

Climate Change Investment Policy

Climate change is one of the biggest structural challenges facing society today. The physical impacts of a changing climate are increasingly apparent and the urgent need to reduce greenhouse gas emissions in line with the goals of The Paris Agreement is complicated by regional inequalities and geopolitical issues. Governments are setting policies to help accelerate the transition to a lower carbon economy, but there are multiple trade-offs between economic, environmental, and social (ESG) objectives and outcomes.

As fundamental investors we see the physical and transition risks of climate change, such as extreme weather events, increased environmental regulation, and rising carbon costs, increasingly affecting the outlook for companies through greater risk of business interruption, higher costs of capital for carbon-intensive industries, and the potential for stranded assets. It is therefore the policy of the firm to seek to understand the financially material risks and opportunities that climate-related issues present to the companies, sovereigns, and sub-sovereigns whose securities we own in the portfolios we manage on behalf of our clients.

There are three elements to our climate change policy:

- 1. Climate Integrated Research** – We are committed to integrating an assessment of climate risks and opportunities into our relevant fundamental investment research. Climate regulation and technological development present sources of idea generation that can help us to identify alpha generation opportunities.

Through our materiality mapping framework, our analysts have highlighted a range of climate-related risks such as water scarcity, energy and waste management, and biodiversity loss. Our analysts are responsible for understanding and assessing the financial impacts of these risks on a company's future revenues, costs, expenditures, assets, and liabilities.

To complement our proprietary fundamental research, we have access to third-party data that provides estimates of the quantity and cost of carbon and other emissions for equities. Equity analysts that cover sectors where carbon pricing is material to the long-term outlook of the company, either because of regulatory requirements or otherwise, can also incorporate an appropriate carbon price into their models and forecasts.

- 2. Climate-focused Engagement** – Our investment professionals engage with relevant company executives and senior management, specifically on net zero strategies and other related climate issues that could impact a company's long-term financial performance and therefore, the value of our clients' investments. Our engagement efforts inform our proxy voting practices. On a selective basis we also engage with sovereign issuers on national climate policy via discussions with relevant governmental bodies and departments as well as green bond frameworks and issuances.

We believe that it is also important to engage with both policymakers and the wider investment industry to standardize approaches to assessing and quantifying climate risk from an investment perspective. In some cases, collaborative engagement alongside other investors can be effective. We are active members of the Institutional Investors Group for Climate Change (IIGCC), which enables dialogue between businesses, policymakers, and investors.

- 3. Transparency, Disclosure, and Reporting on Climate Issues** – Lazard supports transparency of material climate-related risks by issuers and is an investor signatory to the CDP (formerly the Carbon Disclosure Project) and a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD). We can support clients with portfolio reporting on a range of climate metrics, and the firm publishes an annual TCFD report. Lazard is also a member of the Net Zero Asset Managers Initiative and supports the standardization of industry frameworks to better quantify and report climate-related risks and opportunities at the portfolio level.

Conclusion

We believe that climate change is a critical issue for our industry. Accordingly, this policy applies to both equity and fixed income, and covers all our investment professionals and products. Developments in this area are likely to be frequent and hard to predict. That is why LAM typically reviews this policy on an annual basis and adapts its efforts as appropriate in order to provide the best outcomes for our clients.

Important Information

All sources Lazard Asset Management unless otherwise noted.

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