Task Force on Climate-Related Financial Disclosures (TCFD)

- UK Entity, 1 January 2025 – 31 December 2025 Reporting Period

LAZARD
ASSET MANAGEMENT

Contents

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Foreword

Climate change continues to reshape the global economy, influencing financial markets, regulatory expectations, and the long-term prospects of the companies in which we invest.

For our clients, understanding these dynamics is essential to navigating risk and unlocking opportunity. At Lazard Asset Management Limited (LAML), we believe integrating financially-material climate considerations into our investment processes is fundamental to delivering sustainable long-term value. In a world where the climate transition is increasingly fragmented across regions and sectors, our job is to help clients cut through complexity.

Over the 2025 reporting period, we continued to deepen the integration of climate-related insights across our research, portfolio construction, and stewardship activities. Our investment teams draw on a combination of independent fundamental analysis, proprietary sustainability tools, and engagement with company leadership to evaluate how climate-related risks and opportunities may influence investment outcomes. This includes assessing transition pathways, resilience to physical climate impacts, and the strategic decisions companies are making to adapt to a lower-carbon economy.

Our stewardship responsibilities remain central to our approach. Engagement with portfolio companies—backed by active ownership and research-driven voting—helps us identify where change is needed to protect or enhance long-term value. As regulatory scrutiny of sustainability claims intensifies and voluntary disclosure constraints increase, maintaining open, evidence-driven dialogue with companies is more important than ever. We continue to work closely with regulators, industry groups, and other stakeholders to contribute to the evolution of climate-related disclosure standards and best practices.

This report outlines how LAML identifies, assesses, and manages climate-related risks and opportunities in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and the Financial Conduct Authority's ESG Sourcebook. Our ongoing investment in proprietary tools, such as our ESG data portal and our Climate Alignment Assessment framework, continues to enhance our ability to analyse carbon performance, monitor transition alignment, and provide transparent reporting to clients and stakeholders.

We recognise that climate-related challenges are evolving, and methodologies will continue to mature. We remain committed to refining our tools, analysis, and engagement practices that can support clients with their climate related investment objectives, whilst contributing to a resilient, well functioning system.

We hope you find this report a clear and helpful overview of our approach to climate-related issues and the actions we are taking on behalf of our clients.

Thank you for your continued trust in Lazard Asset Management.

Task Force on Climate-Related Financial Disclosures

This document constitutes the Task Force on Climate related Financial Disclosures (TCFD) entity report of Lazard Asset Management Limited (LAML) and Lazard Fund Managers Limited (LFM) for the reporting period 1 January 2025 to 31 December 2025. It has been prepared in accordance with the FCA ESG Sourcebook and the TCFD Recommendations and Recommended Disclosures.

This statement is made for the purposes of the FCA ESG Sourcebook. I confirm, on behalf of LAML and LFM, that the climate related financial disclosures in this report, including any third-party or group disclosures incorporated by cross reference, comply with the applicable requirements of the FCA ESG Sourcebook.

Jeremy Taylor
Managing Director, Co-Head of European Distribution & Co-CEO, Europe
Lazard Asset Management Limited

Introduction

We hope you find this report a useful summary of our climate-related investment policies and our approach to evaluating climate-related risks and opportunities when investing on behalf of our clients.

LAML's TCFD Entity-Level Report has been prepared in accordance with the recommendations of the Financial Stability Board's TCFD and the ESG Sourcebook in the FCA's Handbook.

This report is issued at the entity-level for and on behalf of LAML and Lazard Fund Managers Limited (LFM). LFM is a wholly owned subsidiary of LAML and serves as the Authorised Corporate Director (ACD) for the Lazard Investment Funds, the UK UCITs Funds. LAML is the Investment Manager to the ACD in respect of all the Sub-Funds. LAML is also authorised and regulated by the FCA as a MiFID Investment Firm, providing portfolio management and advisory services to institutional clients.

LAM's approach to the management of climate risks is set out in our Investment Stewardship policy, available on our website.

The report is broken down into four sections, in accordance with the recommendations of the TCFD guidance:

1. Governance:

Outlines our organisation's governance around climate-related risks and opportunities.

2. Strategy:

Explains how climate-related risks and opportunities are incorporated into our investment products as well as the potential impacts of climate-related risks and opportunities on our organisation's businesses, strategy, and financial planning.

3. Risk Management:

Covers the processes implemented by our organisation to identify, assess and manage climate-related risks.

4. Metrics and Targets:

Used to assess and manage material climate-related risks and opportunities.

Please note unless otherwise stated, data in this report is as of 31 December 2025.

1. Governance

Lazard Asset Management Governance Structure and Oversight

Our governance structure in 2025 is set out below—please note that changes were made to our governance structure in December 2025, which are also summarized in this section.

2025 Governance Structure

LAML / LFM Board of Directors

The UK business of Lazard Asset Management consists of two operating entities: LAML and LFM. The board of directors of each entity are responsible for the oversight of all activities relating to the UK business. Each board works closely with the other management bodies in the Lazard Asset Management Group. Certain LAML and LFM directors are also members of the global committees outlined below, which helps ensure a consistent approach to the discussion of issues and implementation of strategy.

The Global Head of Investment Stewardship and Sustainable Investment, Jennifer Anderson, provides a quarterly update to the UK Board to highlight and discuss key sustainability topics that may impact the business, including regulatory developments, industry initiative memberships, and evolving regulatory and reporting requirements. She also provides regular updates to the Lazard Operational Risk Committee (LORC). This committee focuses more directly on operational business risks which are a key part of the Investment Stewardship and Sustainable Investment team's work.

Executive Leadership Team

LAM's Executive Leadership Team (ELT) is responsible for global oversight of the business and setting strategy, while facilitating coordination across LAM's dedicated management groups. These groups are responsible for oversight of our key business areas, including Investment Management, Sales & Marketing Management, Infrastructure Management, and Strategic Growth.

The ELT is a dynamic group of senior leaders with a broad range of investment, distribution and business skills. The ELT, working with the relevant Management Groups and the Global Head of Investment Stewardship and Sustainable Investment, is responsible for oversight of the firm's Investment Stewardship and Sustainable Investment objectives and strategy, including its climate strategy. It also reviews firm-wide Investment Stewardship and Sustainable Investment policies and reports, including LAM's Investment Stewardship Policy, and LAM's Net Zero Asset Management commitment. The ELT also oversees compliance with relevant regulations, including the Sustainable Finance Disclosure Regulation (SFDR).

We regularly review and update our governance framework to respond to new information and stakeholder feedback. This iterative process ensures that we remain resilient and adaptive to the dynamic landscape of climate-related risks and opportunities.

Investment Management Groups

For most of 2025, LAM's investment function was overseen by three Investment Management Groups, organised by investment specialties: Fundamental Equity, Fixed Income, and Quantitative/Multi Asset/Alternatives. These groups were responsible for the oversight, day-to-day management, and coordination of our investment teams. Their responsibilities included the regular review of investment strategies, investment processes, and risk controls (including ESG and climate) to help ensure the effectiveness of our research and trading capabilities. They also focused on investment talent, including retention, growth, and development across LAM. As needed, these groups could delegate specific matters to other management groups or departments.

The Investment Management Groups comprised senior professionals from various areas across LAM's investment function, including portfolio management, research, and Sustainable Investment & ESG functions. The Global Head of Investment Stewardship and Sustainable Investment was periodically invited to provide updates to all three Investment Management Groups and to solicit feedback on relevant matters.

As at end of 2025, effective 1 January 2026, the CIO leads Lazard's Investment Committee, a group of senior portfolio managers and investment platform leaders reporting directly to the CIO. The Investment Committee assists the CIO in the oversight and coordination of our investment teams, including regular review of investment strategies, investment processes and risk controls. It also seeks to help ensure the effectiveness of our research, investment stewardship and trading capabilities, and focuses on retaining, developing, and growing investment talent. In addition, from an investment perspective, risk management at Lazard is overseen by Global Risk Management, Legal & Compliance, and Internal and External Audit. As part of this structure, the Global Head of Investment Stewardship and Sustainable Investment reports to the CIO and serves on the Investment Committee, periodically providing updates on relevant matters to both. For oversight of Sustainable Investment and matters related to climate, in H12026 LAM established the Sustainable Investment Oversight Committee (SIOC) as a sub-committee of the Global Investment Commitee. The SIOC is chaired by the Global Head of Investment Stewardship and Sustainable Investment.

Global Active Ownership Committee

The Global Active Ownership Committee is designed to align proxy voting and engagement, recognising that they are interlinked and integral to the effective stewardship of our clients' capital. The committee includes executive leadership and representatives from all regional research platforms, Sales and Distribution, Investment Stewardship, Proxy Operations, and Legal and Compliance teams, with additional membership from key investment strategies, including representation from the Quantitative Equity platform.

The Global Active Ownership Committee is responsible for effectuating the firm's Global Proxy Voting Policy, regional and asset- or investment approach-specific carve-outs, and Global Governance Principles. The Committee also considers the reputational and business risk related to stewardship activities.

The Committee met quarterly throughout 2025. It ended the year by reviewing the firm's proxy carve-out policies, progress made on firm-wide stewardship activity over the last three years, and identified priorities for 2026, ensuring alignment with strategic goals and stakeholder expectations.

As part of its regular responsibilities, the Committee reviewed and approved the firm's Global Governance Principles.

Our Global Governance Principles, which are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management, underpin our proxy voting and engagement activities. Amendments in 2025 included streamlining the Principles into six integrated principles that reflect the firm's views on board accountability, independence, shareholder rights, remuneration, disclosures, and sustainability. The new set of six principles is more focused and practical, providing portfolio managers and analysts with a stronger framework for evaluation, voting, and engagement. This committee was unchanged entering 2026.

Investment Stewardship and Sustainable Investment Team

LAM's Investment Stewardship and Sustainable Investment team, led by Jennifer Anderson as Global Head, is responsible for defining the firm's sustainable investment goals and overseeing the development and implementation of LAM's Investment Stewardship and Sustainable Investment policies, including those related to climate change. Working in close collaboration with investment professionals, risk management, and other internal stakeholders, the team integrates financially material sustainability considerations into LAM's investment processes and strategies. The team comprises of 12 members with domain expertise spanning Research, Stewardship, Data & Analytics, and Client Intelligence.

New Governance Structure - 1 January 2026 Onwards

In late 2025, coinciding with the appointment of Chris Hogbin as Chief Executive Officer (CEO) on 1 December 2025, LAM implemented a number of changes to its governance structure, including the creation of:

- **The Executive Committee (ExCo):** Replacing the previous Executive Leadership Team, the ExCo is a senior, cross-functional body that supports the CEO in setting firm-wide strategic priorities, driving organisational coordination, and ensuring alignment across the business.
- The ExCo holds oversight responsibility across LAM's key business areas — including investment management, distribution, operations, finance, legal, marketing, and human capital — working closely with the CEO to guide the firm's long-term direction.
- As part of this change, the CEO created a new **Chief Investment Officer** (CIO) role, filled by Eric Van Nostrand, with effect from 1 January 2026. Establishing a CIO role was an important step in enhancing the depth, discipline, and cohesion of our investment organisation. In this role, the CIO provides firmwide leadership and strategic oversight across our global investment platform. The CIO is responsible for the oversight, day-to-day management and coordination of our investment teams. Portfolio managers are responsible for security selection and portfolio construction within their mandates.

Climate Change Investment Policy

We recognise climate change as a global structural trend that presents risks and opportunities to many businesses and economies. Our Climate Change Investment Policy seeks to incorporate considerations related to climate change into relevant investment research and decision-making. This policy is governed by three pillars:

1. Climate-integrated research.
2. Climate-focused engagement
3. Transparency, disclosure, and reporting on climate issues.

For further details, please refer to our **Climate Change Investment Policy.**

2. Strategy

Business Strategy & Operations

At LAM, we evaluate climate-related risks in our own operations and across our business. While climate-related risk considerations are expected to have a limited impact on our physical operations, they are interconnected with other types of risk we may face.

As part of our enterprise risk management, we consider climate-related risk assessments provided by our insurer for the buildings we own and the spaces we lease. These assessments help evaluate physical risks, such as flooding, storms, and other extreme weather events. While such events occasionally impact employee commutes or business travel, our investments in technology and our hybrid work structure—where employees work from home two days a week and in the office three days a week—help ensure continued productivity and operational resilience.

We continue to evaluate our exposures to physical and transitional climate risks from a corporate perspective.

Additionally, climate change presents significant strategic investment opportunities. LAM's business provides sustainability-focused strategies to capitalise on these opportunities, aligning with our clients' demand for products that address and benefit from structural shifts in the global economy.

With respect to LAML, we consider the following risks and opportunities in Exhibit 1 as the most relevant.

We seek to leverage our capabilities across LAM to assist clients who are interested in addressing environmental and climate-related risks through tailored solutions. Additionally, we aim to contribute to industry and market dialogue on the pace of change related to climate issues, integrating financially material findings from these discussions into our strategies where appropriate. This includes understanding regional disparities, financing gaps, and the increasing impact of geopolitics.

Risk Management in Operations

At LAML, we consider sustainable practices in our procurement and business activities. We aim to incorporate environmental sustainability and energy preservation considerations in our office building design, renovation, and choice of location. We are conscious of our environmental footprint as it relates to physical assets, business continuity planning, and remote-access infrastructure.

Exhibit 1

LAML Climate-Related Risks and Opportunities

Risk	Time Horizon	Description
Transition—Regulatory Pressure/Policy	Short-Medium Term	Regulatory and legal risks resulting from more stringent climate reporting and disclosure requirements which differ across regulatory bodies and countries.
Transition—Market and Customers	Short-Medium Term	Portfolio investment risk resulting from changes in financial market sentiment or actual performance results stemming from changing market demand, regulatory requirements, or cost of capital and investment.
Transition—Market and Customers	Short-Medium Term	Risks impacting assets under management, and therefore asset management business revenues, due to fluctuations in portfolio market values stemming from materialised portfolio investment risks and opportunities, and/or asset flows stemming from changing consumer preferences.
Transition—Market and Customers	Long-Term	Management of climate-related risks and opportunities, including the achievement of climate-related targets and initiatives across business strategies, investment processes, and operations.
Transition—Market and Customers	Long-Term	Delivering on the commitment to the Net Zero Asset Manager's initiative which aims to achieve a goal of net-zero emissions by 2050 through engagement to drive organic decarbonisation and investing in technology solutions that facilitate the energy transition.
Physical—Acute	Short-Medium Term	Physical risk from extreme weather events, including intensified storms, which may impact the buildings in which Lazard operates and, as a result, could disrupt business operations.
Physical—Chronic	Long-Term	Risk of increased insurance premiums and operational costs due to a higher likelihood of building damage from storms, flooding, or other natural disasters.
Transition—Reputational	Long-Term	Reputational risk from stakeholder perceptions of the business and its role in making investment decisions based on climate-related changes in market factors, such as commodity prices, cost of capital, and valuation of assets and liabilities.

For climate related risk and opportunity assessments, the manager defines time horizons in line with TCFD guidance as follows: Short to Medium Term (0–10 years) and Long Term (greater than 10 years).

Source: Lazard

Exhibit 1 is presented at the LAML entity level, consistent with the presentation in LAM's prior year TCFD report; the remainder of this report constitutes the combined entity-level disclosure of LAML and LFM, as set out in the Introduction.

In 2025, we moved to a new office building at 20 Manchester Square, London. We have high sustainability ambitions for the building, targeting health, well-being, and safety benefits, low CO2 design, and circularity, with the aim of achieving WELL Platinum and BREEAM Excellent ratings. The building makes use of renewable energy from solar panels on the roof and a rainwater harvesting system. It adheres to the UK Green Building Council framework for net-zero carbon emissions and uses recycled, long-life materials with reduced replaceability across floors, walls and ceiling finishes, with water efficient taps, showers, and fixtures in place throughout. For the reporting period, the firm was accredited with a ISO14001 and Planet Mark Certification.

Our efforts to improve continue and in 2025 included:

- Working with Carbon Numbers to review our Building Management System (BMS) run times, and revised our flushing & dosing cycle schedule, equating to an approximate 94,000 kWh annual saving.
- We are also working on reducing daily electricity usage from nearly 6,000 kWh to just over 5,000 kWh from Monday to Friday.
- In addition, under our lease agreement for 20 Manchester Square, we committed to making an offsetting payment for the building's construction-related carbon footprint and to providing support to the previous owner.

Investments

As an asset management firm, the primary climate risk of our business predominantly resides within our investment portfolios. We remain committed to integrating financially material climate-related risks and opportunities into our investment processes to ensure long-term value creation and resilience for our clients.

We look to address climate-change risk by evolving proprietary climate-related frameworks, models, and methods analysis, the stewardship of client capital through allocation, engagement, and proxy voting, and by offering a range of investment products that consider and/or integrate sustainability metrics.

Assessing the Climate Risk and Opportunities in LAM Portfolios

Materiality of physical and transition risks

We recognise that the global energy transition is progressing at different speeds across regions, sectors, and technologies, creating a fragmented landscape of risks and opportunities. This fragmentation has the potential to influence long-term risk-adjusted returns. We integrate climate and energy transition- related considerations into research, engagement, and voting activities where appropriate, with a focus on maximising long-term return. This includes evaluating:

Transition Risks and Opportunities:

Evolving decarbonisation and emissions reduction policies, energy security, and affordability challenges, and higher capital costs for carbon-intensive sectors.

Physical Risks and Resilience:

Impacts of extreme weather events and related disruptions to companies, industries, sovereigns, and sub-sovereigns. Where we identify that change is needed to protect or enhance value, we engage with issuers directly and incorporate climate insights into our investment strategies and client reporting.

Why Physical Climate Risk Matters Now

Company research across LAM indicates that extreme weather events are becoming more frequent, more severe, and more disruptive to business operations. At the same time, insurance capacity is contracting in high risk regions, leaving companies to absorb a growing share of physical climate related losses directly on their balance sheets. Yet most physical-risk assessment tools available to investors continue to focus narrowly on asset location and hazard exposure, largely overlooking the operational readiness and resilience that increasingly determines a company's vulnerability to business interruption, its insurability, and the financial consequences that follow (Exhibit 2).

Research published by our fundamental analysts shows how physical climate events are already influencing earnings, valuations, and strategic positioning across certain sectors.

Examples from the insurance and banking sectors include:

Sector-wide trends (Insurance/Reinsurance):

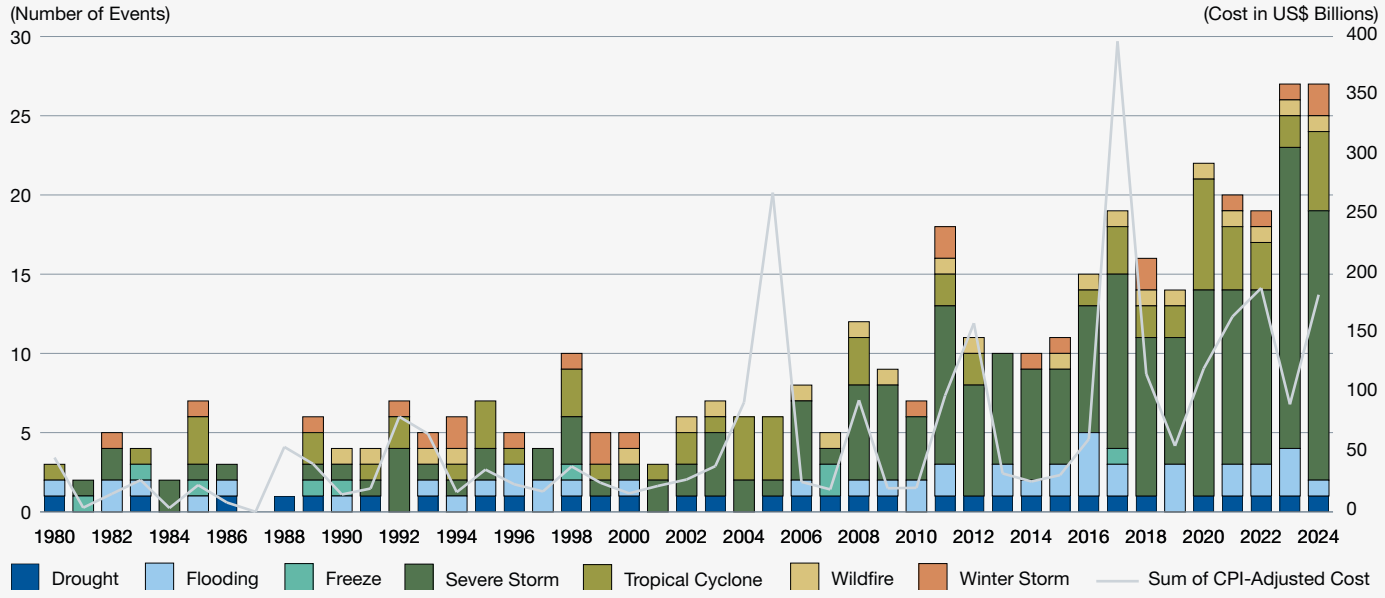
- **Across the reinsurance sector** firms have implemented materially higher property catastrophe pricing following repeated extreme weather losses, supporting margin expansion and re-ratings.

Company-level examples across the broader financial sector:

- **A financial services firm** demonstrated that vertically integrating claims processing and investing in mitigation capabilities improved underwriting quality and supported valuation upgrades.
- **An insurer** showed that shifting away from catastrophe exposed personal lines toward more stable commercial segments is viewed as a rational adaptation to rising physical risks.
- **An emerging markets based bank** integrates physical climate risk directly into loan pricing and exposure management, supported by 30 years of crop, soil, and weather data, and a network of 250 technicians providing real-time alerts—capabilities that have helped it avoid climate related losses experienced by smaller peers.

Exhibit 2

Rising Cost and Frequency of Disaster Events 1980–2024 (CPI-Adjusted)



As of 31 December 2025. Source: NOAA National Centers for Environmental Information (NCEI) U.S. Billion-Dollar Weather and Climate Disasters (2025)

These insights are integrated into our fundamental research and recorded across our global research database. Our research shows that preparedness—spanning monitoring systems, data infrastructure, underwriting changes, and credit risk processes can shape earnings outcomes and competitive positioning of companies across sectors and regions.

Integrating Climate Data

A cornerstone of our efforts is our proprietary ESG data portal, Eleven, which tracks, measures, and reports on portfolios' carbon performance and other sustainability metrics. By aggregating over 70 data points, such as regulatory metrics (e.g., Principal Adverse Impact Indicators under SFDR and EU Taxonomy) and proprietary scores, the platform provides comprehensive insights for investment professionals and client servicing teams.

We continue to enhance Eleven's capabilities to align with evolving regulatory requirements and the needs of our stakeholders. Beyond streamlining ESG analytics, the Eleven platform has improved the integration of sustainability insights into the investment process, enabling us to identify risks, uncover opportunities, and better align portfolios with our climate goals.

Identifying climate-related investment opportunities

We continue to draw on proprietary fundamental and quantitative research to evolve our own thinking and to support our clients managing climate-related risks and opportunities.

Last year also marked the fifth year of our materiality mapping process. This process leverages the insights of our global sector analysts to ensure we have a comprehensive understanding of the evolving human and natural capital risks and opportunities that influence each industry and its value chain. Physical and transition climate risks and opportunity remain a priority, and our research will also focus on issues we have identified as bringing heightened risk and opportunity.

2025 Research

Published Thought Leadership and Climate Workshop

Navigating the Climate Transition

In response to major political shifts, rising economic impacts of extreme weather events, and the milestone of crossing the 1.5°C temperature threshold in 2024, Lazard hosted a series of transition-focused workshops in 2025 to deepen understanding of climate policy risks and opportunities.

The first workshop, held internally in early 2025, was a climate forecasting session attended by 20 research analysts from our Emerging Markets, US, and International teams. Analysts represented key sectors, including mining, energy, utilities, autos, airlines, chemicals, and technology.

This workshop was facilitated by Jakob Thomä, Director of the Inevitable Policy Response (IPR), and focused on key global and regional issues surrounding climate transitions, including:

- Electrification of transport and its uneven adoption across regions;
- The timing of peak oil demand and its investment implications;
- Persistent headwinds to clean energy adoption, from policy fragmentation to technological barriers.

The workshop provided an opportunity to debate regional climate dynamics, particularly the divergence between emerging markets and developed markets due to geopolitics, policy fragmentation, and economic disparities.

Using IPR's database of insights from over 250 climate policy experts and 200 industry peers, participants also benchmarked their views on these topics. The session suggested Lazard's analysts' modelling assumptions suggest a 1.8°C–2.0°C warming trajectory above pre-industrial levels by the century's end – consistent with the IPR's findings and the NGFS disorderly climate scenario. The workshop also underscored the risks associated with delayed action and the uneven progress of the global energy transition. The findings from our internal workshop were consolidated into Lazard's research paper, "Navigating the Climate Transition" published in Q2 2025.

Collaboration with Asset Owners

Following our internal workshop, we broadened our climate transition engagement by hosting three client sessions in the UK and Australia. In the UK, participants underscored persistent challenges around aligning portfolios with 1.5°C pathways, noting limited confidence in existing climate targets (36% expressing confidence) and widespread acknowledgment of strategic gaps (88%). Concerns centered on fragmented energy transition trajectories and the difficulty of translating high level commitments into actionable plans.

Across the Melbourne and Sydney sessions, clients highlighted the prevalence of "paper decarbonisation," growing scepticism toward 1.5°C objectives, and the need for more granular, forward-looking analysis. We believe that forward-looking strategies that combine climate credibility with investment discipline and a robust approach to active ownership may offer a more resilient and impactful path to climate investing. Such strategies can help asset owners pursue their climate objectives while managing risk and supporting returns, in contrast to approaches that rely solely on re-weighting portfolios based on emissions metrics. Equities emerged consistently as the asset class with the greatest potential to advance climate strategies, primarily through research driven engagement.

Climate Workshop – Key findings:

Lazard conducted an in-house climate transition forecasting workshop in partnership with the IPR to stress test our analysts' views and assumptions about the evolving climate and energy transition. The IPR database enabled us to compare our views and assumptions with peers and leading climate policy experts.

More about the IPR

The Inevitable Policy Response (IPR) is a climate forecasting consortium that provides public forecasts on the speed and scale of the transition to net zero. The IPR consortium partners offer tools designed to help investors conduct in-house transition forecasting exercises, benchmarked against a broad mix of market participants and climate transition experts. This equips investors with high-confidence insights into the transition to a low-carbon economy.

The IPR provides a structured framework for understanding policy developments, assessing uncertainties, and evaluating gaps in climate transition strategies. Their forecasting tool supports investors in:

- Generating institutional transition forecasts based on scenario modelling, complete with output files for detailed analysis.
- Benchmarking its forecasts against insights from approximately 250 climate policy experts and over 200 industry peers, ensuring alignment with broader trends and expert opinions.
- Gaining actionable insights into areas of policy uncertainty and gaps in the global climate transition.

Climate Alignment Assessment Model (CAA)

As clients navigate the challenges of implementing their carbon targets, we published a paper detailing our Climate Alignment Assessment Model (CAA), showcasing the proprietary tools at the heart of our Climate Advantage strategy and explaining how we integrate proven financial metrics with climate and sustainability models to identify companies best positioned for the transition to a lower carbon economy.

Policy analysis and analyst engagement

EU Emissions Trading Scheme (ETS2)

Throughout 2025, we closely tracked the evolution of the EU Emissions Trading System (ETS2) to assess the potential market implications of the updated guidance.

Background: The EU is set to launch its second Emissions Trading Scheme (ETS2) in 2027, marking a significant expansion of its climate policies. ETS2 will target Scope 3 emissions from fuel combustion in road transport, buildings, and smaller industries, covering approximately 75% of total EU emissions. This complements the existing ETS1, which focuses on large emitters like power generation and heavy industries, covering 40% of emissions.

ETS1 – Current Framework and Transition Dynamics

The EU's original Emissions Trading System (ETS1) remains central to its decarbonisation strategy, covering major emitters in power and heat, energy intensive industries, and aviation—about 40% of EU greenhouse gas emissions. ETS1 targets a 55% cut in emissions by 2030 (vs. 1990) and 90% by 2040. Auction revenues are projected at roughly €30 billion in 2025, declining as the system tightens and free allowances move toward zero by 2040. ETS1 currently covers around one billion tonnes of CO_2, a figure expected to fall with continued power sector decarbonisation. While the theoretical market size could reach EUR 80 billion, realised revenues remain lower due to market and allocation dynamics.

ETS2 – Expansion of Coverage and Implications for the Transition

Launching in 2027, ETS2 will extend carbon pricing to fuel related emissions from buildings, road transport, and smaller industries, bringing roughly 75% of EU emissions under a trading scheme (excluding agriculture and waste). Fuel distributors must buy allowances, with auctions starting in 2027 and surrender obligations in 2028; no free allocations are included. Revenues will be shared between member states and the EU's Social Climate Fund, with potential annual revenues of up to €100 billion at an €80/tonne carbon price, declining over time as buildings and transport decarbonise. ETS2 includes a soft price cap (about €49/tonne today) and a one-off supply injection in 2027, which may contribute to short term price volatility.

Economic and Consumer Implications

Compliance costs under ETS2 are likely to be passed through to end users. External estimates suggest potential increases of around 15% for household gas prices, 13% for petrol, and 30% for business gas usage. Member states may mitigate some of these impacts through tax adjustments, while EU-level funding can cushion lower-income households. Broader energy transition programmes—such as renovation incentives and heat pump subsidies—are also expected to play a role.

Member states were required to submit plans for allocating ETS2 revenues by June 2025; however, no country met the deadline, reflecting both political resistance and the complexities of implementing the new scheme. A revised deadline of June 2026 is considered more realistic. Plans will also need to comply with EU state aid rules, which may influence the eligibility of certain technologies, including products with supply chains heavily reliant on non EU imports.

Sectoral Considerations

Higher carbon costs are likely to affect sectors differently:

- Potential beneficiaries include companies involved in energy efficient technologies, building renovation solutions, and low carbon transportation alternatives.
- Sectors with pass through potential include utilities and regulated fuel suppliers, though the degree of cost recovery will depend on national regulation.
- Sectors facing higher compliance costs include energy intensive manufacturers and transport related industries, particularly those lacking near-term technological alternatives.

Physical Climate Resilience

Internally, our Quantitative and Fundamental teams have conducted analysis on physical climate risk resilience and published internal research notes on the topic. Our Quantitative team is working to develop a model on climate resilience to address a critical gap in assessing climate physical risks. Our research suggest existing assessments focus on risk exposure existing assessments focus on risk exposure rather than readiness and suffer from black-box complexity and inconsistent methodologies. The model fills the absence of a "readiness score" by using advanced natural language processing techniques to evaluate companies across two main pillars and four sub-pillars.

As an example from our internal research, a systematic event study of companies affected by Hurricane Helene found that firms with higher internal resilience scores experienced milder post storm share price impacts, indicating stronger underlying preparedness. Complementary fundamental case studies showed differentiated outcomes across sectors: reinsurers were able to reprice risk following successive years of elevated catastrophe losses; companies actively investing in resilience and mitigation—such as Intact Financial Group—demonstrated operational and financial

benefits. Overall, the analysis highlights that physical climate risks are increasingly reflected in market pricing, with impacts shaped by firms' exposure profiles, adaptive actions and industry dynamics.

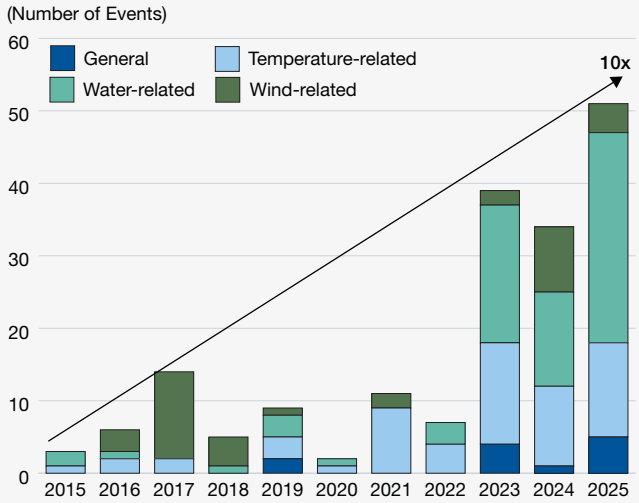
Physical Climate Risk Resilience

Physical Risk Mentions (Exhibit 3)

- Our research database mentions of physical climate risks have increased significantly over time, with a sharp rise from 2015 onward.
- "Water" as a key emerging theme in qualitative notes, structurally significant and linked to infrastructure resilience.

Exhibit 3

Trends in Climate-Related Events by Hazard Type



As of 31 December 2025. Source: Lazard

Methodology (Exhibit 4)

- Better visibility into how companies manage real-world climate shocks.
- Overcoming inconsistent and largely qualitative company disclosures coupled with location-specific, hazard-specific, and often non-linear physical risks.

Exhibit 4

Framework for Managing Chronic and Acute Climate Risks

Pillar A – Planning	Pillar B – Execution
Chronic Risks: Sea level, temperature, water	**Acute Risks:** Wildfires, storms, drought
1. Hazard exposure & assessment	3. Financial preparedness
2. Adaptive management systems	4. Operational resilience
Strategic foresight for gradual, long-term climate shifts	*Crisis response capacity for sudden, high-impact events*

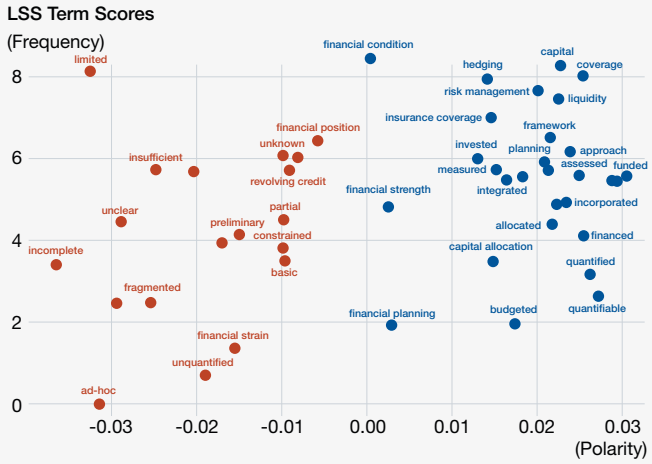
For illustrative purposes only

Resilience over exposure (Exhibit 5)

- Language-based signals preferred over geolocation maps to avoid false precision and ensure comparability across companies.
- Complements transition metrics by surfacing operational and financial resilience.
- Ongoing review of ~20 external physical-risk vendors to benchmark methods and data quality.

Exhibit 5

Comparative Metrics of Resilience and Exposure Across Sectors



As of 31 December 2025. Source: Lazard

Portfolio-level monitoring tools for climate-related risk and guidelines

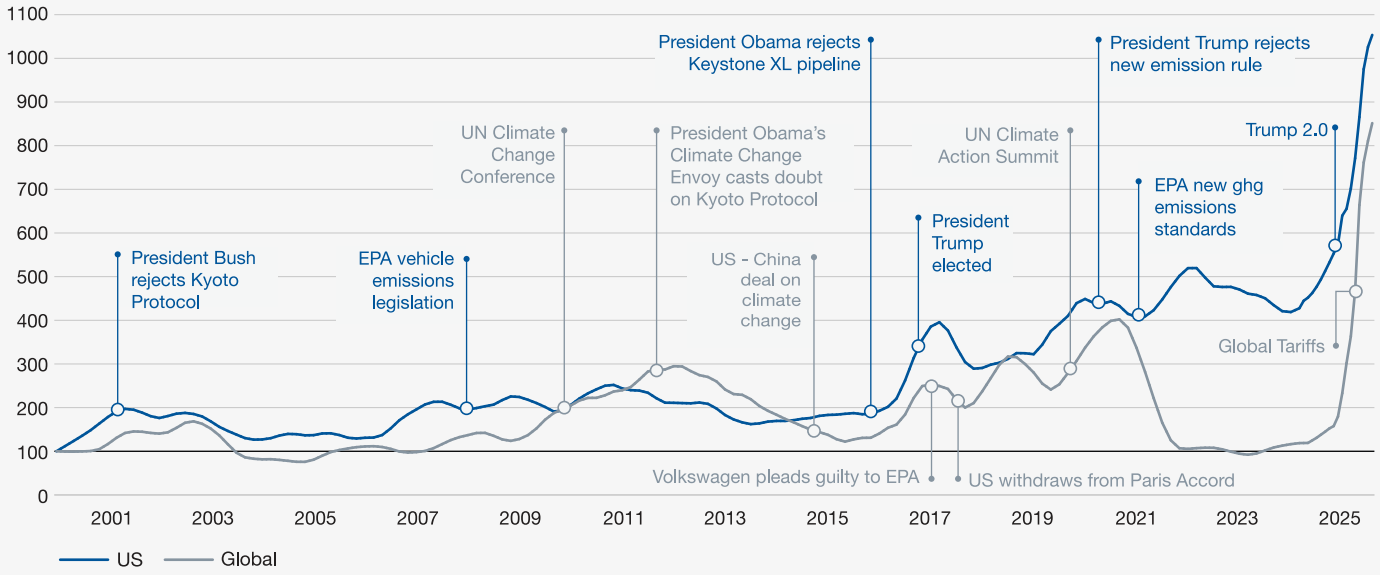
LAM's approach to assessing relevant portfolios for climate risk and opportunity is through our Climate Alignment Assessment model (CAA). Our CAA model aids our relevant investment professionals and clients in systematically analysing portfolio assets while staying up to date with evolving disclosure environments and regional implications by evaluating how relevant portfolio assets are positioned today and over the long term for the low-carbon transition. It is a proprietary tool designed to assess portfolio holdings' transition plans and progress towards net zero across six categories defined by the IIGCC's Net Zero Investment Framework: ambition, targets, emissions performance, disclosure, decarbonisation strategy, and capital allocation. We use multiple data sources (e.g. CDP, SBTi, CA100+, Net Zero Tracker, TPI, Bloomberg) to evaluate the strength of portfolio companies' net zero commitment and strategy for implementation. More details on our CAA model can be found in our published report here.

In 2025, our quantitative-focused Equity Advantage team published internal research on climate policy uncertainty: the Lazard Climate Policy Uncertainty Index (CPU). The tool tracks real-time signals from headlines, regulatory moves, and geopolitics and was particularly relevant in the light of recent events such as COP30 (Exhibit 6). It shows:

Exhibit 6

The US has Driven a Surge in Climate Policy Uncertainty

(Rebased to 100 on 31/12/1999)



As of 31 July 2025. Source: Lazard, Konstantinos Gavriilidis, Reuters News

- **Record highs** driven by US disengagement and shifting alliances.
- **Sector exposure** analysis can help predict returns based on sensitivity to policy swings.
- **Opportunity:** Fragmentation increases performance dispersion—creating scope for agile, active strategies to capture alpha.

Lazard's Levelized Cost of Energy

As part of its thought leadership, the firm produces its annual Levelized Cost of Energy (LCOE) study. This provides a comprehensive analysis of the cost of generating energy from various sources. The study is widely regarded as a valuable resource for industry stakeholders interested in understanding the evolving economics of energy production. It can help inform decisions regarding energy investments, policy development, and strategic planning within the energy sector.

Now in its 18th edition, the study examines three interconnected areas: energy generation, energy storage, and the broader energy system. A consistent finding across successive editions has been that renewable energy technologies have become increasingly cost-competitive with conventional generation alternatives on an unsubsidised new-build basis, with utility-scale solar and onshore wind among the lowest-cost generation options under certain circumstances. The study also tracks the declining cost of battery storage over time and analyses the system-level costs associated with integrating higher levels of intermittent renewable generation into the grid, both of which are increasingly material considerations for investors seeking to understand the pace and economics of the energy transition. Alongside the LCOE analysis, the firm publishes a Levelized Cost of Storage study and a Cost of Firming Intermittency analysis, together providing a comprehensive evidence base for understanding how the economics of the energy system are evolving.

Active Ownership and Proxy Voting

LAM is committed to understanding the companies we invest in through ongoing fundamental research and quantitative analysis, which informs our research-driven engagement, proxy voting, and stewardship activities. We seek regular dialogue with company management as an integral part of our fundamental research process to understand company strategy, industry trends, capital allocation, and management quality. We also engage where appropriate with relevant regulators, industry bodies, and key market stakeholders to address systemic risks that may impact our portfolio.

Fundamental research activities seek to build relationships over time, to be constructive in our approach, and to support companies undertaking positive changes. As active managers, we believe incorporating the insights from our active ownership activities into investment decisions is a process that can support the creation of long-term value for clients and their beneficiaries.

Engagement is driven by portfolio managers and analysts across LAM's global platform as part of their research process. Investment stewardship experts contribute, and lead in partnership, when their specific expertise is most relevant. We see this as an important differentiator, believing that shareholder and bondholder engagement is more effective when it is undertaken directly by the analysts and portfolio managers that own the companies or sovereign bonds in their portfolios. Proxy voting decisions are guided by investment research, our active ownership philosophy, and our fiduciary duty to act in the best interests of clients. Where delegated authority is granted, our policy is to vote consistently across all client portfolios on a given issue. This research-driven approach creates a feedback loop where engagement directly informs and seeks to enhance investment decisions and proxy voting, with the goal of improving long-term returns for our clients.

For ESG-integrated portfolios and strategies, we target engagement with companies that we identify as having the most material risks related to climate change, are the highest emitters, or have poor practices related to disclosure and transparency. Our relevant investment professionals engage with companies on financially material climate-related issues, focusing on areas where physical or transition risks could impact long-term financial performance.

Broadly, our Investment Stewardship & Sustainable Investment team seeks to provide tools, training, and resources to our relevant investment professionals to allow them to consider financially material sustainability risks and opportunities, including those that relate to climate, for the issuers they cover.

Our overarching active ownership objectives are to:

- Address operational, governance, and strategic factors relevant to issuers' performance outlook.
- Encourage management practices that support long-term value creation.
- Meet evolving stakeholder expectations and provide transparency on our stewardship activities.

LAM's approach for shareholder proposals:

LAM votes on environmental, climate, social, and corporate governance proposals in a manner that we believe will increase long-term shareholder value. Supporting shareholder proposals is one of several stewardship tools available to drive improvements in company practices. Recognising that the quality of such proposals can vary widely, we adopt a case-by-case approach to ensure thoughtful and informed decision-making.

LAM developed a framework for ESG-related shareholder proposals that leverages both the company knowledge of LAM's fundamental research analysts and the subject matter expertise of LAM's Investment Stewardship and Sustainable Investment Team. Several principles are used to help guide voting on ESG-related shareholder proposals to ensure consistency in voting decisions, as outlined in Exhibit 7.

Case study: Equities Emerging Markets Bank

In 2025 we met with the IR, risk management, agribusiness, and ESG teams to discuss the bank's exposure to physical climate risks, given its large agriculture portfolio, deforestation-related lending risks, and biodiversity opportunities. This engagement builds on our ongoing dialogue around the resilience of the bank's agriculture loan book and broader business model. The bank is the country's largest agricultural lender, with ~30% of the loan book in the agriculture sector, although this fluctuates over time. The portfolio is diversified across regions and commodities. It finances both large producers and small farmers, including through subsidized credit that supports food security. The bank has developed sophisticated climate risk systems that integrate crop, soil, production, and weather data—and other tools, which provides real-time insights on weather, pests, and diseases. With 30 years of historical data and 250 agricultural technicians feeding information into the system, these tools inform lending, pricing, and portfolio management. Geographic diversification and wide insurance coverage have also limited the impact of recent weather events.

On deforestation, the bank goes beyond regulatory requirements by assessing full client operations using geospatial and satellite tools and by monitoring risks throughout the loan lifecycle. It can suspend or accelerate loans if violations are identified. The bank is also expanding its biodiversity efforts, working with development banks to provide agroforestry support to indigenous communities and connect them to carbon market value chains; although still small, this portfolio has grown quickly.

We believe the bank takes physical climate risks seriously and has built meaningful capabilities to manage them. It plans to enhance climate stress testing disclosures in future sustainability reports. As the country's dominant agribusiness lender, it plays an important role in supporting agricultural development and food security. This engagement strengthened our understanding of the bank's physical risk and deforestation risk exposure and its mitigation tools. We agreed to hold an annual follow-up discussion to monitor progress in these areas.

Exhibit 7

More Likely to Support a Shareholder Proposal on:

For illustrative purposes only

We do not apply a blanket policy supporting all ESG shareholder resolutions. Instead, we aim to assess each proposal on its merits, considering its materiality, feasibility, and potential consequences—whether in supporting or opposing the resolution—to ensure alignment with our fiduciary duty and the long-term interests of our clients.

The following proxy voting example demonstrates our climate-related analysis of a European energy sector company, showing how we evaluate corporate governance and climate transition plans ahead of making proxy voting decisions.

Proxy voting-related engagement priority: European energy sector company

Background

The company was asked to disclose how it plans to reduce its Scope 1 and 2 emissions in line with the Paris Agreement.

Engagement:

We engaged with the company ahead of the AGM to try to better understand the climate strategy of the business and the risk and opportunities it faces. We understand that the company is continuing to test electric vehicles and evaluate additional low emission options. Through our engagement, we noted the company's decarbonisation challenges and remain cognisant of its forward-looking planning. More broadly, we found the dialogue transparent and constructive, while acknowledging that the company is still lagging peers on emissions targets.

Why it is "significant":

Our Global Governance Principles include both board oversight and integration of natural capital to protect long-term financial returns.

Outcome:

After careful consideration and recognizing both technological constraints and the need for continued progress, we voted Against the shareholder proposal. We emphasised that the company should continue evaluating pathways to set Scope 1 and 2 reduction targets. We will monitor developments over the next 12 months. The shareholder proposal garnered 15% support.

Collaborative Engagements and Industry Initiatives

LAM participates selectively in collaborative engagements that we believe are in our clients' best interest and clearly align with our priorities. This includes our participation in the CDP Non-Disclosure Campaign and Climate Action 100+, as well as hosting and participating in several industry events.

CDP: In 2025 we supported collaborative engagement initiatives run by CDP, a non-profit organisation. CDP data is one of the key climate-related data sources that feeds into our Climate Alignment Assessment framework. The non-disclosure campaign identifies corporates that do not voluntarily disclose to CDP and engages with these companies to encourage increased transparency on climate disclosures.

Outcome: During the 2025 Non-Disclosure Campaign, 1,314 companies that had never disclosed through CDP before were called on to disclose, resulting in 10% of those companies completing the survey in response to the campaign.

Climate Action 100+ (CA100+): In 2025 we also participated in CA 100+, which is a collaborative engagement platform. We leverage our participation in CA100+ to engage with two emerging markets companies. During 2025 we had ongoing CA100+ engagements with two emerging markets energy sector companies as well as joining the quarterly calls providing updates on the wider initiative.

Net Zero Asset Managers (NZAM): Lazard joined the NZAM initiative in March 2021. Our continued participation reflects our commitment to supporting clients and prospects who have specific climate related and net zero investment objectives. Staying in NZAM allows us to engage constructively on evolving industry standards while continuing to invest in line with each client's mandate and our fiduciary responsibilities. LAM is currently reviewing its AUM commitment and associated interim targets. We expect to provide an updated disclosure once this review is complete. In the interim, our approach to climate-related investment management, engagement, and stewardship continues in line with the principles set out in this report.

3. Risk Management

At LAM, financially material climate-integrated research conducted by our relevant investment professionals provides the first layer of assessment for transition, physical impact, and geopolitical regulatory risks. Our proprietary framework for financially material human capital, natural capital, and governance considerations aggregates the sustainability issues our relevant investment professionals believe to be the most material for the sectors they cover, including a range of climate-related risks and opportunities such as water scarcity, energy management, physical, and regulatory risks. Our investment professionals, where relevant, also incorporate external data and analytics to identify risks and opportunities.

Our investment professionals actively assess financially material climate-related risks on a contextual basis and from both bottom-up and top-down perspectives across relevant strategies and products. From a geopolitical perspective, our analysis of sovereign bonds has long incorporated financially material human capital, natural capital, and governance considerations, including the dynamics with respect to climate change that could have significant impacts on the creditworthiness of countries. At the relevant portfolio level, portfolio managers regularly monitor and report on investee company emissions, as appropriate.

Managing Financially Material Climate—Related Risks in Our Relevant Products

The investment professionals who manage our fundamentally driven strategies generally attempt to identify, analyse, and monitor systemic risks through their research activities and related meetings. For financially material social and environmental trends, especially those related to systemic risks like climate change, we leverage our insights from our Materiality Mapping exercises. The interaction between investment professionals through materiality mapping surveys allows us to identify emerging, financially material ESG issues, which can also inform our corporate engagement, amongst other activities.

We believe our proprietary analysis of climate-change considerations that are financially material to particular industries enhances our bottom-up stock selection process. We continue to strengthen our research and stewardship capabilities relating to climate change and assessing the potential transition risk and opportunities. In 2025, we achieved the following:

- Further enhanced the Climate Alignment Assessment in collaboration with the Quantitative Advantage Platform. Our Climate Alignment Assessment is a proprietary tool which is designed to evaluate how relevant portfolio assets are positioned today and over the long term for the net zero transition. We utilise multiple data sources to evaluate the strength of portfolio companies' net zero commitment and alignment with the Paris Agreement.
- Expanded the capabilities of our proprietary platform, Eleven, which is designed to measure, track, and report on portfolios' carbon performance and provide greater visibility and accessibility of climate-related data, amongst other ESG metrics, to investment professionals. This platform has also been used to help identify and prioritise climate-focused engagements for relevant strategies.
- Published several internal research pieces on energy transition and climate topics such as the impact of EU elections on climate policy, the EU Carbon Border Adjustment Mechanism, and investing in the energy transition through emerging markets equities and debt, amongst others.
- Participated in industry events organised by the Institutional Investors Group on Climate Change (IIGCC) around their Net Zero Investment Framework.

LAM's Global Risk Management team provides risk reports to relevant portfolio managers. These reports may include relevant sustainability-related metrics from third-party providers.

Additionally, we provide an ESG Watchlist to our investment professionals concerning companies in our relevant client portfolios. On a monthly basis, LAM's Global Risk Management Team generates a report containing ESG Risk Ratings and Controversy Scores sourced from Sustainalytics, which incorporate human capital, natural capital, and governance considerations. The report also flags companies in breach of the United Nations Global Compact Principles, as provided by MSCI. Investment professionals are encouraged to conduct further research on any watchlist companies held in relevant portfolios to determine the reasons for higher risk.

Specifically for climate scenario analysis, while we recognise that the tools available in the market have various shortcomings, we understand that this analysis is necessary to meet regulatory requirements and client expectations in certain jurisdictions.

Scenario Analysis

Although we are able to conduct various scenario analyses at an investment or company-specific level, we are still exploring the best methodologies, models, and targets to use to assess overall resilience across differing warming scenarios. Academics have raised questions on the validity of using climate model information to appropriately inform financial risk, impact, and corresponding resilience over long time scales. Despite these challenges, we continue to develop tools and analyses to monitor the resilience of our portfolios.

We leverage a third-party climate risk platform to conduct climate scenario analysis for in-scope portfolios. Currently such analysis is used solely for reporting purposes; however, it is available for review by our investment professionals as needed. We continue to evaluate third-party offerings to ensure they align with our needs and objectives.

4. Metrics and Targets

Operational Emissions

The scope of our operational greenhouse gas (GHG) emissions principally derives from three main sources: energy usage in our offices, business-related employee travel, and investments. We have estimated our GHG emissions from our leased office space (S1 and S2), and business travel (S3a), where information is available from third-party business partners.

The table below outlines emissions for Lazard Asset Management's London operations in 2025.

Measured in metrics tons of CO2 equivalent (MtCO2e)

	2025
Scope 1 (S1)[a]	23
Scope 2 (S2)[b]	96
Scope 3 (S3a)[c] – business travel	691
Total operational emissions	**810**

a Source: Scope 1 (S1) emissions estimated from building equipment using fossil fuels to provide ventilation, heating, and air conditioning based on square footage of leased properties.

b Source: Scope 2 (S2) emissions of purchased electricity estimated based on square footage of leased properties.

c Source: Scope 3 (S3a) indirect emissions resulting from business travel. Data reflects global travel programme. LAM UK approximation derived as a proportion of total Lazard, Inc. indirect emissions resulting from business travel.

Investment Portfolio Metrics

Beyond our operational footprint, we have estimated various metrics based on our assets under management. As the risks endemic to the global transition to a low-carbon economy are more broadly understood, asset management clients are increasingly requiring asset managers to reduce climate risk exposure in their managed portfolios by decoupling their capital from high-emission investment risk. LAM's approach to financed emissions begins with analysing the climate risk of our assets under management, and providing climate performance and disclosure.

The methodology used to calculate these figures, along with our perspectives on these methodologies and data sources, are detailed in the "Investment Portfolio Metrics - Definitions" and the "Data Gaps, Limitations, and Assumptions" sections at the end of this report. Please note that variations in data may occur due to the use of different sources.

Emissions Metrics

Emissions metrics, although backward-looking, provide information about an entity's exposure to emissions and can help investors understand an entity's position with regards to the transition towards a low-carbon economy.

Financed emissions are the portion of a company's emissions that an entity "owns", based on its ownership percentage in the company. For example, if an entity holds shares in two companies, the financed emissions would be calculated as the sum of the emissions corresponding to the owned shares in both companies. This total is then divided by the entity's total market value (in $m) to determine the carbon footprint of the entity.

Carbon intensity refers to a company's total carbon emissions divided by the company's revenues (in $m), indicating how efficient the company is (in terms of carbon emissions) per unit of revenue. At an entity level, carbon intensity reflects a weighted average of the carbon intensities of the individual holdings, thereby reflecting how efficient (in terms of carbon emissions) the entity's investments are and how much exposure the entity has to carbon-intensive companies.

For each of these three metrics, lower values should be interpreted as better.

LAML

Metric	Scope	Source	LAML Value ($m)	LAML Total Coverage	LAML % Reported	LAML % Estimated	MSCI ACWI Value ($m)	MSCI ACWI Total Coverage	MSCI ACWI % Reported	MSCI ACWI % Estimated
Financed Emissions[a]	1 + 2	Sustainalytics	1,721,223	98%	88%	10%	2,461,839	99%	83%	16%
	3		20,227,564	92%	79%	13%	23,809,191	94%	77%	17%
Carbon Footprint	1 + 2	Sustainalytics	38	97%	87%	9%	40	99%	83%	16%
	3		459	92%	78%	13%	426	94%	77%	17%
Weighted Average Carbon Intensity (WACI)	1 + 2	Sustainalytics	92	94%	85%	9%	120	93%	77%	16%
	3		1,194	89%	76%	13%	995	88%	71%	17%

a MSCI ACWI financed emissions assume the same market value as the entity.

LFM

Metric	Scope	Source	LFM Value ($m)	LFM Total Coverage	LFM % Reported	LFM % Estimated	MSCI ACWI Value ($m)	MSCI ACWI Total Coverage	MSCI ACWI % Reported	MSCI ACWI % Estimated
Financed Emissions[a]	1 + 2	Sustainalytics	272,089	99%	90%	9%	119,226	99%	83%	16%
	3		1,869,620	92%	77%	15%	1,153,068	94%	77%	17%
Carbon Footprint	1 + 2	Sustainalytics	120	99%	90%	9%	40	99%	83%	16%
	3		898	92%	77%	15%	426	94%	77%	17%
Weighted Average Carbon Intensity (WACI)	1 + 2	Sustainalytics	223	96%	88%	8%	120	93%	77%	16%
	3		1,405	90%	75%	15%	995	88%	71%	17%

a MSCI ACWI financed emissions assume the same market value as the entity.

Exposure Metrics

Entity exposure to areas such as fossil fuels is a backward-looking reflection of an entity's investment in companies that may face varying levels of risks and opportunities as governments and policymakers seek to mitigate the impact of climate change and reduce global emissions.

Science-based and net zero targets can reflect companies' intentions to align with changing stakeholder expectations and global policies to address climate change. These targets can take the form of self-disclosed commitments or targets validated by the Science Based Targets initiative (SBTi) and may help to support the decarbonisation of investment portfolios. For these metrics, higher exposure at the entity level is viewed as positive.

Exposure to companies with involvement in fossil fuels can reflect exposure to potential risks as governments set clear incentives for decarbonisation of our economies. For these metrics, higher exposure at the entity level can be viewed as negative.

LAML

Metric	Source	LAML Value	LAML Coverage	MSCI ACWI Value	MSCI ACWI Coverage
Fossil Fuel Exposure	Sustainalytics	5%	97%	7%	100%
Exposure to Companies with Science-Based Target[a]	Bloomberg	63%	74%	67%	82%
Exposure to Companies with Net Zero Target	Bloomberg	72%	80%	71%	82%

a Using SBTi we can confirm that at least 64% of our exposure has an SBTi validated target. Using SBTi as a reference source can be challenging (e.g. identifier mapping), therefore we prefer to use a third-party vendor for this type of analytics.

LFM

Metric	Source	LFM Value (%)	LFM Coverage (%)	MSCI ACWI Value (%)	MSCI ACWI Coverage (%)
Fossil Fuel Exposure	Sustainalytics	9%	99%	7%	100%
Exposure to Companies with Science-Based Target[a]	Bloomberg	55%	80%	67%	82%
Exposure to Companies with Net Zero Target	Bloomberg	76%	92%	71%	82%

a Using SBTi we can confirm that at least 64% of our exposure has an SBTi validated target. Using SBTi as a reference source can be challenging (e.g. identifier mapping), therefore we prefer to use a third-party vendor for this type of analytics.

Implied Temperature Rise

The Implied Temperature Rise (ITR) is an aggregated, forward-looking indication of an entity's alignment with emissions reductions needed to meet a 1.5-degree scenario. The primary output of the rating, in degrees Celsius, answers the question: "to what degree would the world be expected to warm, if the global economy differed from its budgeted emissions to the same degree as the entity's owned holdings?"

An ITR below 1.5 indicates an entity that is aligned, between 1.5 and 2.0 an entity that is moderately misaligned, between 2.0 and 3.0 an entity that is significantly misaligned, between 3.0 and 4.0 an entity that is highly misaligned, and above 4.0 an entity that is severely misaligned. The methodology used to calculate these figures, along with our perspectives on these methodologies and data sources, are detailed in the "Investment Portfolio Metrics - Definitions" and the "Data Gaps, Limitations, and Assumptions" sections at the end of this report. Please note that variations in data may occur due to the use of different sources

LAML

		LAML		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Implied Temperature Rise (ITR)	Sustainalytics	2.00	87%	2.24	98%

LFM

		LFM		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Implied Temperature Rise (ITR)	Sustainalytics	2.17	97%	2.24	98%

Investment Portfolio Targets

At a strategy level, some clients have set decarbonisation commitments in their Investment Management Agreements, which may include a reduction of carbon relative to a benchmark. However, there are various approaches to implementing these commitments, such as customised solutions that align with clients' specific goals and objectives. Regardless of the chosen method, we have the ability to assess and report across a wide variety of climate metrics and key performance indicators, including engagement.

LAM has established three preferred portfolio alignment methodologies for its ESG Integration and Sustainability-Focused strategies:

1. LAM's Proprietary Climate Alignment Assessment (CAA)
2. Science-Based Target (SBTi) Validated Commitments
3. Weighted Average Carbon Intensity (WACI) Initiative

We actively engage with portfolio companies to better assess financially material aspects of their emissions profiles relative to net zero trajectories.

LAM has designed a climate analytics dashboard, which has been integrated into internal portfolio management systems used by our investment professionals. This dashboard helps to support our relevant investment professionals in assessing climate-related risks and opportunities and includes security-level and portfolio-level climate metrics that are required for net zero portfolio management and client reporting. Key metrics include carbon footprint, security-level intensity metrics, financed emissions, and weighted average portfolio trajectory along determined net zero pathways.

Investment Portfolio Metrics–Definitions

Financed Emissions: Total of carbon emissions for an entity (based on the % of the company owned), expressed in tons CO2e. MSCI ACWI financed emissions assume the same market value as the entity.

Formula

$$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer\ EVIC_{\ i}} * issuer's\ GHG\ emissions_i \right)$$

Carbon Footprint: Total carbon emissions for an entity (based on the % of the company owned) normalised by the market value of the entity, expressed in tons CO2e/$M invested.

Formula

$$\frac{\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer\ EVIC_{\ i}} * issuer's\ GHG\ emissions_i \right)}{current\ portfolio\ value}$$

Weighted Average Carbon Intensity (WACI): Entity's exposure (weighted average) to carbon-intensive companies, expressed in metric tonnes CO2e/$M revenue.

Formula

$$\sum_i^n \left(\frac{value\ of\ investment_i}{total\ value\ of\ covered\ portfolio\ holdings} * \frac{issuer\ GHG\ Emissions_i}{issuer\ revenue\ (\$M)_i} \right)$$

Fossil Fuel Exposure: percentage of entity holdings (by weight) with exposure to revenues from fossil fuels (Involvement in Fossil Fuel - Thermal Coal Extraction, Thermal Coal Power Generation, Oil & Gas Generation, Oil & Gas Production and Oil & Gas Product and Services, Arctic Oil & Gas, Oil Sands; does not include Shale Energy).

Exposure to Companies with Science-Based Targets: percentage of entity holdings (by weight) for which the company has explicitly disclosed that it has either committed to setting or has set science-based targets, which are defined as aligning with the goals of the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels.

Exposure to Companies with Net Zero Targets: percentage of entity holdings (by weight) for which the company has disclosed its ambition and engagement related to achieving Net Zero greenhouse gas (GHG) emissions.

Implied Temperature Rise: An implied temperature alignment that specifies by what degree would the world warm if all companies' projected emissions differed from their net zero budgeted emissions to the same degree as this company for this scope.

Relevant formulas from the Recommendations of the Task Force on Climate-related Financial Disclosures:

Weighted Average Carbon Intensity:

Formula

$$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} * \frac{issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ Emissions_i}{issuer's\ \$M\ revenue_i} \right)$$

Total Carbon Emissions:

Formula

$$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer's market\ capitalization_i} * issuer's\ Scope\ 1 + Scope\ 2\ GHG\ emissions_i \right)$$

Carbon Footprint:

Formula

$$\frac{\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer's market\ capitalization_i} * issuer's\ Scope\ 1 + Scope\ 2\ GHG\ emissions_i \right)}{current\ portfolio\ value\ (\$M)}$$

Data Gaps, Limitations, and Assumptions

Our investment process relies on long-term company valuations, incorporating bottom-up analysis that considers all material factors, including climate-related risks. Climate risks and opportunities vary by sector, geography, and

company, with certain factors being more relevant to specific industries or operations. For example, drought is pertinent to companies heavily dependent on water resources, while policy and carbon pricing impacts may affect those with significant non-renewable energy usage.

Other important points regarding the climate risk analysis report:

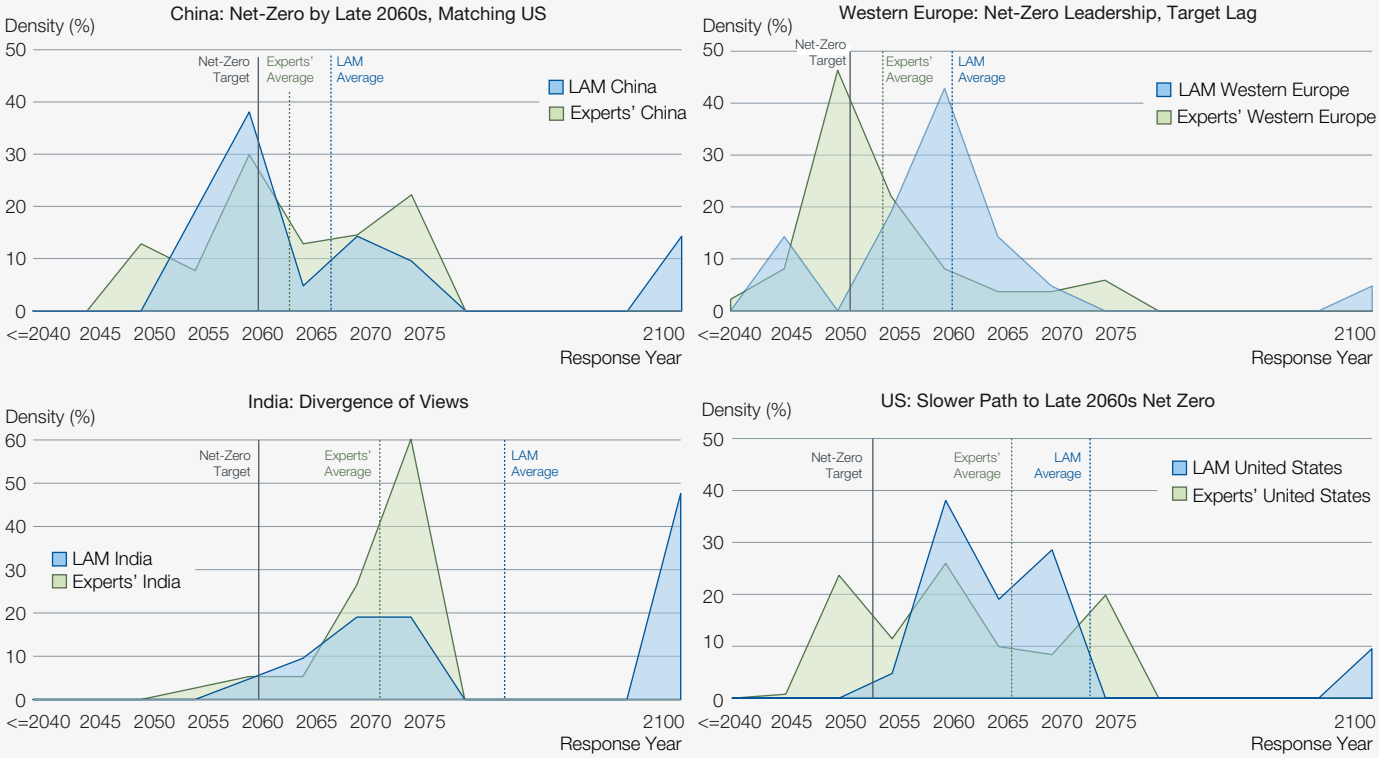
1. This report applies to listed corporate (equity and credit) exposure only. The coverage figures are based on the "Total public investments (credit and listed equity) versus the total NAV" field above, which is normalised to 100%.
2. Data Source Vendors: We explicitly acknowledge the vendors of our data sources, as we have observed significant discrepancies in reporting lag, estimation methodologies, data quality, and other factors when comparing different vendors. These disparities could potentially lead to divergent results.
3. Backward-Looking: It is important to note that the various metrics derived from our respective vendors are typically considered slow-moving data. This means they are updated infrequently and are often based on earlier company reporting. For example, the Sustainalytics' GHG emissions data used in this report pertain to the fiscal year 2024. This report should not be seen as a guide for how our funds may score in the future.
4. Estimations and Coverage Rates: Due to the high level of estimations involved in the different metrics, we have provided a breakdown of our coverage rates for GHG emissions into "as reported" and "estimates" categories. It is worth noting that the level of "as reported" data has significantly increased in recent years. We are not able to provide this level of granularity on our other metrics.
5. Cash and Derivatives: These instruments are considered out of scope for analysis and are removed from funds' holdings prior to calculating coverage and analysis.
6. Verification: Although we periodically review and evaluate our ESG data and analytics providers to ensure we are using reliable and comprehensive sources, the calculations and methodologies used by vendors that provide ESG data are not verified by LAM and therefore are not warranted to be accurate or complete.

These notes serve as a reminder that the information and data presented in this report are subject to limitations and uncertainties. This report should be used with caution, considering the potential discrepancies and variations in the data sources and methodologies employed.

Appendix

Exhibit 8

Net-Zero Forecast for Key Emitting Countries and Regions



As of 30 September 2025. Source: Lazard, Bloomberg

Climate Investment: Is it Time to Move Beyond Index Based Approaches?

As part of our conversations with clients, we explored the limitations of backward looking index methodologies and rigid exclusions, advocating for forward-looking, dynamic climate-integrated approaches that support transition leaders and maintain diversification.

Index based climate equity strategies remain popular with investors that have 2050 net zero targets, interim decarbonisation goals, and stewardship commitments. In our paper Climate Investment: Is it Time to Move Beyond Index Based Approaches? We examined their structural limitations: reliance on backward looking data, rigid exclusions, and mechanistic rebalancing.

These indices often underweight hard to abate sectors, underperform market cap indices, and miss engagement opportunities — excluding many companies actively reducing emissions. We believe climate aware investing must move beyond static indices towards dynamic, forward-looking strategies that:

- Integrate forward-looking climate metrics with financial factors to identify credible transition leaders without compromising returns.
- Adopt flexible net zero frameworks to maintain diversification and capture opportunities in hard to abate sectors.
- Prioritise active ownership over blanket exclusions to accelerate credible transitions and capture upside.

Exclusions limit investment into energy transition (Exhibit 9)

- PAB excludes 10% of MSCI World market cap, 30% of carbon footprint.
- **Biggest impact:** Energy (99% excluded) and Utilities (65%).
- These sectors have highest decarbonisation potential.

Exhibit 9

PAB Excludes Hard-to-Abate Sectors Critical to the Climate Transition

MSCI World Index (31 May 2025)	Sector Weight (%)	% of Sector Excluded by PAB
Energy	3.6	99
Utilities	2.8	65
Consumer Staples	6.7	24
Materials	3.4	11
Industrials	11.2	10
Financials	17.2	7
Health Care	10.8	0
Consumer Discretionary	10.2	0
Communication Services	8.0	0
Information Technology	23.9	0
Real Estate	2.2	0

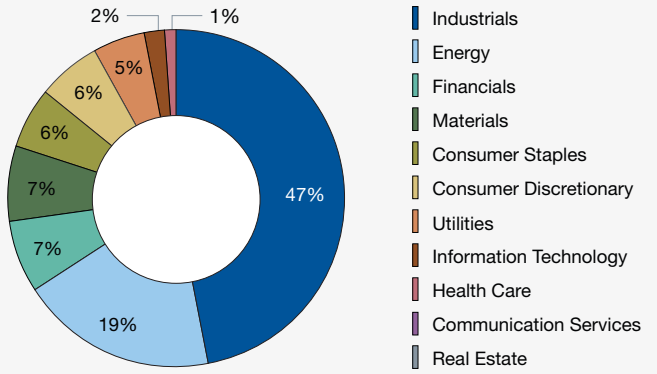
As of 31 May 2025. Source: Lazard, MSCI, Sustainalytics

Carbon caps promote paper decarbonisation and can hinder investment in high-impact companies (Exhibit 10)

- **Target:** 50% cut (2020); 65% cut by 2025.
- 5 of 11 sectors exceed carbon budget; ~15%[1] of benchmark must be removed.
- **Risk:** Higher tracking error if global emissions not on Net Zero path.
- Energy & Utilities remain largest contributors.

Exhibit 10

GHG Footprint Contribution by Sector to MSCI World Index



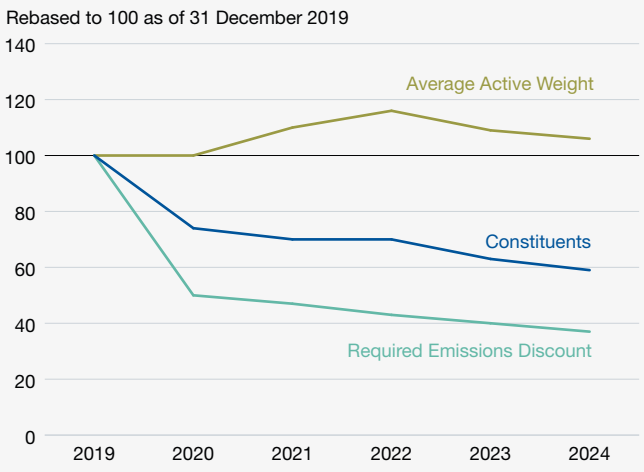
As of 31 May 2025. Source: Lazard, MSCI, Sustainalytics
Communication Services and Real Estate both have a 0% GHG contribution.

An Impractical 1.5°C Temperature Pathway (Exhibit 11)

- Global temperatures already breached 1.5°C in 2024.
- Models now suggest a ~1.8–2.0°C trajectory.
- Strict 1.5°C alignment narrows climate index eligibility.
- MSCI ACWI Climate PAI has contracted 41% in five years, with more divestment likely.

Exhibit 11

A Shrinking Universe—PAB's Evolution vs. the MSCI ACWI



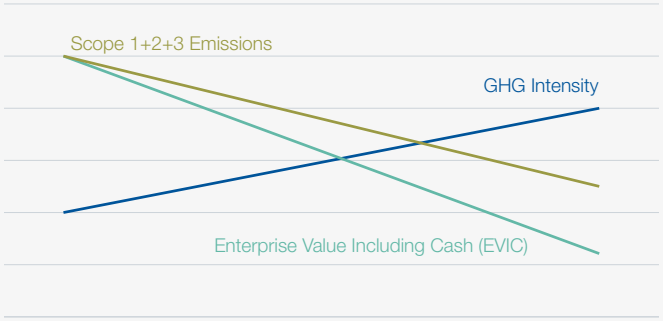
As of 31 December 2024. Source: Lazard, Bloomberg, MSCI

Rules-Based Approaches Can Crystallize Losses Even When Emissions Are Decreasing (Exhibit 12)

- Carbon-intensity metrics can rise when valuations fall faster than emissions decline.
- This can trigger automated divestments and crystallize losses.
- Such dynamics may conflict with asset-owner fiduciary considerations.
- In 2025, several PAB indices dropped companies such as Enphase Energy, Nike, and Yaskawa Electric despite their credible transition plans.

Exhibit 12

PAB Rules Can Crystallize Losses Even When GHG Emissions Are Falling as Projected



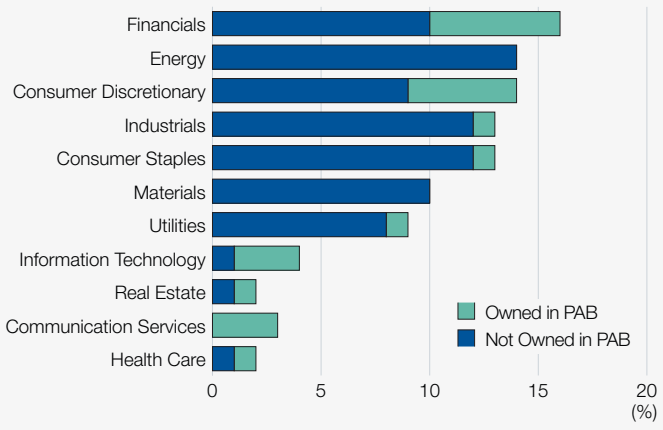
For illustrative purposes only.

Missed Opportunities for Active Ownership (Exhibit 13)

- Staying invested preserves long-term ownership of key transition sectors.
- Active ownership keeps voting rights on climate issues that are lost under exclusions.
- Retain-and-engage reduces concentration risk versus exclusion-heavy approaches.

Exhibit 13

Percentage of Climate-Related Votes on Non-PAB Stocks (2021-2024)



As of 30 September 2025. Source: Lazard

Implications for Investors (Exhibit 14)

- Index-based climate approaches can exhibit unrewarded tracking error and have underperformed market cap indices.
- Achieve “paper” decarbonisation without contributing to real-world emissions reductions through systematically excluding or underweighting sectors critical to the transition.
- Lose the ability to inform corporate climate strategies through engagement

Exhibit 14

PAB in Practice

	Highlights: PAB vs. MSCI World	Supporting Data: PAB vs. MSCI World
Performance (5 years cumulative)	-10.20%	77.70% vs. 87.90%
Turnover (last 12 months)	4.8x higher	11.12% vs. 2.34%
Tracking error (last 12 months) vs. MSCI World	1.57%	-
Constituents	62% fewer	498 vs. 1320

As of 31 August 2025. Source: MSCI

Important Information

Notes

1. This assumes no sector/tracking error constraints and simply assumes reducing universe factoring PAB exclusions and top emitting companies.

Published on 30 June 2026

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