

The background of the entire page is a photograph of dandelion seed heads against a clear blue sky. The seed heads are in various stages of dispersal, with some showing the delicate, feathery structure of the seeds. The lighting is bright, suggesting a sunny day.

CLIMATE CHANGE POLICY

LAZARD
FRERES GESTION

LAST UPDATE ON - MARCH 2021



From its beginning, Lazard Frères Gestion has opted for asset management that is rooted in time-tested and durable viability. Our work consists in selecting and supporting companies with a view to their sustainable development in order to offer long-term performance to both society and our clients.

The impact of climate change, which can already be seen today, is a source of concern for much of the world population, and will have substantial consequences for our future ways of life. According to an increasingly broad scientific consensus, we must, starting now, invent a cleaner, more innovative growth model, which produces less greenhouse gas emissions and consumes fewer natural resources, to meet the needs and support the aspirations of a population that is growing both demographically and economically.

Based on the awareness of the responsibilities of each and every person and our confidence in the scientific projections, we have modified our investment process to gain a better understanding of climate change and the risks arising from it, and to support companies in their transition to a lower-carbon economy.

Moreover, because we believe that the transition to a lower-carbon economy also presents investment opportunities, we have designed a policy that it will be possible to adapt along with the regulatory, technology and scientific changes, and which will therefore remain relevant and serve our managers over time.

In order to participate in the achievement of the coal exit in 2030 for European and OECD countries, and in 2040 for the other countries, the scope and exclusion thresholds defined in our climate policy will be revised each year in accordance with the recommendations of the AFG (the French asset management association).



THIS POLICY IS BASED IN THE FOLLOWING FOUR PILLARS:

1/ The exit from coal

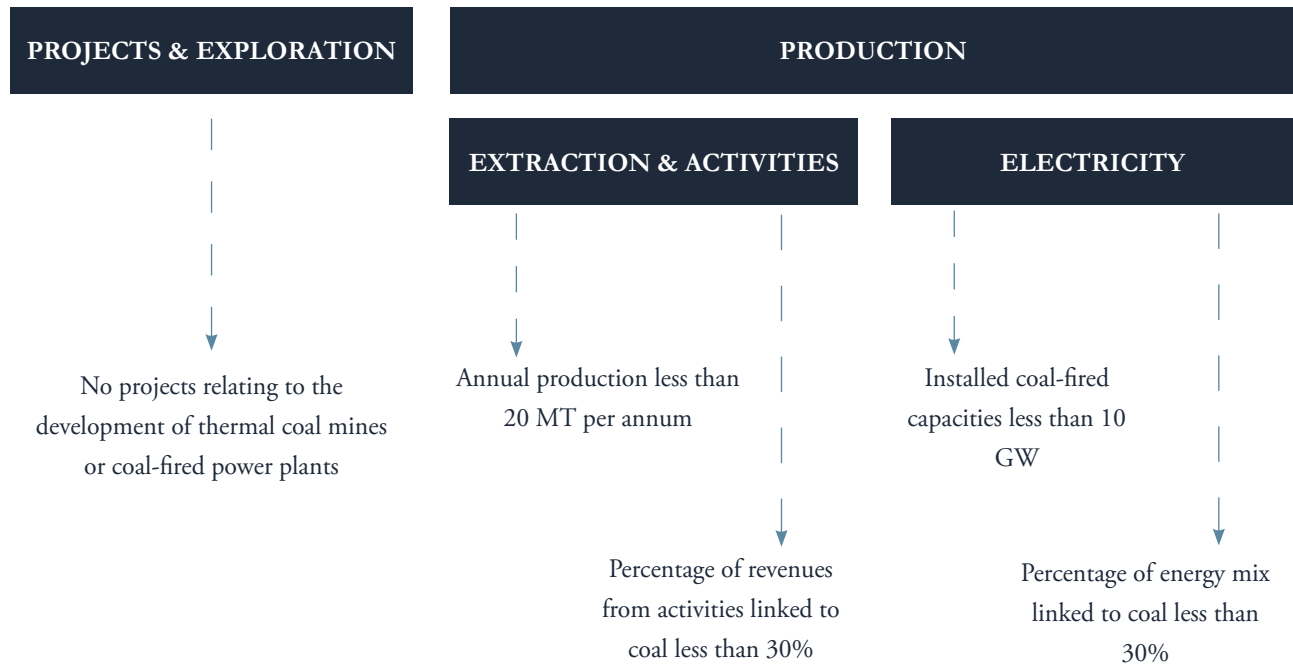
In line with its ESG policy, in 2020 Lazard Frères Gestion defined a thermal coal exclusion strategy that is applied to all the portfolios it manages. Its objective is to fight climate change and reduce human pollution, while taking into account the financial, regulatory, physical and reputational risks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

Coal combustion is still the principal source of global warming, accounting for more than 29% of total greenhouse gas (GHG) emissions linked to human activities and more than 40% of anthropogenic carbon dioxide (CO₂) emissions in 2019, according to the IEA. Its reduction will therefore be one of the most effective measures to limit the rise in temperatures and meet the targets set by the Paris Climate Agreement.

At the same time, coal is gradually being replaced by new sources of greener energy, notably renewable energies, where the competition is reducing the relative appeal of thermal coal. Securities linked to coal are now riskier than before, and this trend will continue with the development of new green technologies.

Effective as of October 15, 2020, Lazard Frères Gestion therefore excludes investments in companies where:

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



To allow for liquidity and management constraints, stocks already present in the portfolio must be sold before December 31, 2020.

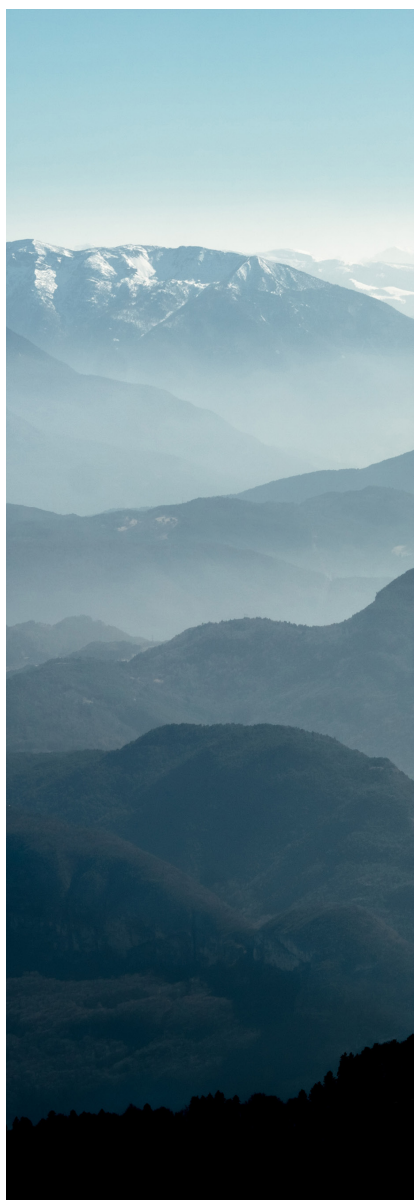
Lazard Frères Gestion reserves the right to update the data provided by the Global Coal Exit List (GCEL), used for the exclusion of thermal coal. In this regard, some companies that appear in the list may be reintroduced to our investment universe if the latest available data indicate compliance with the stated thresholds. Conversely, if the managers or ESG specialists at Lazard Frères Gestion become aware that a company in the portfolio has exceeded these thresholds, that position will be sold within three months.

Moreover, in line with its approach of supporting and working with companies, Lazard Frères Gestion considers that green bonds or instruments such as Sustainability-Linked Bonds (SLBs) with a performance indicator (KPI) tied principally to an environmental goal (for example, reducing carbon emissions) are always eligible for investment, regardless of the issuer.



2/

Climate-integrated Research



We are committed to incorporating an assessment of the climate-related risks and opportunities into our research and analysis approach. Thanks to the data provided by our specialised partners (Vigeo-Eiris, Trucost, Carbon Delta, ISS, Ethifinance – Gaïa Ratings), Lazard Frères Gestion has developed a proprietary analysis tool that tracks several indicators that relate to environmental, social and governance issues for each company present in our portfolios.

This internal ESG analysis grid takes into account several climate-related factors such as greenhouse gas emissions (scopes 1 and 2), the consumption of water resources, the number of low-carbon patents and the companies' climate commitments.

In addition, our partnership with the company Carbon Delta, which assesses the climate trajectory of more than 9,000 companies worldwide, enables us to measure the alignment of our portfolios with the commitments of the Paris Agreement, namely to limit global warming to 2 °C between now and 2100, by calculating a “portfolio temperature” on a horizon to 2030.



Thanks to the data provided by Carbon Delta, we are able to quantify the effects of probable climate change scenarios and assess the carbon exposures of our investment strategies compared to their benchmarks.

By incorporating these various data into our investment strategies, our goal is to anticipate as best we can the impact of regulatory changes, and identify companies that take into account climate issues, both to limit their effects (*risk mitigation*) and to adapt to them (*risk adaptation*).

3/

Climate issues, at the core of our engagement policy

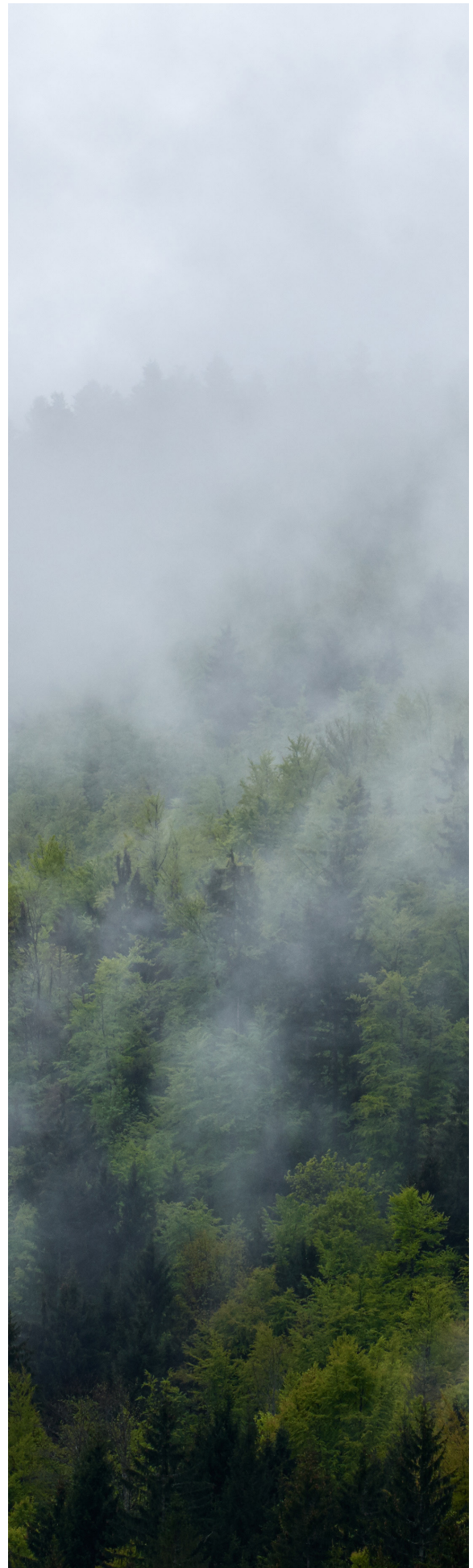


Meetings with company managers constitute a key part of our investment process. We address climate issues on a regular basis during these discussions. Climate-related factors become crucial when we consider that they could have a direct impact on the company's long-term performance and, as a result, on the value of our clients' investments.

As part of the reinforcement of our collaborative engagement, Lazard Frères Gestion signed the CDP (Carbon Disclosure Project) at the beginning of 2020. This engagement aims to support the publication of carbon data, encourage companies to reduce their emissions, and better identify the risks and opportunities associated with their water use and forest management.



Our voting practices, aligned with our engagement policy, also reflect this goal, and aim to direct companies towards more virtuous behaviour with respect to the climate.





4 / Transparency, Disclosure and Reporting on Climate-Related Issues



Lazard Frères Gestion encourages the publication of climate-related risks and opportunities by companies and sovereign issuers and, more broadly, of all data that can help investors to quantify the impact of climate change on financial performance. This primary corporate data, combined with the data provided by our partners, is used to monitor the extra-financial performances of the portfolios.

As a supporter of the TCFD (Task-Force on Climate-related Financial Disclosure), Lazard Frères Gestion is committed to improved disclosure to its clients with respect to the exposure of their portfolios, notably by developing carbon indicators aligned with the recommendations of the TCFD.



In line with the requirements of the SRI label, funds that have been awarded the label are subject to specific reinforced monitoring including at least one environmental impact indicator. Lazard Frères Gestion is committed to systematically using a carbon emissions indicator, in order to align all of its SRI portfolios with the fight against global warming.

SPECIALIST ESG DATA PROVIDERS

APPENDIX



Vigeo-Eiris: we have established a long-standing partnership with Vigeo-Eiris, signing our first contract with them in 2001. On the strength of its 17 years of experience in the **extra-financial analysis of companies**, Vigeo-Eiris provides us with information about the majority of the companies in our investment universe. The agency provides a detailed analysis for each company; it rates their environmental, social and governance performances. Since 2019, **Vigeo-Eiris also provides us with a controversies analysis tool for our portfolio companies.**



Trucost: this firm specialises in the **carbon data of companies** and provides data for our “carbon footprint and energy transition” reports, published on a quarterly basis.



Carbon Delta (MSCI): this Swiss start-up, which was acquired in 2019 by MSCI, enables us to **assess the physical and transition risks in our investment universe.** We are also able to calculate a “temperature” for the portfolio, or in other words, assess its ability to align with the 2 °C target set by the Paris Agreement.



Proxinvest: this French company advises investors on their engagement policy and exercise of voting rights. It analyses resolutions at AGMs that fall within our voting scope and issues **voting recommendations** that serve as an aid to decision-making for our analyst-managers.



Gaia: a subsidiary of Ethifinance, Gaia is an extra-financial rating agency that specialises in **ESG ratings for small, medium and intermediate-sized enterprises** listed on the European market.



www.lazardfreresgestion.fr
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Lazard Frères Gestion: A French simplified joint-stock company (SAS) with capital of €14,487,500, registered on the companies register (RCS) in Paris under SIRET no. 352 213 599. Portfolio management company authorised by the AMF (Autorité des Marchés Financiers) under number GP 04 000068.

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