

Lazard Asset Management

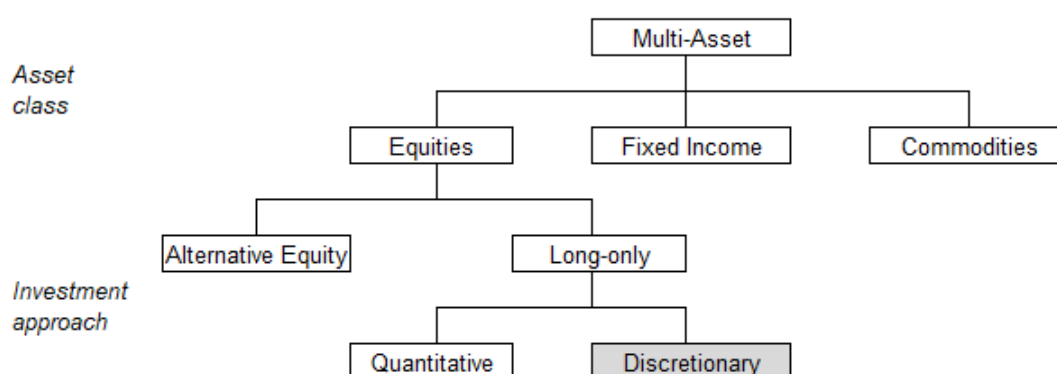
Engagement Policy

1. Purpose

- 1.1 This Engagement Policy sets out how Lazard Asset Management undertakes stewardship and shareholder engagement for its discretionary long-only equity investment strategies. This policy has been written in accordance with the requirements of Directive (EU) 2017/828 and its implementing measures (together, the “**Shareholder Rights Directive II**”). This Engagement Policy complements and supplements the information available on our ESG webpage (found [here](#)) and in particular our Global Proxy Voting Policy in relation to the integration of stewardship into our investment philosophy.
- 1.2 This Engagement Policy does not apply to investments made through alternative or quantitative strategies, as the performance of such strategies is not driven by the medium- to long-term performance of the relevant investee companies.
- 1.3 This Engagement Policy applies to Lazard Asset Management LLC and its affiliates (in particular Lazard Asset Management Limited, Lazard Asset Management (Deutschland) GmbH, Lazard Fund Managers (Ireland) Limited and Lazard Fund Managers Limited; together, “**Lazard**”) with respect to engagement through listed shares that Lazard invests in on behalf of its clients through discretionary long-only strategies and products, as more fully described in Section 2 below.

2. Introduction

- 2.1 Lazard Investors Ltd began asset management operations in London in 1953. Lazard Asset Management LLC was founded in New York in 1970. The UK and US asset management activities were integrated in 1997, forming a single asset management operation to provide a more globally integrated perspective. Lazard has been investing on behalf of its clients for over 50 years. It currently provides expertise in equities, fixed income, commodities and multi-asset investment. Within equities it offers alternative (e.g. long/short hedge funds) as well as traditional long-only products. Within its long-only products, it offers those that make investment decisions quantitatively and those that do so on a discretionary basis. The following diagram illustrates this further:



- 2.2 In the context of its discretionary long-only equity investment strategies, Lazard interprets its fiduciary duty to its clients as an effort to maximise the value of their investments over the long-term as well as the short-term, and fulfilment of its stewardship responsibilities not only by participating in shareholder votes, but also by actively engaging with company management. Lazard believes that faster growth and higher long-term returns can be achieved by implementing sustainable business practices in its own business, as well as in the companies that it invests in.
- 2.3 Lazard has developed a deep understanding of the complex relationships between business, industry and society and the increasing number of feedback loops between them. It recognises that the companies in which it invests are increasingly impacted by technological and regulatory changes, as well as changes in consumer behaviour. It therefore seeks to incorporate an assessment of material environmental and social issues, as well as the quality of governance practices into its investment research. It refers to this as “integrated ESG research”.

3. How Lazard monitors investee companies

Lazard investment professionals monitor the public statements of investee companies through financial information platforms like Bloomberg and Factset, financial statements and regulatory announcements, reports & accounts, results meetings and capital markets days.

Meetings with the management teams of the companies in which it invests, through one-to-one meetings and site visits, are an integral part of Lazard’s fundamental investment process. Lazard’s investment professionals participate in over 3,000 meetings with company management teams each year to better understand business strategy, deployment of capital and environmental, social and governance (“**ESG**”) practices. Lazard believes that a regular dialogue with investee companies plays an important role in stewardship.

Lazard collects information about the ESG issues discussed in meetings with company management through emails submitted by its investment professionals to its proprietary, internet-based, global research database known as “LAMR”. Investment professionals can also describe the investment conclusions of meetings with companies in LAMR through meeting notes, and share them in real-time with LAM investment professionals around the world through simultaneous distribution via email and availability through the internet-based application.

3.1 Financial and non-financial performance and risk

During meetings with company management, investment professionals may discuss a variety of topics, such as operating performance, financial performance, management succession, reporting and disclosure, proxy proposals, ESG issues or other matters that may present a potential material risk to a company’s long-term financial performance.

Lazard’s investment professionals can utilise the following tools and resources to help monitor the financial and non-financial performance and risk exposure of investee companies:

- 3.1.1 company financial reports, regulatory filings, press releases and presentations;
- 3.1.2 information platforms including Bloomberg and Factset;
- 3.1.3 industry conferences and trade shows;
- 3.1.4 sell-side research;
- 3.1.5 proxy research reports from Institutional Shareholder Services, Inc. (“ISS”) and Glass Lewis; and

3.1.6 data from ESG research providers MSCI ESG and Trucost (see section 3.3.2 for more information).

In addition, Lazard's Global Risk Management team, which has separate reporting lines to investment professionals, evaluates portfolio exposures as part of its monthly risk management review of individual equity strategies. Detailed risk books, which comprise a mix of external and internal exposure analysis, are distributed to relevant investment professionals. Whilst investment professionals do not necessarily manage their portfolios to reduce observed risk factors, this assessment tool is available to them as a way to further evaluate their portfolios against their benchmarks and to be aware of unintended risks.

3.2 Strategy and capital structure

Lazard believes that good capital allocation is one of the most important drivers of long-term shareholder value creation. Companies that have opportunities to reinvest the cash that they generate at high incremental rates of return can compound, growing their earnings power over time exponentially. Those that invest at low or negative incremental returns can destroy shareholder value. Anticipating the future growth and financial productivity of companies, and how those future returns should be valued, sits at the heart of Lazard's analytical and investment processes.

Lazard recognises that minority equity investors do not have control over a company's strategy, capital allocation or capital structure. Decision-making authority lies with the company's management and ultimately its board of directors, and shareholders have influence through the periodic election or re-election of board members or through votes on specific resolutions at annual or extraordinary general meetings. Decisions that can have a material impact on long-term shareholder value can be made without a shareholder vote via an AGM or EGM, and in any case there may be pre-existing shareholders with effective or majority voting control.

Consequently Lazard's approach is proactive. Investment opportunities (e.g. price action, regulatory changes, changes in economic or political outlook etc.) do sometimes arise when management teams are unavailable (e.g. in close period), but generally Lazard's investment professionals meet the management team of a company before investing in it, as well as scrutinising their public statements. This allows Lazard's investment professionals to understand management's strategy and their thought processes around the use of capital and financial leverage.

Lazard's investment professionals monitor the strategy and capital structure of investee companies, analysing financial statements as they are produced, assessing execution of a stated strategy, and paying close attention to events like capital investment decisions, shareholder returns, acquisitions and divestments. They also seek to understand the important features of capital structure like the term structure of borrowing, access to working capital and financial obligations that may not appear in their entirety on the balance sheet, and monitor changes in them over time.

Lazard's investment professionals pay close attention to changes in governance structures (board composition, voting rights, pre-emption rights etc) and management incentives. The aim is to understand Lazard's ability to influence corporate decision-making and whether the interests of management are aligned with those of Lazard's clients. The interplay between governance and environmental and social issues is discussed separately in the next section, but in practice Lazard sees them as entirely interlinked with decisions about strategy and capital.

3.3 Environmental, social and governance (“ESG”) issues

Lazard’s sustainable investment philosophy stems from a belief that long-term structural changes such as globalisation, inequality and climate change present both financial risks and market opportunities for the companies that it invests in. Lazard incorporates an assessment of material environmental and social issues, as well as the quality of governance practices, into its investment research and these also inform its stewardship activities.

Lazard believes that the materiality of individual ESG factors differ by company, sector, and region, and consequently does not apply a “one size fits all” approach to risk assessment. Through the establishment of a robust analytical framework, training, risk assessment and engagement, Lazard investment professionals aim to systematically incorporate ESG considerations into their research and into the on-going dialogue with company management.

Lazard’s monitoring and assessment of ESG issues is supported by the following:

3.3.1 Proprietary Research

Lazard’s investment processes are supported by proprietary research and financial analysis conducted by its investment professionals, typically research analysts, who seek to understand a company’s business fundamentals. This may involve one-on-one meetings with company management, and engagement on issues that might represent risks to long-term shareholder value. Please see Section 4 for more information on how Lazard engages with investee companies.

Lazard investment professionals are particularly sensitive to any issues that may impact a company’s long-term financial performance. In this regard, Lazard’s investment professionals seek to understand the most material ESG issues and how these might impact a company’s future earnings and valuation.

3.3.2 ESG Tools and Resources

Lazard utilises internal and external tools and resources to assist in identifying and quantifying ESG issues as part of its investment processes. In addition to ESG data displayed on Bloomberg and Factset, the ESG research that it receives from traditional research providers (i.e. sell side providers), and proxy voting recommendations from ISS and Glass Lewis, Lazard procures research from several specialist ESG data providers.

(i) Data Providers

Lazard subscribes to several data providers that help its investment professionals gain a better understanding of a company’s ESG practices and the risks that they may present to current and potential portfolio holdings. Whilst these data providers do not cover every company in Lazard’s investment universe, they provide a comprehensive tool to enhance and supplement fundamental research and analysis.

- (a) S&P Trucost is a leading environmental research organisation that helps companies and investors understand the environmental impacts of business activities. Trucost provides Lazard with estimates of each company’s environmental footprint, and the potential cost of that footprint. This data enables Lazard investment professionals to assess both an individual company’s environmental impact and the environmental footprint of an entire investment portfolio.

- (b) MSCI ESG Research is a leading source of ESG ratings and research, screening and compliance tools for advisers, asset managers and asset owners worldwide. MSCI ESG Research provides Lazard with research that helps to improve the understanding of a company's ESG practices, and ratings that allow for systematic comparison of ESG performance across companies.

(ii) ESG Watch Lists

On a quarterly basis, Lazard's Global Risk Management team generates and distributes a report containing external environmental, social and corporate governance ratings for a universe of more than 5,500 companies to its equity and fixed-income investment professionals. These ratings are also included in the Company Profile section of Lazard's proprietary research database LAMR.

Companies held in Lazard's portfolios with environmental or corporate governance ratings that are in the bottom two deciles of their global industry, or in the bottom two deciles of all companies globally, are "flagged" and included on the Environmental and Corporate Governance Watch List.

This Watch List helps Lazard's equity investment professionals to identify potential ESG issues in the companies or corporate bond issuers in their investment portfolios. Investment professionals conduct research on these companies to understand the reasons for the low rating, and whether the risk that the external rating implies is adequately reflected in the internal investment thesis (i.e. a "sanity check"). As part of this process, Lazard investment professionals may engage with company management to discuss specific ESG issues. Where appropriate, for example if the relevant ESG risks have not been specifically addressed in recent internal research, written commentary of their conclusions are documented through LAMR.

Whilst Lazard investment professionals have access to the social ratings and research provided by MSCI ESG Research ("Social Pillar Score"), Lazard does not have a formal Social Watch List at this time due to the shortage of reliable data. However, Lazard continually seeks to improve its approach to identifying and quantifying social, as well as environmental and governance issues, and to incorporate newly material issues into its investment processes.

(iii) Portfolio Analysis

Using the Style Analytics portfolio tool, Lazard's Global Risk Management team evaluates ESG factor exposure (also known as "style tilts") by identifying how the portfolio differs from its benchmark in terms of environmental, social and governmental factors. This "tilt" analysis identifies where there are significant differences between a portfolio and its benchmark and is conducted monthly for all equity strategies. Whilst investment professionals do not manage their portfolios based purely on these results, this assessment tool is available to them as a way to further evaluate their portfolios against their benchmarks and to be aware of potential risks.

Lazard's Global Risk Management team also provides investment professionals with aggregate data about an equity portfolio's carbon footprint and that of its relevant benchmark.

4 How Lazard engages with investee companies

- 4.1 The decision to engage with the management of an investee company is primarily based on what Lazard investment professionals believe will maximise shareholder value in the long-term, specifically the value of its clients' investments. These engagements are undertaken by the same Lazard investment professionals that perform financial analysis, as part of integrated ESG research.
- 4.2 Investment professionals may engage with company management on a variety of issues, including ESG matters that present a potential material risk to a company's financial performance. On occasion, companies seek Lazard's input on a range of issues, and Lazard investment professionals use such opportunities to work with companies and, when permitted by and consistent with local regulation, may play an active role in seeking to effect changes that maximise shareholder value.
- 4.3 Lazard believes that its investment professionals are in the best position to evaluate the potential impact that ESG issues or the outcome of a given proposal will have on long-term shareholder value. As such, all of Lazard's engagement activities are the responsibility of investment professionals and are fully integrated into its investment processes, rather than being delegated to stewardship specialists.
- 4.4 The normal methods through which Lazard engages with companies are:
 - 4.4.1 ongoing dialogues with the company management through regular meetings, visits, and telephone calls during which Lazard investment professionals discuss and pose questions on operational, strategic, and other management issues and, where appropriate, will offer their own opinions and comments, based on their fiduciary duty to Lazard's clients; and
 - 4.4.2 proxy voting; where clients delegate the responsibility to vote proxies, Lazard, as a fiduciary, is obligated to vote proxies in the best interests of its clients. Lazard has adopted a written policy (the "**Global Proxy Voting Policy**", found [here](#)) that is designed to ensure that it satisfies its fiduciary obligation. Please see Section 6 for more information.
- 4.5 In addition, where Lazard's concerns have not been adequately addressed, Lazard may consider the following:
 - 4.5.1 a private meeting with the Chairman, Senior Independent Director or other Board members;
 - 4.5.2 a letter to the Chairman or the Board of the Company; or
 - 4.5.3 where appropriate and deemed necessary, further action may be considered (for example, filing proxy resolutions, litigation, press activity, etc.), although the circumstances where this might become necessary are rare, and might alternatively result in a decision to sell the position in the company.
- 4.6 As a consequence of its comprehensive Global Proxy Voting Policy, and the proxy-voting services it receives from ISS and Glass Lewis, Lazard investment professionals rarely attend shareholder meetings of investee companies in person. Lazard's experience is that the most effective corporate engagements occur in one-on-one meetings and it typically prefers to share its concerns privately. However Lazard sometimes highlights ESG issues of general interest to its clients in white papers published in the ESG section of its website (found [here](#)).

- 4.7 The Lazard Investment Council and/or the Legal/Compliance Department are consulted prior to initiating any significant written or public engagement activities, as they may have regulatory or other legal implications. The Investment Council is a forum of senior investment professionals representing different investment approaches in different asset classes within Lazard which meets to ensure the effectiveness of Lazard's research and investment platforms. Lazard's investment professionals hold regular investment meetings at which issues including, but not limited to, ESG concerns and shareholder value are discussed.
- 4.8 Lazard's investment professionals communicate internally on the status of engagement activities and any outcomes arising. Periodically, examples of Lazard's engagement with companies are described in case studies in order to demonstrate its approach.

5 Communication with other shareholders

- 5.1 Lazard's investment professionals regularly engage with companies seeking to improve shareholder value, specifically the value of clients' investments. Engagement activities are generally conducted on a one-to-one basis with company management or members of the board of directors. Lazard is typically considered a strategically important shareholder by its investee companies due to its reputation, the quantity of assets that it manages and the global presence of the firm. This usually enables Lazard investment professionals to gain access to investee companies' management and/or board members. Collaborating with other investors can add value on specific issues and on rare occasions, Lazard may be willing to participate in collective engagements where it believes it is in its clients' best interests.
- 5.2 Key factors Lazard takes into consideration in deciding whether to participate in collective engagement include whether:
- 5.2.1 the engagement objectives of the collective group are consistent with Lazard's objectives;
 - 5.2.2 engaging as a part of a group will be more successful than engaging individually; and
 - 5.2.3 engaging as a group could be interpreted as having "acted in concert" with another financial institution. If Lazard's Legal & Compliance team believes that this may be the case Lazard will not participate.
- 5.3 Lazard is a signatory to, and/or active member of, several investor collaborative organisations that promote responsible stewardship activities, including:
- 5.3.1 United Nations supported Principles for Responsible Investment ("PRI");
 - 5.3.2 International Corporate Governance Network ("ICGN");
 - 5.3.3 International Accounting Standards Board ("IASB") Investors in Financial Reporting programme;
 - 5.3.4 the Institutional Investors Group on Climate Change ("IIGCC");
 - 5.3.5 the UK Stewardship Code;
 - 5.3.6 the HM Treasury Women in Finance Charter;
 - 5.3.7 the Japanese Stewardship Code; and
 - 5.3.8 the Chief Executives for Corporate Purpose (CECP) Strategic Investor Initiative.

6 Proxy voting

- 6.1 Lazard's Global Proxy Voting Policy has established procedures and protocols that seek to ensure that its proxy voting activities are consistent with the objective of maximising long-term shareholder value on behalf of its clients. Lazard also has defined policies and procedures in place to address and mitigate any actual or perceived conflicts of interest relating to its proxy voting (please see Section 7 for more information). Lazard's policy is generally to vote all meetings and all proposals and to vote proxies for a given proposal the same way for all of its clients.
- 6.2 Laws and regulations regarding shareholder rights and voting procedures differ dramatically across the world. In certain countries, the requirements or restrictions imposed before proxies may be voted outweigh any benefit that could be realised by voting the proxies involved. For example, certain countries continue to have "share blocking" procedures in order to vote at a meeting. These procedures can, at times, pose an impediment to Lazard's ability to vote on behalf of clients, as it may limit Lazard's ability to provide liquidity to its clients.
- 6.3 Lazard votes on behalf of its clients according to "Approved Guidelines", which determine whether a specific agenda item should be voted "For", "Against", or is to be considered on a "case-by-case" basis. Case-by-case agenda items are evaluated by Lazard investment professionals based on the specific facts relevant to a company. As part of this research process, Lazard's investment professionals may engage with a company to improve their understanding of a proxy proposal or to make a recommendation related to a proxy proposal.
- 6.4 Different strategies managed by Lazard may hold the same securities. However, due to the differences between the strategies and their related investment objectives, one Portfolio Management team may choose to vote differently to another team, or one team may want to abstain from voting proxies while the other may want to vote. In this event, Lazard would generally defer to the recommendation of the portfolio management teams to determine what action would be in the best interests of its clients.
- 6.5 Some of Lazard's clients may give us a bespoke policy or specific instructions in relation to how they want Lazard to vote in respect of shares held on their behalf. Such specific policies or instructions would override Lazard's Approved Guidelines in respect of that client's shares. To the extent a particular client has more bespoke needs in respect of proxy voting Lazard is happy to discuss these.
- 6.6 To assist in its proxy voting activities, Lazard currently subscribes to advisory and other proxy voting services from ISS and Glass Lewis. These proxy advisory services provide independent analysis and recommendations regarding companies' proxy proposals. Whilst this research helps to improve Lazard's understanding of the issues surrounding a company's proxy proposals, Lazard's investment professionals are ultimately responsible for providing the vote recommendation for a given proposal in accordance with the Global Proxy Voting Policy.
- 6.7 Lazard's Global Proxy Voting Policy is reviewed at least annually and is available on Lazard's website [here](#).
- 6.8 To find out how Lazard casts votes in general meetings for which we hold shares, please visit www.lazardassetmanagement.com.

7 Conflicts of interest

- 7.1 Lazard has conflicts of interest policies that apply to its engagement and proxy voting activity. These are also available on Lazard's website [here](#).
- 7.2 Lazard's Global Proxy Voting Policy addresses conflicts of interest related to its proxy voting activities. Lazard's Proxy Operations Group monitors all proxy votes for potential conflicts of interest that could be viewed as influencing the outcome of Lazard's voting decision. When a "Conflict Meeting" is identified, proxies are voted in accordance with Lazard's "Approved Guidelines", which determine whether a specific agenda item should be voted "For", "Against", or is to be considered on a "Case-by-case" basis. Case-by-case proposals for conflict meetings are generally voted based on the majority vote recommendation of its proxy research providers, ISS and Glass Lewis. Please refer to Lazard's Global Proxy Voting Policy for more information.

8 Transparency

8.1 Annual implementation of this Engagement Policy

Lazard will annually disclose how this Engagement Policy has been implemented, including:

- 8.1.1 a description of its voting behaviour;
- 8.1.2 an explanation of the most significant votes;
- 8.1.3 the use of the services of proxy advisors; and
- 8.1.4 a description of how Lazard has cast votes in the general meetings of companies in which it holds shares on behalf of its clients.

8.2 Additional disclosures to institutional clients

As required by applicable law, Lazard will provide certain of its institutional clients with additional disclosures regarding how its investment strategy:

- 8.2.1 complies with the arrangements in place with those clients; and
- 8.2.2 contributes to the medium to long-term performance of the assets of that institutional investor.

9 Review

This Engagement Policy is reviewed and approved annually or more frequently as needed and is publicly available on Lazard's website.