lead to an improvement in the internal rating, allowing an issuer to be removed from the exclusion list, the initiation of a position, or the strengthening of an existing position.

This illustration demonstrates how engagement, far from being a peripheral activity, is an essential lever of our responsible investment process and our ability to support companies over the long term.

In 2025, 27 engagements resulted in an improvement of an internal rating and/or were followed by a portfolio management action:

Improvement of internal ESG ratings / Human Capital	18
Downgrade of internal ESG ratings	9



Portfolio Statistics

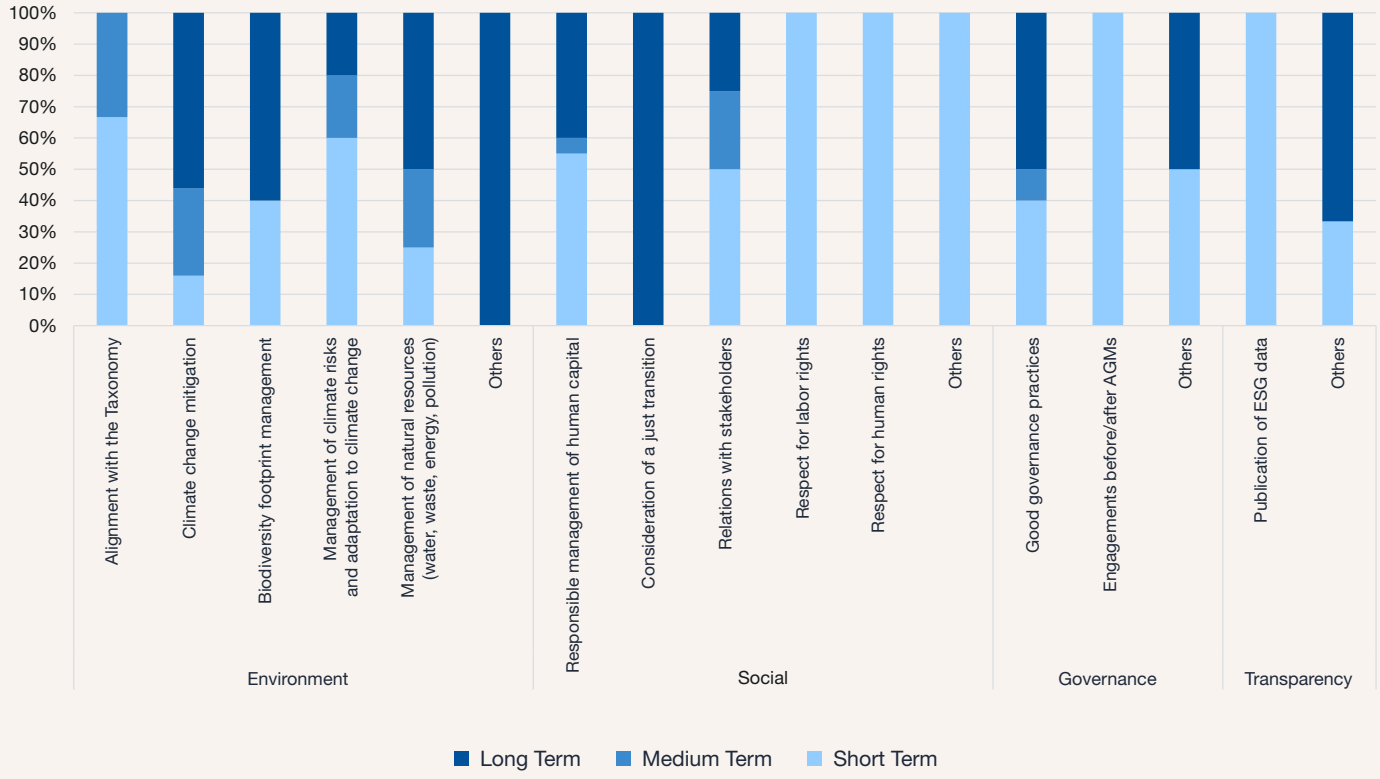
Equity Management

Lazard Equity SRI

For a portfolio of 38 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Meetings	136	36	94%
Engagements	52	38	100%
Of which in-depth engagements	37	35	82%
Of which dialogues	15	9	15%

Thematic breakdown of engagements

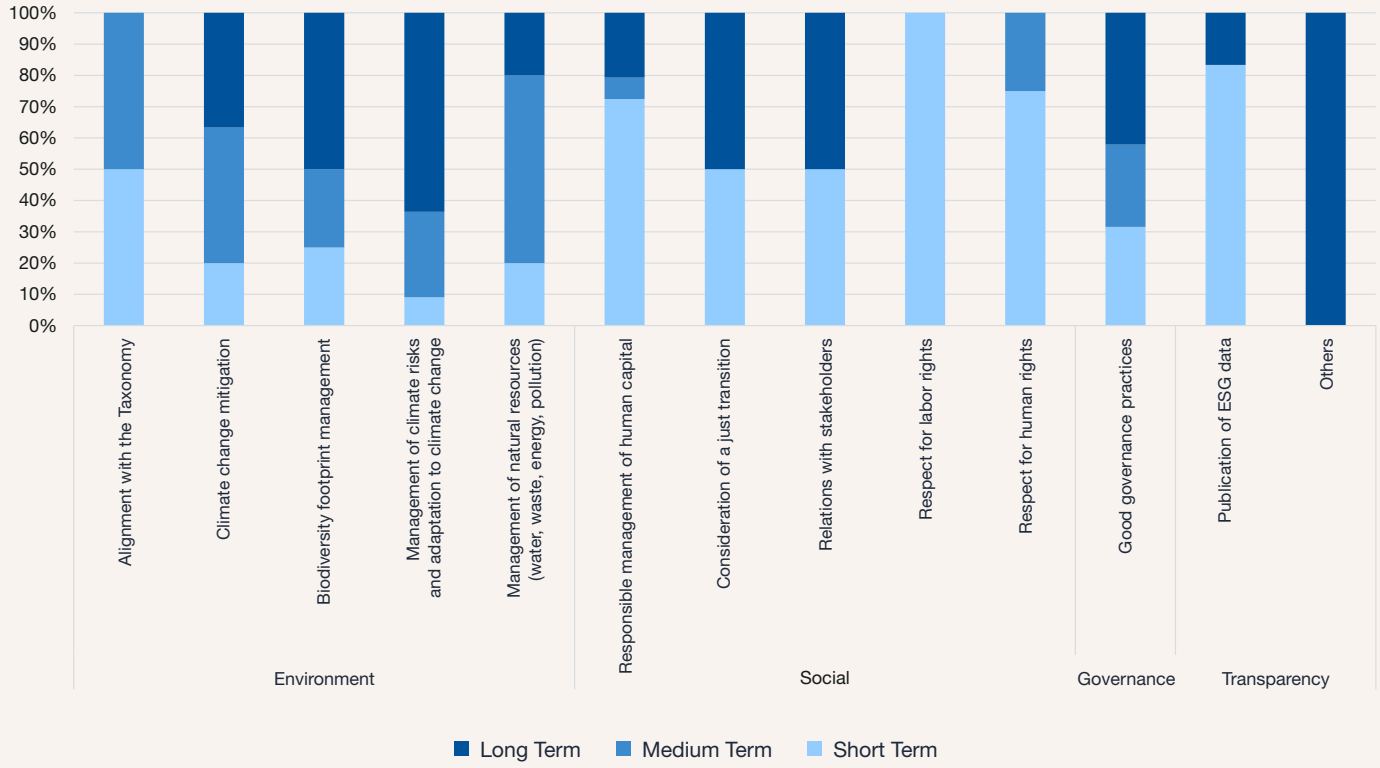


Lazard Human Capital

For a portfolio of 41 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Meetings	58	24	51%
Engagements	50	41	100%
Of which in-depth engagements	40	37	83%
Of which dialogues	10	7	8%

Thematic breakdown of engagements

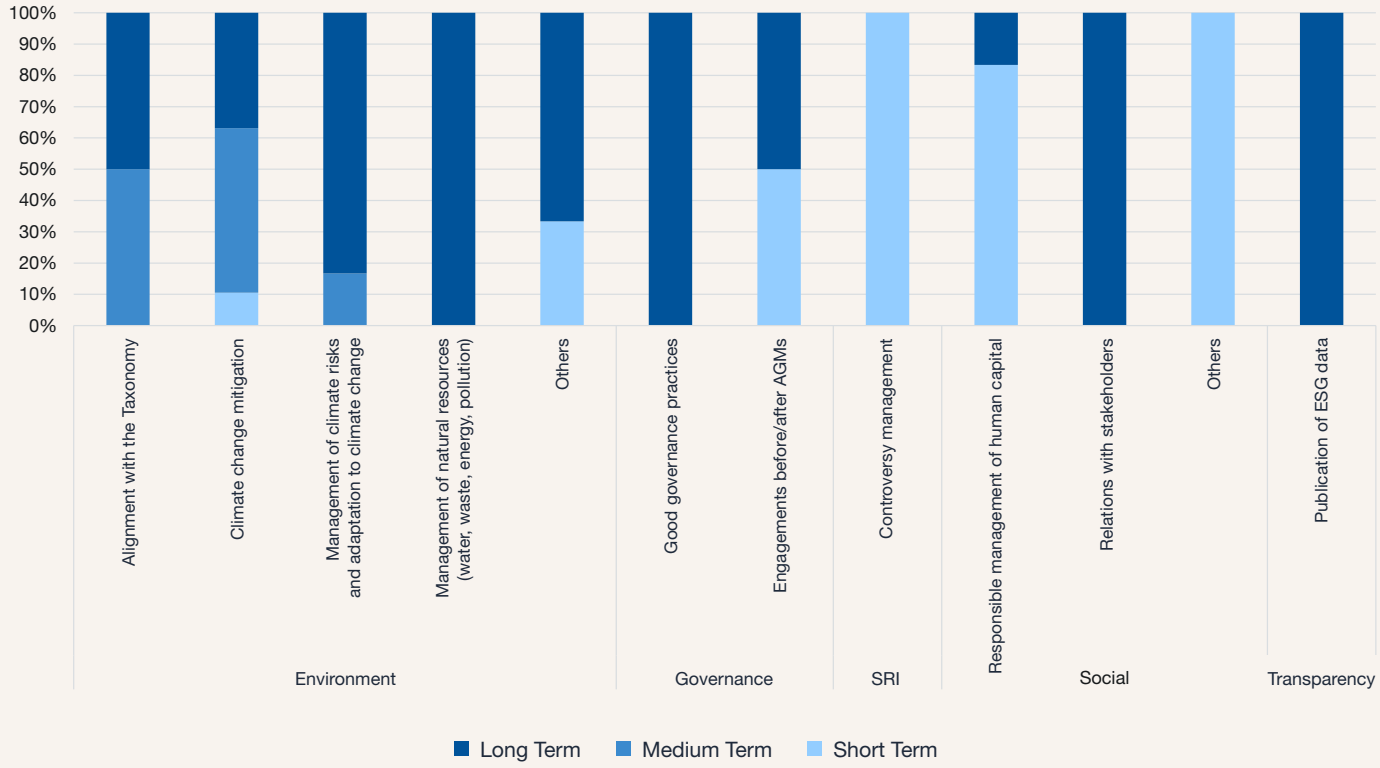


Lazard Green Capital

For a portfolio of 28 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Meetings	30	14	56%
Engagements	30	27	97%
Of which in-depth engagements	25	25	85%
Of which dialogues	5	5	7%

Thematic breakdown of engagements



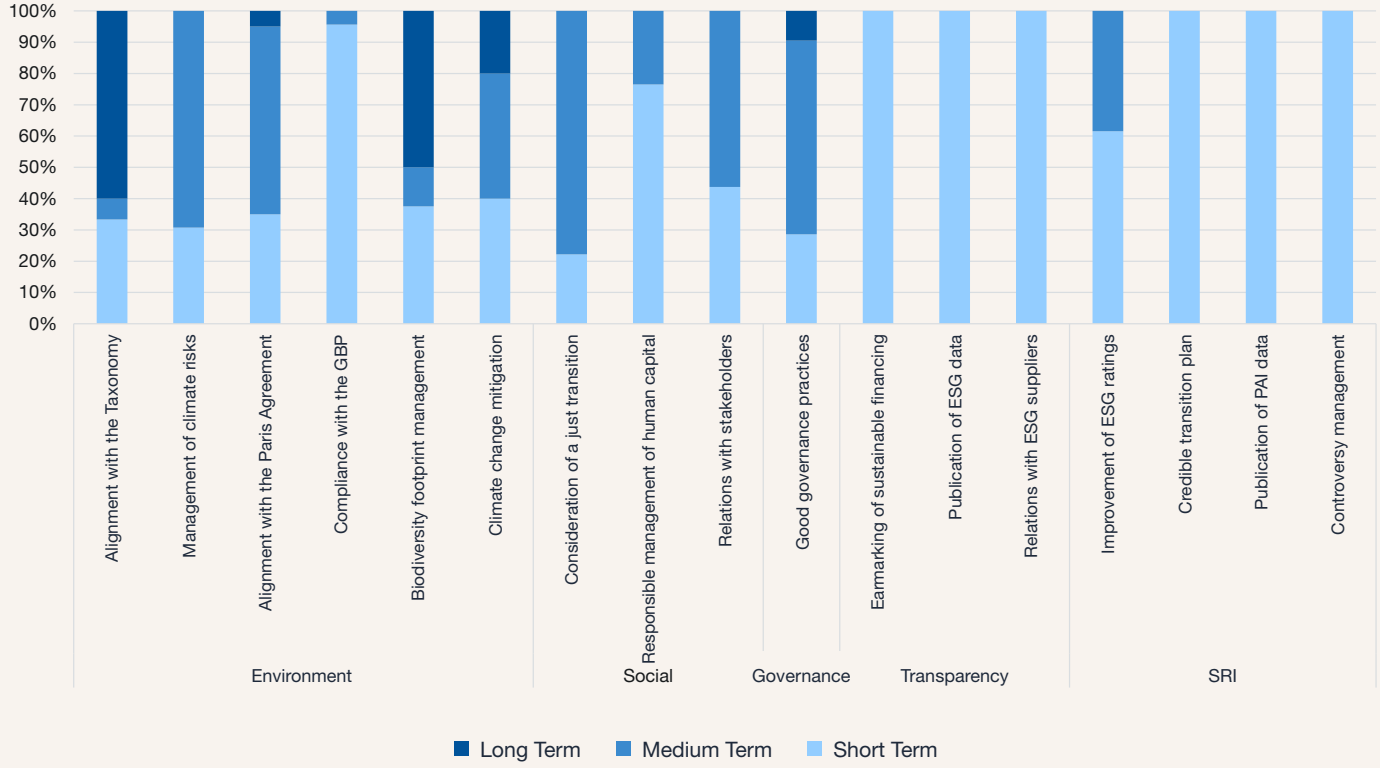
Gestion Obligataire

Lazard Capital Fi SRI

For a portfolio of 50 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	72	40	89%

Thematic breakdown of engagements

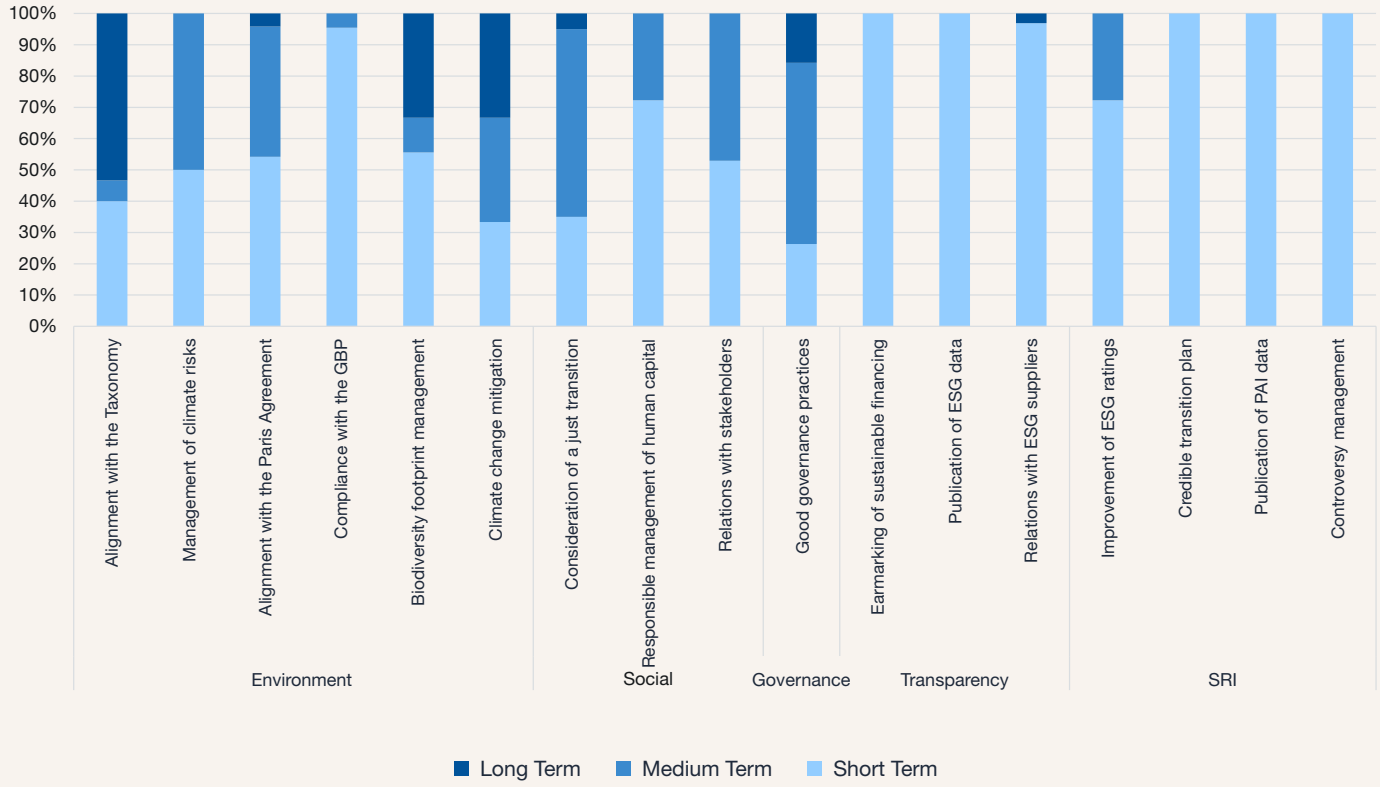


Lazard Credit Fi SRI

For a portfolio of 62 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	90	48	86%

Thematic breakdown of engagements

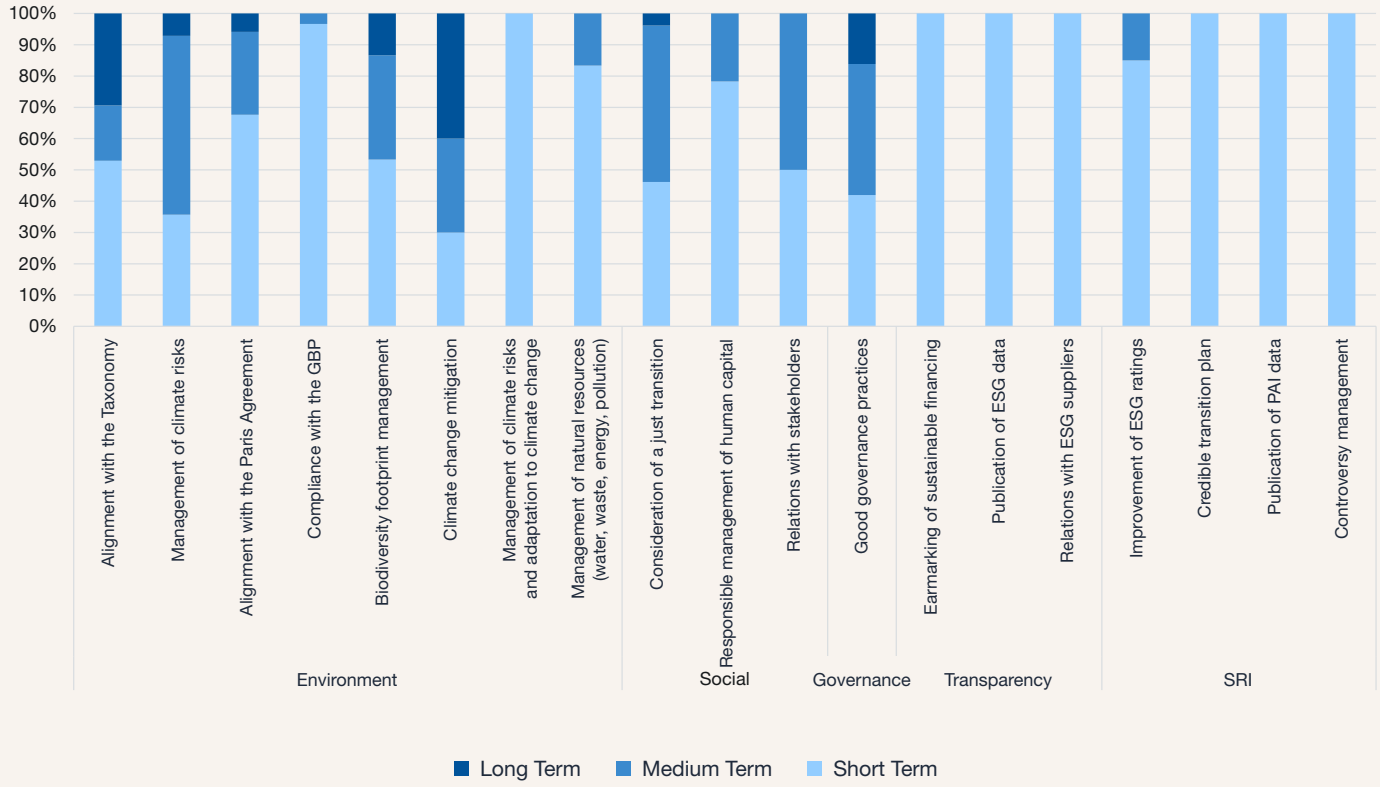


Lazard Euro Short Duration Income Opportunities SRI

For a portfolio of 90 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	112	76	85%

Thematic breakdown of engagements

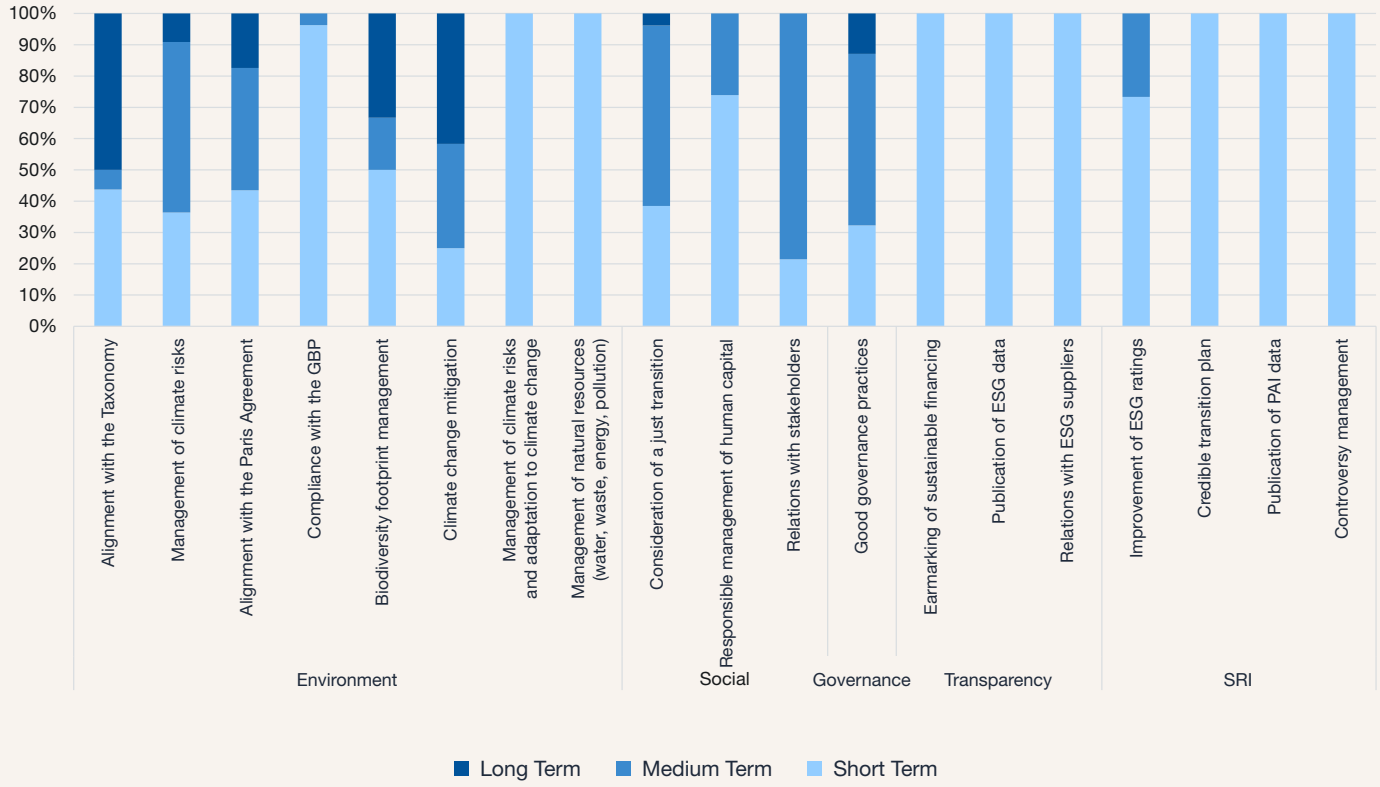


Lazard Euro Short Duration SRI

For a portfolio of 75 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	64	52	70%

Thematic breakdown of engagements

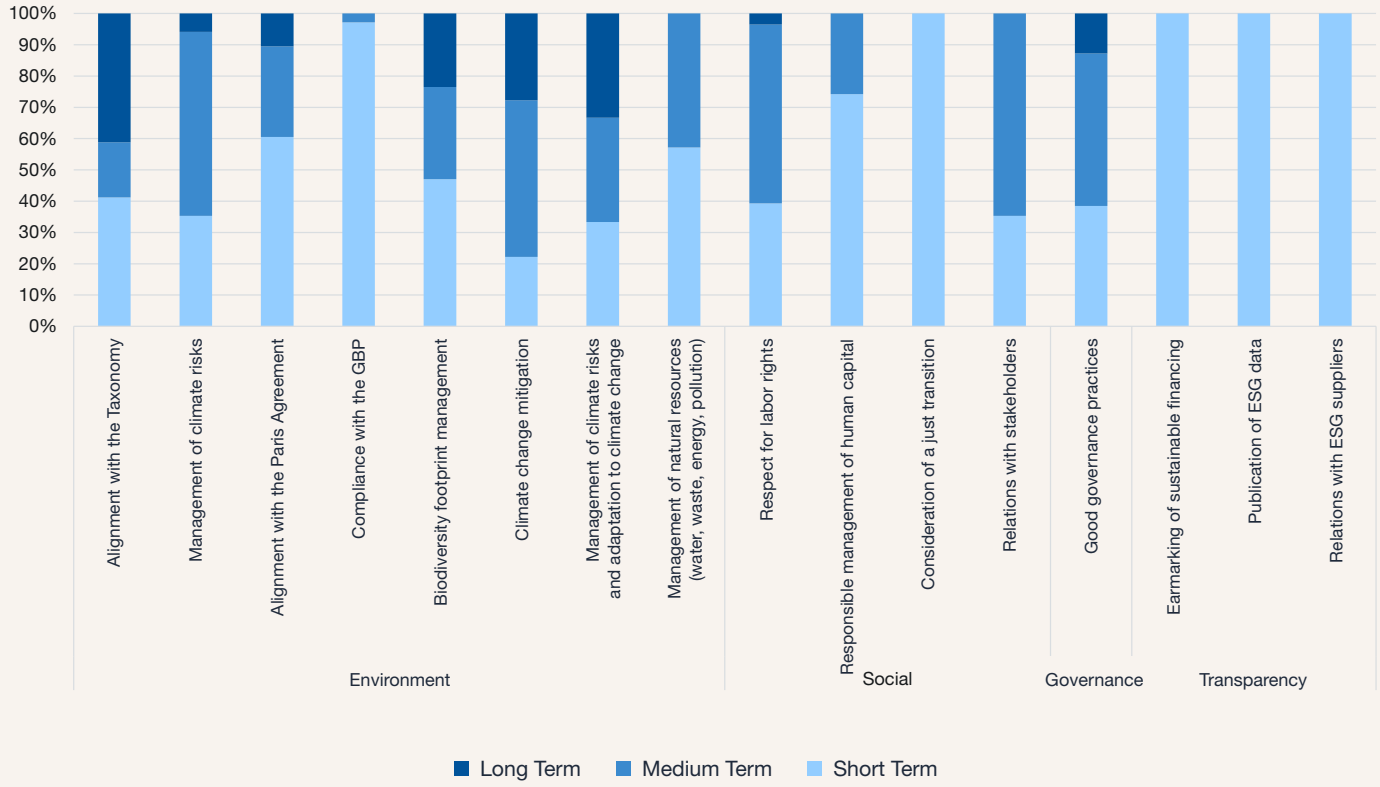


Lazard Euro Credit SRI

For a portfolio of 102 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	145	79	84%

Thematic breakdown of engagements

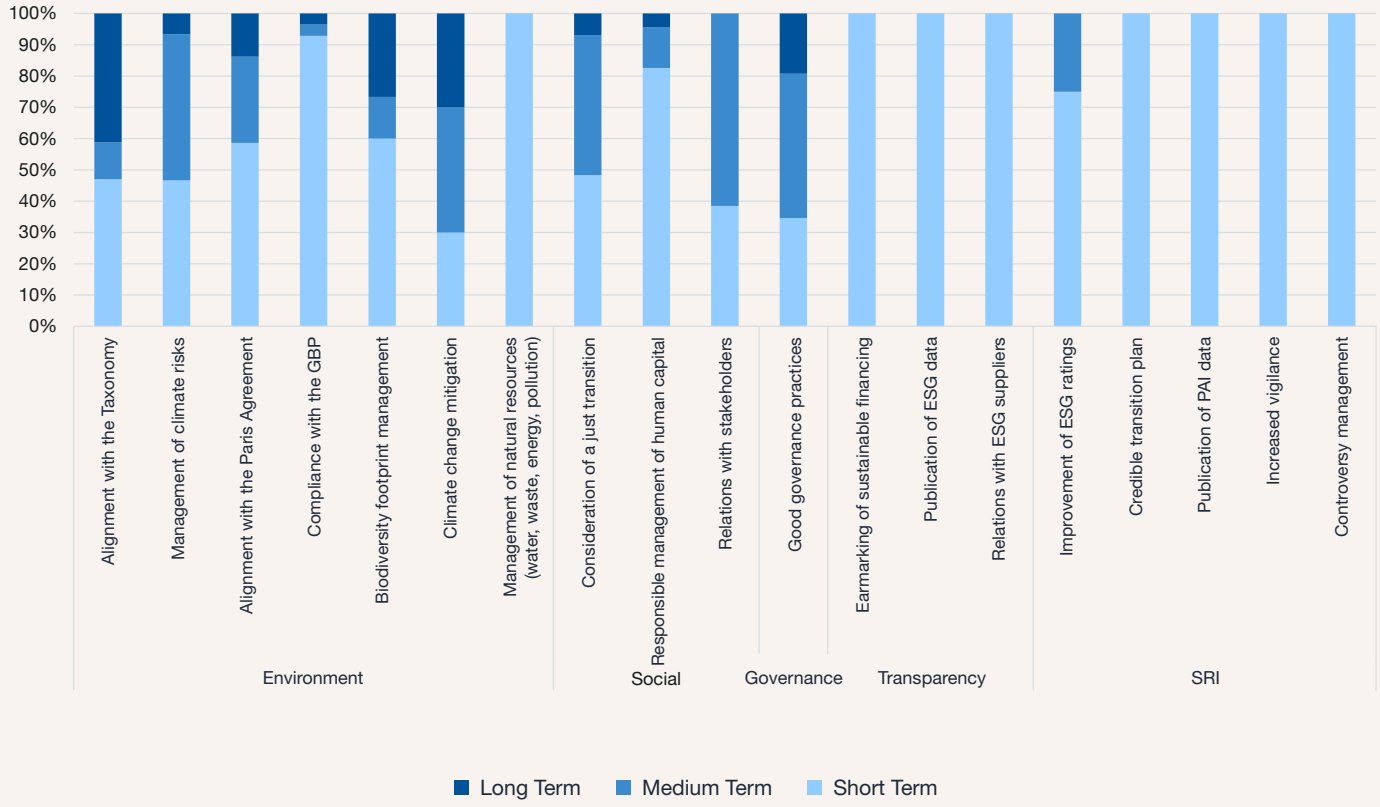


Lazard Global Green Bond Opportunities

For a portfolio of 69 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	97	55	82%

Thematic breakdown of engagements

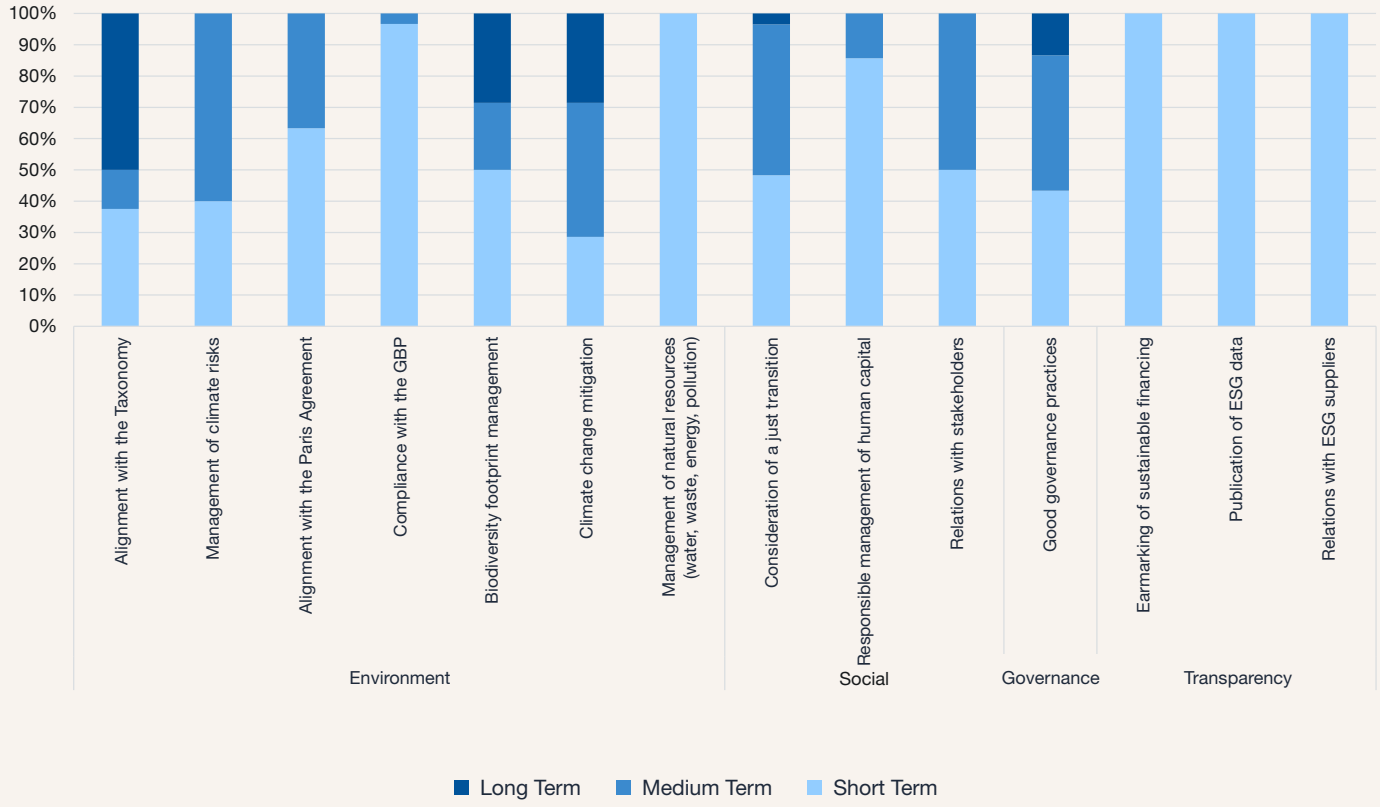


Lazard Credit Opportunities

For a portfolio of 86 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	155	73	86%

Thematic breakdown of engagements

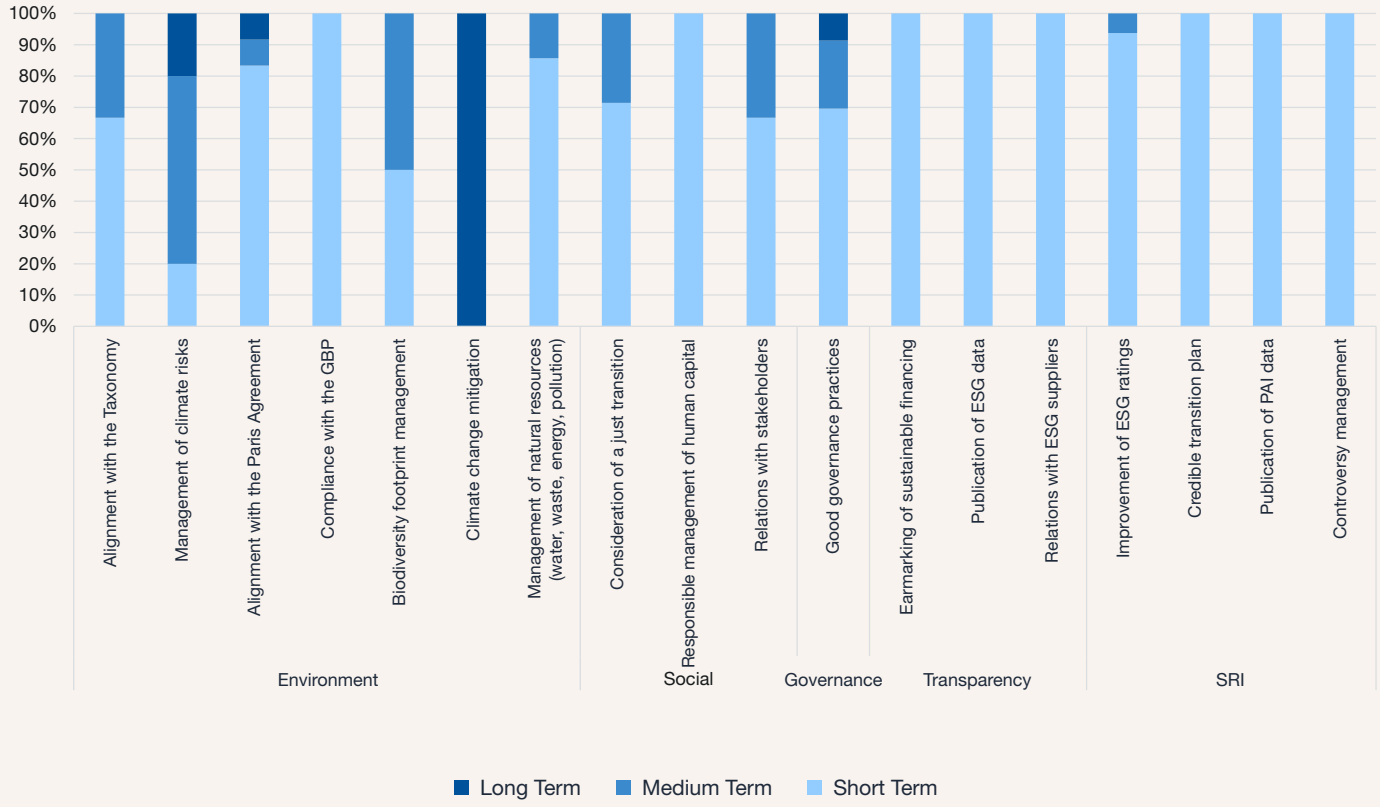


Lazard Euro Corp High Yield

For a portfolio of 98 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	134	48	66%

Thematic breakdown of engagements

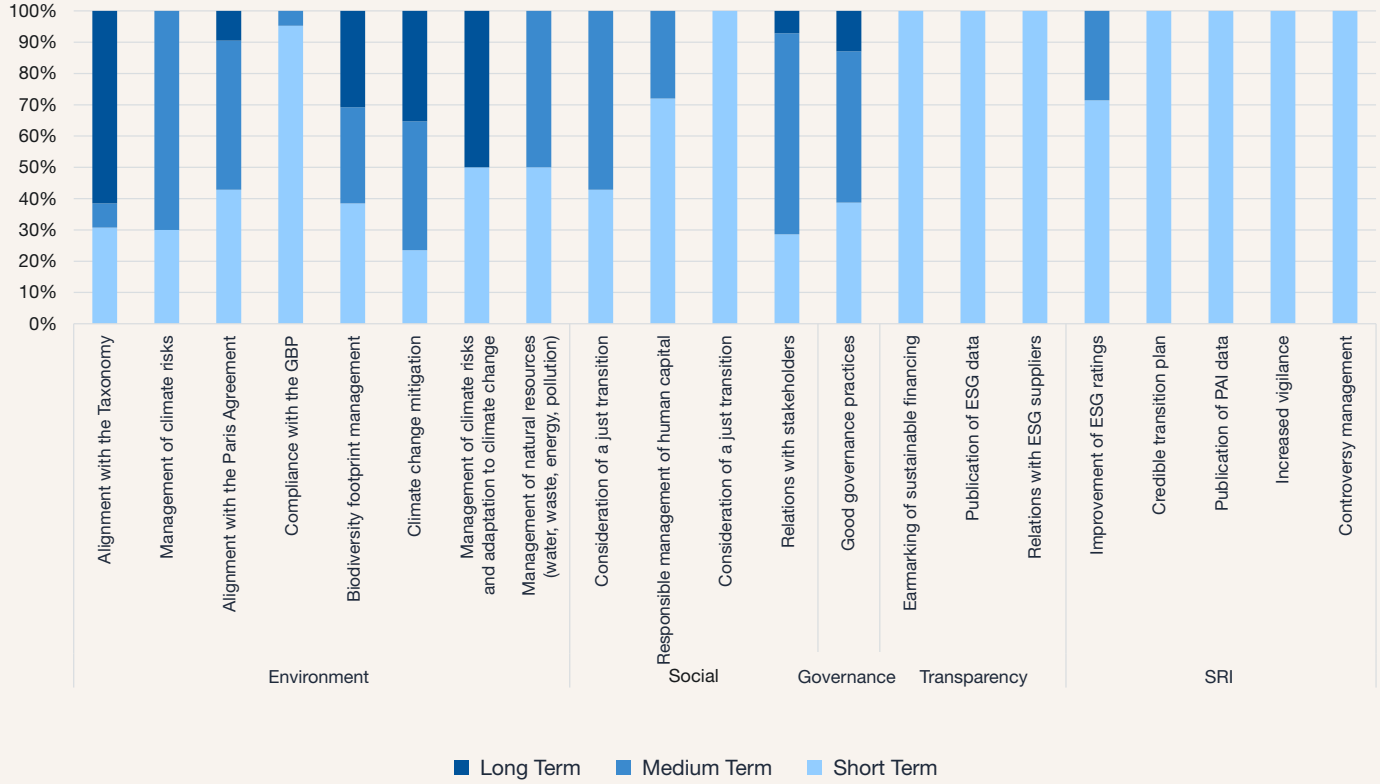


Lazard Patrimoine SRI - Poche Obligataire

For a portfolio of 63 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	58	45	76%

Thematic breakdown of engagements

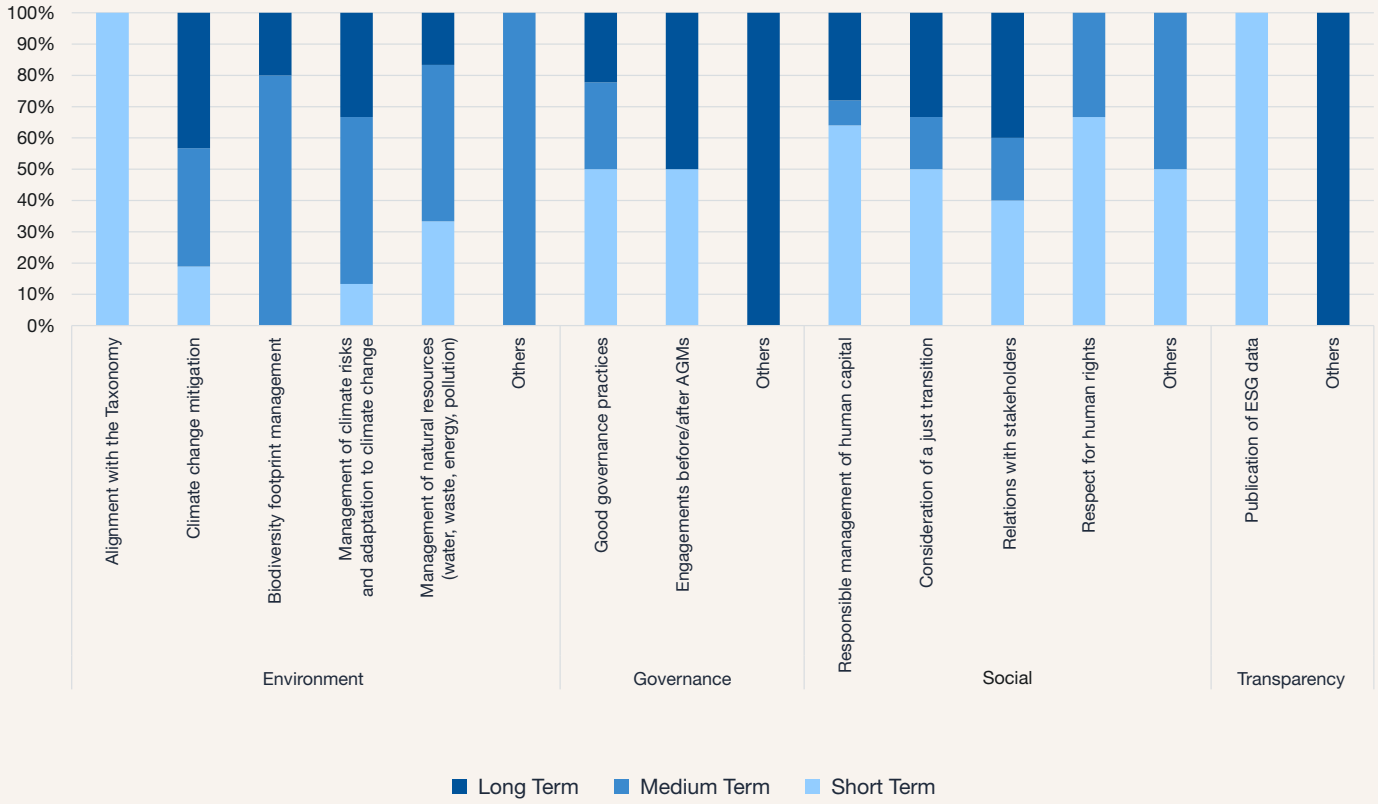


Lazard Patrimoine SRI - Poche Actions

For a portfolio of 45 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Meetings	60	25	57%
Engagements	50	45	100%
Of which in-depth engagements	46	44	98%
Of which dialogues	4	2	2%

Thematic breakdown of engagements

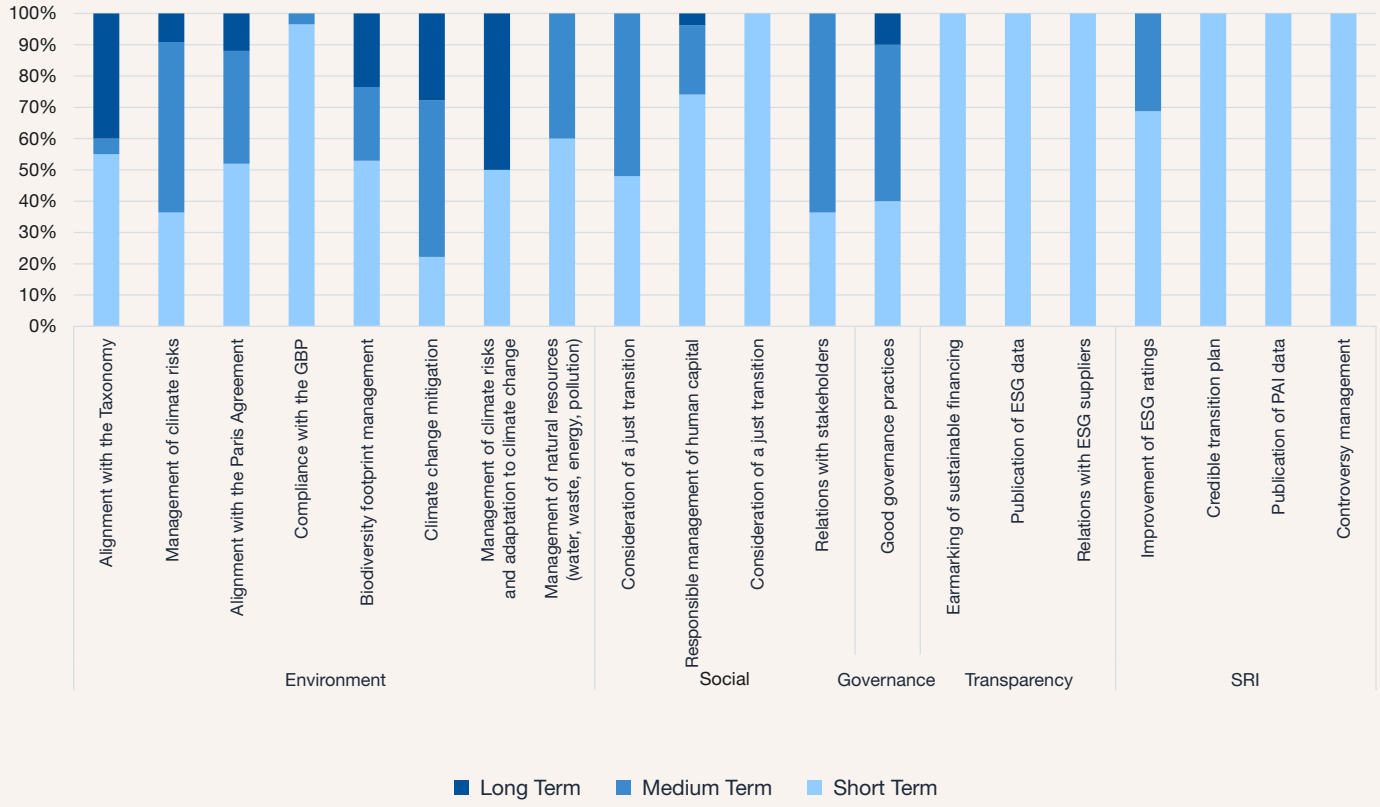


Lazard Patrimoine Opportunities SRI - Poche Obligataire

For a portfolio of 76 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Engagements	72	53	77%

Thematic breakdown of engagements

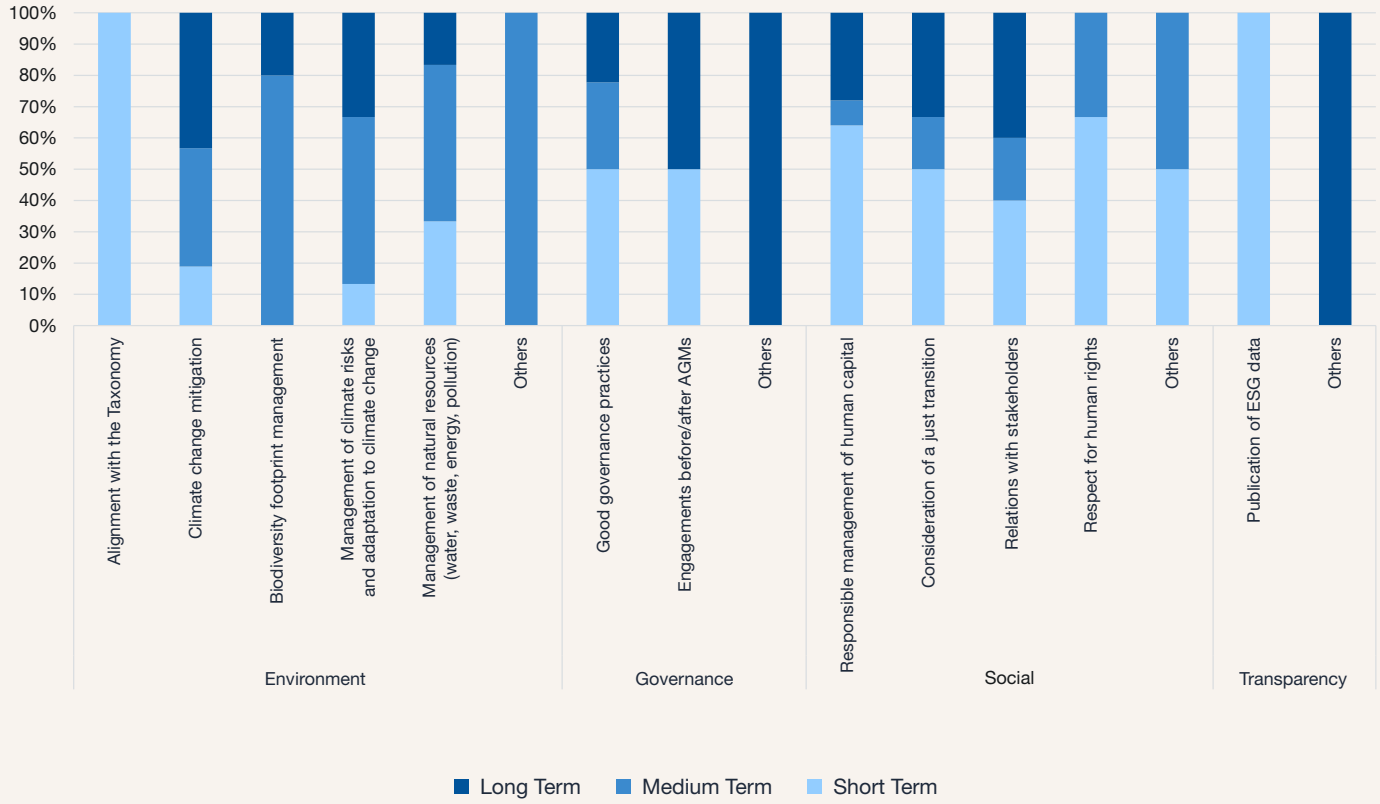


Lazard Patrimoine Opportunities SRI - Poche Actions

For a portfolio of 45 companies, the following statistics were recorded:

	Number of occurrences	Number of companies	% of the portfolio
Meetings	60	25	57%
Engagements	50	45	100%
Of which in-depth engagements	46	44	98%
Of which dialogues	4	2	2%

Thematic breakdown of engagements





© massimo_g - stock.adobe.com

LAZARD
FRÈRES GESTION