



Exercise of voting rights

2017

SUMMARY

Exercise of voting rights

2017

| 2 |

Voting principles

| 3 |

Organisation of the exercise of voting rights

| 4 - 5 |

Attendance at meetings

| 6 - 7 - 8 |

Opposition votes

| 9 |

Management of conflict of interest situations

| 10 |

Exemption to voting

| 11 - 12 |

Commitment

Voting principles

Lazard Frères Gestion's investment selection process was based from the onset on analysts and managers' assessment of issuers, and on the quality of the available financial information, management team and supervisory bodies. Lazard Frères Gestion only invests in companies if a strong relationship of trust has been established with management.

At Lazard Frères Gestion, we have a hands-on approach. The application of the voting policy guidelines can be adapted to meet each company's specifics, but our main objective is to preserve the interests of minority shareholders.

As a signatory of the Principles for Responsible Investment (PRI) since February 2015, Lazard Frères Gestion strives to consider the environmental, social and governance dimensions of CSR within the exercise of its voting rights.

| Governance |

By guaranteeing the fair treatment of minorities and preventing conflicts of interest. Analysing corporate governance has always been an integral part of our investment policy.

| Social |

By taking into account all stakeholders' interests.

| Environment |

By committing to support resolutions we deem favourable to a management more respectful of the environment.

Organisation of the exercise of voting rights

A

Instruction and analysis of resolutions

Our equity management assistants handle the necessary application and operational process required to exercise voting rights at annual general meetings.

The resolutions analysis is carried out internally by the analyst-fund manager specialised in the sector, as we deem this an integral part of the Lazard Frères Gestion financial analysis process.

To review the resolutions, the analyst-fund manager also uses a “proxy providers” service, Proxinvest, for French securities and the ECGS (European Corporate Governance Service) for companies in other European countries. These proxy voting providers are decision support tools to help rapidly identify potentially delicate resolutions.

The final voting decision is made by the dedicated sector analyst/manager in a completely independent manner.

B

Scope of the exercise of voting rights

Within the framework of its voting policy, Lazard Frères Gestion has committed to vote in all European Union issuer general meetings for the mid- and large caps held in the mutual funds included in its strategies:

Eurozone “Core” equities, including its SRI range
Eurozone “Alpha” equities

Lazard Frères Gestion votes at all of these meetings, with no minimum holding threshold, as long as voting by mail is permitted.

However, we also strive to exercise our voting rights within a wider scope to include small caps if we hold a significant stake.

Attendance at meetings

In 2017, Lazard Frères Gestion held voting rights in 636* companies of various nationalities and voted at 114 general meetings**.

*This figure is based on shares held as of 30 June 2017

** Only one vote counted for 2 or 3 General Meetings of the same company

Voting ratio:

	Scope of vote	Out of scope	Total
Total number of votes at general meetings in 2017	62	52	114
Total number of general meetings attended in 2017	64	572	636
Ratio	97%	9%	18%

We did not fully use our right to vote in 2017, due to a request to block shares at a meeting held for a Swiss issuance and for an operational reason following a past voting deadline.

Attendance at meetings

Lazard Frères Gestion analysed 1,785 resolutions and voted against the recommendations made by company management on 136 of them, i.e. 8% of all cases.

For	92,1%
Against	7,6%
Abstained	0,3%

French companies accounted for 84% of our dissident votes at the latest annual general meetings.

Distribution of dissident votes in %

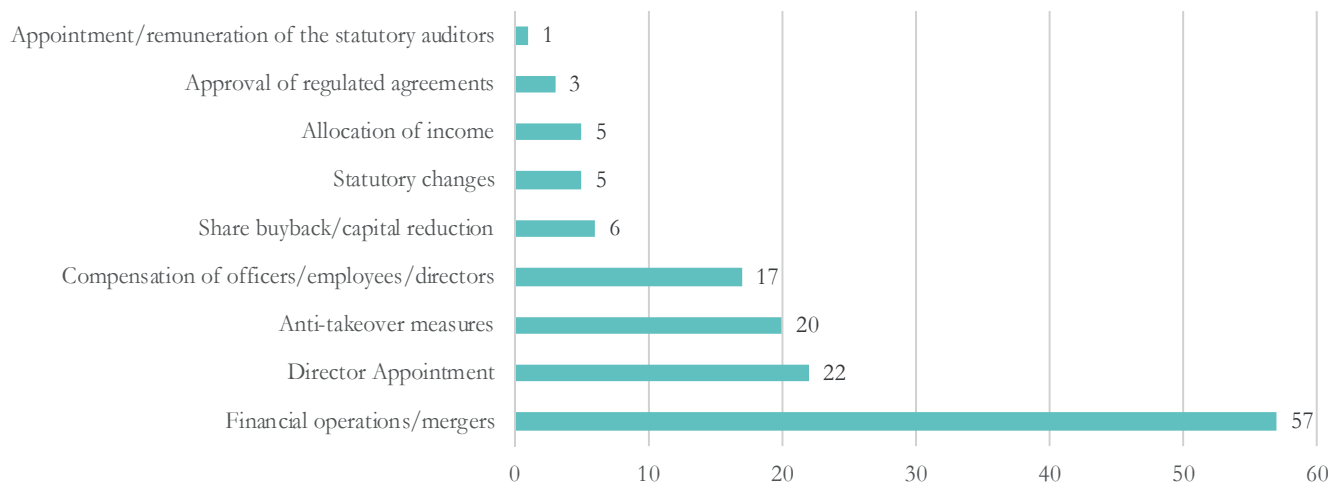
France	114	83,8%
Germany	12	8,8%
Netherlands	4	2,9%
Luxemburg	3	2,2%
Spain	2	1,5%
Finland	1	0,7%
Total	136	100%

Opposition votes

Reasons for the dissenting votes:

Opposition votes are represented in the graph below by type of resolution.

Number of resolutions voted “Against”



Appointment and remuneration of statutory auditors

In 2017 Lazard Frères Gestion opposed a resolution on the appointment of an auditor whose term of office seemed excessive.

Approval of regulated agreements, excluding remuneration

We oppose votes when we believe there is a lack of information or clarity of information.

Allocation of income

In this case, we oppose the option to pay a stock dividend at a discount, thus favouring an arbitrage detrimental to the quest for shareholder loyalty.

Opposition votes analysis

Statutory changes

Lazard Frères Gestion supports the principle of “one share, one voice”. We are opposed to resolutions introducing double voting rights or a limiting voting rights.

The rejected resolutions concerned (i) a status transformation of the European incorporated company (“SE”), for which abstaining is no longer recognised in voting results and (ii) a change in the maximum age of board members. Lazard Frères Gestion condemns discrimination against senior managers because of their age.

Share buybacks and capital reduction

We rejected resolutions relating to share buyback programmes which could have been used during takeover bid periods.

Regarding capital reduction operations, the applications had been judged inconsistent with the proposed dividend shortfall in the allocation of income

Remuneration of officers, employees and directors –“Say on pay”, allocation of free shares, stock option, severance pay, presence milestones, etc.

We objected to compensation that we deemed excessive in respect to the coherence with achievements and a lack of consistent and quantifiable performance criteria.

We voted against capital increases for employees when employee shareholding was already significant and employee/shareholder representation did not reflect the guaranteed independence versus management.

Opposition votes analysis

Anti-takeover measures

We rejected resolutions related to authorising capital increases which could be used during periods of takeover bids.

Lazard Frères Gestion is committed to the principle of neutrality of the Board of Directors during Initial Public Offerings. We therefore automatically voted against all resolutions that did not respect this principle.

Appointment of directors

These resolutions concern the appointment of directors on a non-discretionary basis although the Board of Directors was already not sufficiently independent.

In this category we also include resolutions for which we have not granted a discharge to certain directors due to their low participation rate at Board meetings.

Financial mergers

The resolutions concern capital increases with/without preferential issue rights and with/without a priority period as these would entail an excessive risk of capital dilution and a negative impact on shareholders.

This also includes resolutions on capital increases by private investment or to remunerate unspecified contributions in kind.



Management of conflict of interest situations

Lazard Frères Gestion exercises voting rights of the UCIs in the exclusive interest of the latter. To this end, Lazard Frères Gestion acts impartially and independently of any outside interest.

Lazard Frères Gestion has established a Conflict of Interest Management Policy aimed at detecting these situations, implementing all reasonably necessary measures for their management, as well as defining the terms of good customer information.

The main guarantee of independence of votes lies in the fact that their exercise is determined by the decision of the analyst-managers, according to their professional judgement. Analysts-managers are themselves subject to strict ethical standards that could be the subject of an audit.

In final, Lazard Frères Gestion is particularly attentive to votes that protect minority shareholders if management's interests negatively impact minority shareholders' interests.

Lazard Frères Gestion did not identify any conflicts of interest in 2017.





Exemption to voting

Exemptions to voting occur if the management company considered that it cannot respect the principles laid down in its Voting Policy:

In 2017, we felt that we could not respect the principles established in our voting guidelines at 3 General Meetings held for small or mid-cap issuers. These companies might have atypical corporate governance due to a lack of resources, or size, compared to large caps. In many companies, the company founder, or one of the descendants, presides at the board of directors and is the Chairman. They are often the main shareholders and have full power to legitimately lead and represent the company.

As we trust these companies' corporate governance, we decided to support the founding CEOs either by giving them the power to vote, or by voting in favour of all proposed resolutions.



Commitment

Lazard Frères Gestion signed the Principles for Responsible Investment (PRI) of the United Nations on 9 February 2015. Environmental, Social and Governance criteria (ESG) are fully integrated in our securities analysis and selection process for all equity management portfolios and not only in SRI management.

Lazard Frères Gestion strongly believes that integrating ESG criteria by issuer is essential for the sustainability of economic performance.

We therefore encourage companies to integrate the ESG stakes in their business model and believe that continual dialogue with companies must be an integral part of our investment process.

Dialogue prior to general meetings

Companies are increasingly interested in an open dialogue with their minority shareholders for resolutions they intend to submit at a general meeting.

At minority shareholders' request, in 2017 we spoke with seven companies to discuss their resolutions before submitted to our voting policy.

Resolution submission

In 2017, one resolution was submitted by Lazard Frères Gestion.

This resolution was approved by a large majority



Commitment

Physical presence at general meetings we consider sensitive

Lazard Frères Gestion considered it important to attend one general meeting in order to defend minority shareholders' interests against a family unit holding over 80% of the voting rights.

Concerted actions to fight rampant takeovers

Lazard Frères Gestion led one concerted action with other shareholders to oppose a resolution submitted by a shareholder who had recently acquired 15% of the votes and proposed new supervisory board appointments.

The resolution was rejected.



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