

LAZARD
FRÈRES GESTION

Voting policy

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A. Voting guidelines

The Lazard Frères Gestion investment process implemented by our fund manager–analysts is based, from the outset, on assessing companies in terms of the quality of their financial reporting, their leadership and their supervisory boards.

Before each investment decision, the investment team carries out a rigorous selection process, the primary focus of which is the fundamental analysis of each company. Initiating a close, trusting relationship with the senior management and developing it through meetings with managers and onsite visits is of paramount importance. The fund manager–analysts examine the relevance and clarity of the company’s strategy, so that when they decide to invest it means that they trust the senior management and approve their strategy.

As such, the resolutions proposed by the supervisory board of any company we have decided to invest in do not normally give rise to votes of opposition. We nonetheless examine each resolution on an individual basis.

Our voting policy also underscores our willingness to combat any possible conflicts of interest between companies and their management, which could hinder their strategy in the medium term, as well as to safeguard the interests of minority shareholders such as ourselves.

The long-term performance of investments does not depend on financial strategy alone: how companies interact with their social, economic, and financial environments can also have a material impact. As a signatory of the Principles for Responsible Investment (PRI) since February 2015, Lazard Frères Gestion strives to incorporate environmental, social and corporate governance criteria when exercising voting rights.



| Environment |

by supporting resolutions that aim to reduce negative impacts on the environment.

| Social |

by supporting resolutions that take the interests of all stakeholders into account.

| Governance |

by supporting resolutions that respect minority shareholders’ rights. Analysing a company’s corporate governance procedures has always been a core element of our investment policy.



B. Scope for exercising voting rights

Voting rights are exercised on:

- All French companies owning funds managed by Lazard Frères Gestion that possess more than 1% of the capital
- All euro zone “Core”, “Alpha” and “SRI” equity management strategy companies held in funds managed by Lazard Frères Gestion

Lazard Frères Gestion has no minimum holding threshold for voting at these AGMs, voting at all AGMs for which postal votes are accepted.

Lazard Frères Gestion reserves the right to vote outside this scope, in particular for any issuer of which it holds a significant shareholding, and in the event that motions deemed important are put to vote.

This voting perimeter applies to all UCIs managed by Lazard Frères Gestion, including dedicated funds (unless otherwise agreed with the client), wealth management funds and specialised professional funds.

Finally, Lazard Frères Gestion does not make use of temporary transfers on securities entitling to voting rights.

C. Organisation of the exercise of voting rights

I Analysing resolutions

Our voting policy is a continuation of our decision to invest, which is based on financial analysis. This policy is a way of formalising our ongoing dialogue with companies throughout the investment period.

We aim to acquire an in-depth knowledge of the companies in which we invest:

- we restate historical financial information in-house to understand the reality of the company's economic profitability;
- we meet frequently with senior management to assess the relevance of their strategy and its implementation.

This approach ensures that we make well-argued, transparent investment choices that are a guarantee of high-quality corporate governance.

The resolutions are analysed in-house as part of Lazard Frères Gestion's fundamental financial analysis by the sector specific manager–analyst.

This analysis includes information from proxy providers, namely Proxinvest for French companies and ECGS (Expert Corporate Government Service) for European companies. The fund manager–analysts use this service as a decision-making tool to help them identify potentially problematic resolutions more quickly.

Nonetheless, the final voting decision is made by the sector specific manager–analyst, in complete independence.

C. Organisation of the exercise of voting rights

II Voting procedure

STEP 1

The equity investment team defines the voting scope.

STEP 2

We are kept informed of any AGMs that are to be held through information provided directly by the companies, custodians, information providers such as Bloomberg, Proxinvest or ECGS, and the AFG (Association Française de Gestion – French Asset Management Association).

STEP 3

The investment team receives the proxy voting form sent by the custodian, Lazard Frères Banque, along with the convening notices and resolutions proposed at the general assembly.

STEP 4

We analyse the resolutions and compare them against the early warning systems of the AFG, Proxinvest or ECGS. We check that the resolutions do not go against the Lazard Frères Gestion voting policy principles.

STEP 5

The proxy voting form is signed by the fund manager, who has four options: (1) signature by postal vote (resolution by resolution); (2) admission card to attend the AGM; (3) signature and proxy granted to the Chairman to cast the vote; (4) appointment of an authorised representative.

STEP 6

The completed proxy voting form or voting instructions are sent by email to the custodian, Lazard Frères Banque. The traceability of voting decisions is ensured using an in-house IT tool that is directly accessible by the Chief Compliance Officer (CCO).

STEP 7

The custodian transmits the proxy voting form and the share blocking certificate to the company concerned or its authorised representative, or via SWIFT to local sub-custodians.

STEP 8

The investment team records all voting rights exercised per company in the form of a table that includes the company's nationality, the date and type of AGM, the UCITS concerned, the method used to cast the vote, and the proposed resolutions.

Voting rights on UCITS held by external custodians are exercised via a voting platform.

D. Applicable voting principles

Approval of financial statements and management reports

- **Approval of the parent company and consolidated financial statements:**

In principle we vote in favour of the resolutions presented unless there are exceptional circumstances such as the statutory auditors refusing to certify the financial statements or issuing a qualified opinion.

A major discrepancy between the market and a company could also lead us to withhold our approval.

- **Discharge:**

If there are no contentious issues surrounding the company's board, directors or corporate governance, we approve the resolution.

- **Regulated agreements:**

We pay special attention to the financial terms and conditions of regulated agreements submitted for the shareholders' approval. Approval of regulated agreements depends on the level of accuracy and substantiation of the terms. We reject any regulated agreement that is misleading, unclear or unsubstantiated or that does not allow the reader to make an informed decision about the resolution.

We will analyse such agreements on a case-by-case basis.

- **Statutory auditors:**

Lazard Frères Gestion votes in favour of the appointment of statutory auditors when they can provide guarantees of independence and impartiality.

Any compensation paid to auditors in respect of non-audit assignments may not be significantly higher than that paid in respect of their audit services.

Board of directors or supervisory board

We require that the board be comprised of a majority of competent and independent members.

We pay special attention to the quality of candidates nominated and especially their skills, independence, length of time on the board, absence of conflict of interest, availability, diversity and age.

Lazard Frères Gestion is not in favour of an over-representation of majority shareholders.

We do not issue recommendations regarding the existence of specialised committees. Each board member must take responsibility for appointments, compensation and audit.

D. Applicable voting principles

Allocation of profits, management of shareholders' equity and equity transactions

- **Dividends distribution:**

We will vote against any dividend distribution financed in part through debt or if there has been a sharp decline in cash flow generation.

- **Share issue and buyback programmes:**

Lazard Frères Gestion is committed to the principle of board neutrality during public offer periods and will systematically vote against any resolutions that do not comply with this principle.

- *Capital increases*

Lazard Frères Gestion is opposed to:

- capital increases with pre-emptive subscription rights that exceed 50% of the share capital
- capital increases without pre-emptive subscription rights, but with a priority subscription period for over one third of the share capital
- capital increases conducted through private placement
- capital increases as compensation for unspecified contributions in kind.

In the event of a specific project (funding a major purchase, financial restructuring), the resolutions will be examined on a case-by-case basis.

- *Share buybacks*

Authorisations of share buybacks by companies are accepted, except during a public offering period, or if the company's financial situation is not conducive to this type of operation.

D. Applicable voting principles

Corporate executive officers' compensation and employee shareholding

- **Corporate officer compensation:**

Corporate officer compensation is based on work performed, results obtained, and responsibility undertaken. It must be in line with long-term value creation within the company, but also with current standards and practices in the country and the sector.

Information about the principles and mechanisms of the compensation and its various components (fixed pay, short- and long-term variable pay, severance pay, pension scheme, individual benefits) must be transparently presented.

We will vote against any compensation policy that we consider to be unfair.

- **Directors' compensation:**

We believe it is necessary to have precise information on the terms and conditions for the distribution of attendance fees among directors, including level of attendance at board meetings, equal treatment of all directors, committee members, and so forth.

Directors' compensation must be in line with industry best practice.

Lazard Frères Gestion will vote against any exceptional compensation granted to directors in view of an increased workload due to preparing a public offering, as we consider this task part of their remit.

- **Employee shareholding:**

- *Capital increases reserved for employees*

Lazard Frères Gestion is in favour of developing employee shareholding and accepts requests for capital increases reserved for employees as long as they are reasonable, i.e., they do not concern more than 5% of the share capital.

We will vote against share capital increases reserved for employees if the employees already hold an excessive portion of the share capital, or if we feel that the representation of employee shareholders is not satisfactory from a shareholder democracy point of view (not independent from management).

- *Free shares*

In light of the possible dilutive effect, authorisations to grant free shares will be examined on a case-by-case basis and must be conditioned by economic and stock market performance.

Amendments to the articles of association and shareholders' rights

Lazard Frères Gestion supports the 'one share one vote' principle. We will vote in favour of any amendments to the articles of association that comply with this principle, as well as with best practice standards and shareholders' rights to information. In contrast, we will vote against any resolution aimed at introducing double voting rights or limits to voting rights.

Lazard Frères Gestion is not in favour of including a requirement to disclose threshold crossing or to strengthen such a requirement given the deprivation of the right to vote that it may entail.

E. Preventing and managing conflicts of interest

Lazard Frères Gestion shall exercise voting rights in UCITS in the sole interest of the UCITS in question. To that end, Lazard Frères Gestion acts impartially and independently of any outside interests.

Lazard Frères Gestion has put a **Conflicts of Interest Policy** in place with the aim of detecting such conflicts, implementing any measures that are reasonably necessary for their management, and providing clients with appropriate information where necessary.

The main guarantee of voting independence lies in the fact that it is the portfolio manager–analysts who decide which way to vote, based on their professional judgement. The portfolio manager–analysts are subject to strict ethical standards, which are in turn subject to controls.

Lastly, as previously mentioned in this document, Lazard Frères Gestion is particularly mindful of voting in the best interest of minority shareholders in cases where the interests of a company’s management are contrary to theirs.

F. Transparency regarding application of the voting policy

In accordance with legal provisions, Lazard Frères Gestion will use the following methods to inform its subscribers of the effective exercise of voting policy:

Right to information

At the request of investors and in accordance with AMF position-recommendation 2005-19, Lazard Frères Gestion informs investors of:

- votes against resolutions proposed by the management board, or the supervisory board of the issuing company,
- votes that do not comply with the Lazard Frères Gestion voting policy principles contained in this document,
- cases in which it abstained or did not take part in the vote.

If Lazard Frères Gestion votes in favour of a resolution in accordance with the principles described in this document and the proposals of the management board or the supervisory board, it is not required to answer requests for information from investors about the way it voted.

When Lazard Frères Gestion does not follow up on a request for information relating to its vote in respect of a specific resolution, its silence shall, after one month, be interpreted to mean that it voted in accordance with the principles in this voting policy document and with the proposals of the management board or supervisory board.

Any requests in this respect may be made to your usual sales contact at Lazard Frères Gestion or by letter to Lazard Frères Gestion, Secrétariat Générale, 25 rue de Courcelles, 75008 Paris, France.

Proxy Voting Report

Investors can receive a copy of our Proxy Voting report on exercised voting rights upon simple request from their usual sales contact at Lazard Frères Gestion, or by addressing a letter to Lazard Frères Gestion, Secrétariat Générale, 25 rue de Courcelles, 75008 Paris, France.

www.lazardfreresgestion.fr
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