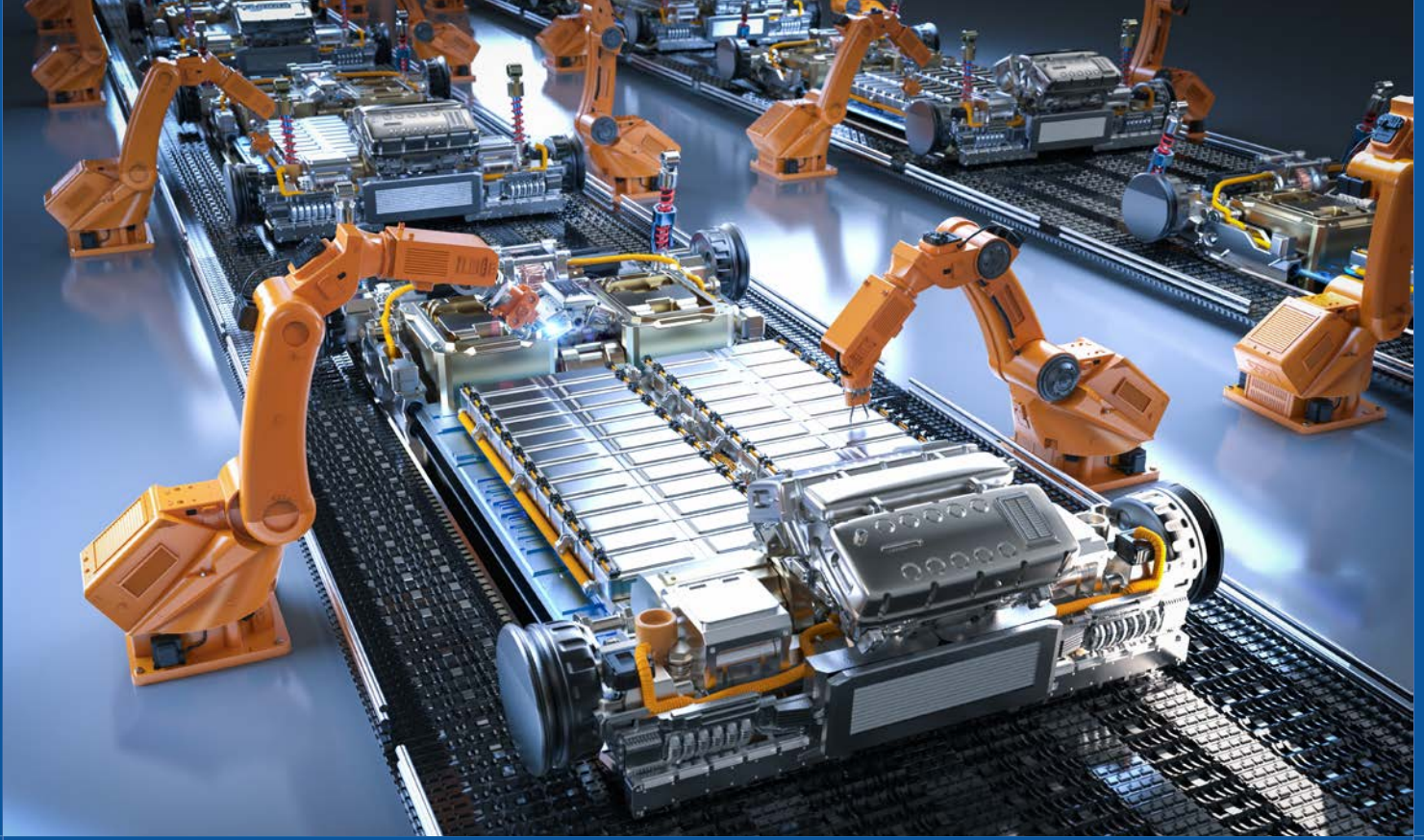




China's Clean-Tech Export Opportunity

What Company Engagements and Site Visits Reveal about Overseas Execution and Market Access

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Introduction

China's clean-technology export opportunity is still early in its development, with scope for considerable growth ahead. Domestic competition, overcapacity in some industries, and price pressure are driving companies across the value chain to expand into overseas markets, where margins are generally more attractive. However, our research suggests that cost leadership and technological innovation alone will not be the key determinants of success.

Drawing on proprietary bottom-up research, on-site company meetings, and engagements across China's clean-energy and clean-tech value chain, we believe one of the key differentiators will be companies' ability to navigate an increasingly demanding export landscape. This includes meeting supply chain transparency and traceability requirements, strengthening operational resilience, and localising sensitive functions in response to an increasing focus on national-security risks, cybersecurity, and data privacy, particularly in Europe.

This landscape is shaped by two distinct, but often conflated, forces. First, due-diligence and sustainability standards are becoming more stringent, favouring companies that invest early in verifiable, auditable supply-chain capabilities. Second, some of the same policy tools—including local-content requirements, financing restrictions, and security-based market exclusions—can function as protectionist measures as much as sustainability standards. As a result, a company may meet all relevant disclosure and compliance standards yet still face exclusion on supply chain resilience or national-security grounds.

For investors, this means the clean-tech sector in China should not be viewed as a homogenous investment theme. The ability to translate domestic advantages into compliant, locally credible, and commercially scalable overseas operations will be an important differentiator. However, export markets globally have started to and are likely to continue to implement protectionist measures. Some of these measures may make it difficult for Chinese companies to compete abroad, even for those with leading compliance practices in place.

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Cost leadership and advanced technology are the entry ticket to international markets for China's clean-tech exports. The companies able not only to gain a foothold but to sustain it are the ones that can convert a home-market advantage into locally credible, compliant operations overseas. Understanding this requires direct engagement with management and supply chains—an approach that remains central to how our emerging markets platform covers EM.



James Donald
Managing Director,
Head of Emerging
Markets

The Export Opportunity Is Significant, but Not Uniform

The economic rationale for overseas expansion remains compelling. Intense domestic competition and thin profitability are pushing Chinese clean-tech companies toward markets where pricing and unit economics are more favourable. The electric vehicle market illustrates the point. One study suggests that only three of 30 Chinese manufacturers focused on new-energy vehicles¹ generated full-year profitability in 2025. The study estimates that only seven of these 30 will break even by 2030,² highlighting the difficult path to profitability in this competitive industry.

BloombergNEF estimates that under its Economic Transition Scenario growth in China's electric-vehicle and battery exports could shift the country's approximately US\$266 billion energy-related trade deficit into a surplus by the late 2030s.³ It also expects China to account for at least one-third of global clean-energy exports through 2050.⁴ Energy-security priorities across Europe and Asia continue to support demand for clean-tech imports (Exhibit 1). Within this broader trend, Europe's relatively high-margin market has become an important destination for Chinese manufacturers of electric vehicles, batteries, solar products, and related equipment.

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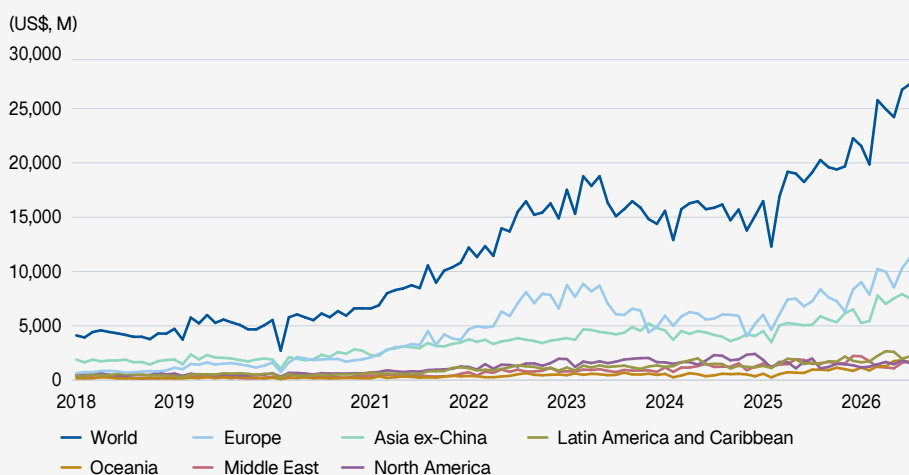
The margin numbers make the export opportunity look straightforward. CATL and Sungrow are both earning meaningfully higher gross margins overseas than at home. But varying ability to execute against Europe's regulatory and localisation requirements is creating meaningful dispersion in returns, which is why the export opportunity isn't a theme we're prepared to own indiscriminately across the sector.



Rohit Chopra
Managing Director,
Portfolio Manager/Analyst

Exhibit 1

Europe and Asia ex-China Are Expanding Markets for Chinese Clean Technology



For many Chinese new-energy and clean-tech companies, the prospect of stronger overseas margins is central to the investment case. Domestic markets are more price-sensitive and face substantial overcapacity across much of the value chain, which is a legacy of earlier industrial support in a number of sectors rather than related to government price caps. Although the government launched an “anti-involution” campaign in 2025 to address price competition that was leading to operating losses for many companies across new energy sectors, little capacity has existed to date in most sectors. Overseas, Chinese companies price against high-cost incumbents rather than against each other, and customers in many developed markets are less price-sensitive. Even after the additional costs of exporting and/or localising operations such as regulatory compliance, tariffs, distribution, and in some cases higher labour costs, overseas margins remain higher. Company disclosures illustrate the potential margin differential:

- CATL, which manufactures lithium-ion batteries and energy-storage systems, reported a 2025 overseas gross profit margin of 31.4%, compared with 24.0% domestically.⁵
- Sungrow, which manufactures solar inverters and provides energy-storage solutions, reported a 2024 overseas gross margin of 40.3%, compared with 20.9% in mainland China.⁶
- State-owned automaker SAIC Motor reported 2025 gross margins of 10.82% in China and 12.88% in other regions.⁷

In some cases, market valuations already appear to reflect expectations of successful international expansion and margin improvement. Share prices have generally responded positively to credible overseas growth initiatives and negatively to setbacks, particularly in electric vehicles and adjacent supply chains where domestic price competition has been most severe.

In our view, the ability to meet Europe's regulatory and market-access requirements remains an underappreciated differentiator—and failure to do so an underappreciated risk. Delays in accessing overseas markets, inability to meet local requirements, or failure to execute localisation plans could result in financial performance falling short of market expectations.

Technology and Cost Competitiveness Are Necessary, but Not Sufficient

On-site meetings with companies across the clean-tech value chain highlighted meaningful innovation in products and manufacturing. Examples included advances in charging performance across varying climate conditions, building materials-integrated photovoltaics, deep-sea high-voltage cables, and other grid-related technologies. China's scale of innovation is also reflected in international data: the International Energy Agency estimates that Chinese institutions accounted for approximately one-third of global low-emissions energy patent filings between 2020 and 2024.⁸

Technological differentiation can support overseas margins by improving product performance and reducing the scope for direct price competition. Company visits also underscored the importance many companies place on R&D, including R&D productivity (e.g., R&D resulting in new profitable product launches) as well as R&D intensity (e.g., R&D spend as a percentage of revenue).

However, our research suggests that technology and cost leadership are starting points rather than a sufficient condition for export success. A company may have a competitive product but still struggle to enter or scale in overseas markets if it cannot provide the documentation, governance infrastructure, and local credibility required by customers, regulators, and other stakeholders.

Regulatory Readiness Is Emerging as a Key Differentiator

A clear pattern emerged from our company meetings: supply-chain due diligence efforts are primarily driven by overseas customers and export-market regulation, rather than by the domestic market. Companies focused predominantly on the domestic market have had limited commercial incentive to develop these capabilities.

We believe readiness for Europe's regulatory framework is likely to be an important near- to medium-term differentiator (see Appendix Table 1). Notably, a set of EU rules governing companies that manufacture for or sell into the European market, including the EU's Corporate Sustainability Due Diligence Directive (CSDDD), Battery Passport, Digital Product Passport, Carbon Border Adjustment Mechanism (CBAM), and the EU's Net-Zero Industry Act (EU NZIA) collectively raise expectations around supply-chain visibility, product traceability, carbon-data verification, responsible-business conduct, and operational resilience.

The direct administrative cost of compliance is unlikely to be the principal obstacle. The European Commission estimated €220 million in one-off costs and €760 million in annual recurring costs for the approximately 12,000 EU and 4,000 non-EU companies within scope of the original CSDDD proposal⁹—equivalent to tens of thousands of euros per company annually, a small percentage of the revenues of the companies we consider in this research. For companies seeking to access Europe's higher-margin markets, the more significant constraint is likely to be organisational capability.

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There's a material gap between what Europe's due-diligence regime now expects and what many Chinese exporters currently practice. Our engagements show a clear split: companies still relying on supplier questionnaires versus those already rebuilding their audit and traceability capability. That split is becoming a genuine driver of commercial outcomes, not just a compliance issue.



Jennifer Anderson
Managing Director,
Global Head of Investment Stewardship
and Sustainable Investment

This includes the ability to collect and verify data across complex supply chains, which requires extensive auditing of suppliers, as well as the ability to respond reliably to customer and regulator requests. In contrast, CBAM's cost is not administrative but reflects carbon pricing which creates a more direct financial incentive. Its first official certificate price, published by the European Commission for the first quarter of 2026, was €75.36 per tonne of CO₂e. Importers relying on default emissions values rather than verified supplier data may face escalating surcharges, increasing the value of robust carbon-data and supply-chain-management systems.¹⁰

Our company meetings and engagements point to a material gap between rising supply-chain due-diligence expectations and current corporate practices. Key findings include:

- Third-party supplier audits remain limited at many companies, with some relying principally on questionnaires rather than site visits.
- Several upstream companies indicated that they receive limited follow-up auditing once supplier relationships have been established.
- Some companies rely on large international customers to audit lower-tier suppliers rather than conducting these reviews themselves. While this may be efficient in the short term, it may not satisfy emerging documentation and accountability requirements.
- Conversely, a smaller group of companies appeared to be building more advanced capabilities, including reviewing forced-labour indicators and monitoring processes, collecting supplier carbon data, replacing suppliers unwilling to provide necessary information, and recruiting supply-chain personnel with multinational experience.

These requirements also create a timetable for differentiation. CBAM's definitive regime began in January 2026, with certificate purchases required from February 2027; the Battery Passport applies from February 2027; and the CSDDD applies from mid-2029. We expect the resulting dispersion to become increasingly visible in order books, market access, and margins as implementation of these policies take effect.

Outside of Europe, Australia is another important destination for Chinese clean technology, particularly electric vehicles and batteries.¹¹ It currently has no direct equivalent to the EU's CBAM, the Battery Passport, or NZIA, while its Modern Slavery Act has historically focused on disclosure rather than mandatory due diligence. This could change. Reforms under consultation in 2026 could move Australia towards a mandatory, risk-based due-diligence model and enable authorities to designate particular products or sectors as high risk—solar panels have been identified in this context.¹²

For Chinese exporters, the implication is broader than compliance with any individual regulation. Supply-chain transparency, verification, and credible audit capabilities are becoming commercial requirements across multiple markets. We expect that ultimately integrating these requirements into the core of a company's business model will be a prerequisite to become a winner overseas. Those companies treating this as a one-off compliance exercise may struggle to keep up, in our view. In our engagements, we discuss supply-chain auditing and due-diligence best practices with companies. We believe that companies investing early in robust audit, verification, and traceability capabilities may be better positioned to access higher-margin export markets.

Localisation Requires More than Overseas Manufacturing

Growing protectionism, resilience concerns, import-dependency considerations, and data privacy and cybersecurity risks create a second layer of differentiation. The EU NZIA seeks to expand local manufacturing capacity and allows certain public auctions to consider criteria beyond price. Non-price criteria are not new to renewable auctions, but the EU NZIA is notable for mandating them on a minimum share of volume across all Member States and for explicitly targeting dependency on a single external supplier rather than simply rewarding domestic content. In this environment, localisation can improve market access and strengthen relationships with customers, regulators, employees, unions, and local communities.

Several Chinese companies are already pursuing this approach (see graphic below). Our engagements indicate that several Chinese companies are pursuing localisation strategies in Europe and elsewhere through manufacturing, R&D, commercial operations, and local talent development. These initiatives may be important where procurement decisions are shaped not only by price and performance, but also by local requirements, customer preferences, and political considerations.

Several companies also noted that Hong Kong listings can serve an organisational purpose alongside raising capital for overseas expansion. H-shares are likely to form part of incentive compensation, helping companies attract and retain senior R&D, sales, and management talent in international markets.

However, localisation does not eliminate supply-chain risks. European production facilities may continue to rely heavily on China-based upstream inputs and suppliers, which can remain subject to the CSDDD, Battery Passport, and CBAM requirements. The strongest competitive position for a Chinese exporter is therefore likely to include both credible localisation of relevant operations and auditable supply-chain due diligence and traceability.

Examples of Chinese Clean-Tech Companies Localising Operations in Europe¹³



As of 30 June 2026. Source: Lazard

a. Titan Wind Energy Press Release, December 2025

b. CATL 2025 Annual Report; CATL Press Release, August 2022; CATL Press Release, December 2022

c. Sungrow Press Release, February 2026

d. EVE 2025 Annual Report

e. BYD Press Release, May 2025

Security and Data Considerations Pose Additional Hurdles

A third differentiating factor is the security profile of the product itself. European and UK policymakers are increasingly focused on national-security, cybersecurity, and data-privacy risks. These concerns are particularly relevant for products embedded in critical infrastructure or those that are capable of collecting, transmitting, or processing sensitive data.

These concerns are already shaping market access. Effective May 2026, the EU restricted financing from major EU-backed institutions including the European Investment Bank and European Investment Fund, for solar, wind, and storage projects using inverters or power-conversion equipment from designated high-risk countries, including China.¹⁴ The restriction is potentially material. Chinese manufacturers have supplied roughly 70% of Europe's inverters in recent years and Reuters calculates the restriction could affect more than 20% of the EU's annual solar installations.¹⁵

In March 2026, the UK government blocked China-based Ming Yang Smart Energy's proposed £1.5 billion wind-turbine manufacturing facility, citing national-security concerns about the suitability of the turbines for UK offshore wind projects.¹⁶ While framed in security terms, both measures also have protectionist effects by limiting Chinese suppliers' access to public financing or domestic supply chains.

Grid software, grid equipment, and autonomous-driving technologies are likely to face similar scrutiny. Electric vehicles and EV batteries may be less directly exposed, although connected-vehicle and data-management features could still attract regulatory attention. We are already seeing delays in approvals for autonomous-driving technologies globally, reflecting both safety and cybersecurity or data-privacy concerns.

Recent company meetings have highlighted that some companies are already adapting product architecture and data-management

practices to suit European markets. For example, we discussed approaches to autonomous-driving technology designed to reduce data-privacy and cybersecurity concerns, including limiting the centralisation of personal data. Such measures may improve the prospects of securing regulatory approval and customer acceptance. However, as the inverter-financing and Ming Yang examples demonstrate, national-security considerations may prove to ultimately block certain products from penetrating overseas markets, even if a company is able to meet other commercial and regulatory requirements.

Implications for Investors: Identifying the Next Wave of Export Leaders

China's clean-tech exporters face a meaningful opportunity to benefit from global decarbonisation efforts and shifting energy security priorities, although not all companies are equally positioned to capture it.

Our proprietary bottom-up research and company engagements suggest that the investment opportunity will be highly selective. The potential leaders will not simply be those with the lowest costs or most advanced technology. They will also need to demonstrate:

- **Credible supply-chain transparency, traceability, and audit capability** across environmental and social risks;
- **The ability to meet evolving regulatory requirements** across Europe and other export markets;
- **A practical localisation strategy** that addresses regulatory, customer, and stakeholder needs;
- **Products with manageable national-security, cybersecurity, and data-privacy exposure**, or credible mitigation strategies where those risks are material; and
- **The organisational capacity to execute internationally**, including local talent, governance, and effective stakeholder engagement.

Case Study

CATL's Supply Chain Capabilities Create Competitive Advantage

Rebecca Greenberg, Senior Vice President, Research Analyst

Ryan Mims, Director, Research Analyst

CATL illustrates how supply-chain capability, alongside scale and technology, may help Chinese clean-tech companies convert domestic leadership into overseas growth, despite the operational hurdles that come with complying with continuously evolving local requirements. CATL is the world's largest battery manufacturer, with an estimated 39% share of the global electric-vehicle battery market and 30% of the energy-storage-system market in 2025. While EV batteries remain its core business, energy storage is a rapidly growing contributor as grids integrate more renewable generation; CATL's energy-storage shipments grew by approximately 80% year on year in the first half of 2026.

CATL's integrated supply chain is central to its competitive position. In addition to supporting cost competitiveness and security of supply, it may strengthen the company's ability to collect, verify, and manage environmental and social data across its supplier base—capabilities that are increasingly relevant to overseas customers and emerging requirements for traceability, carbon data, and responsible sourcing.

These capabilities appear to be in part supporting overseas execution. CATL's battery installations outside China increased by more than 40% year on year in the first half of 2026, lifting its share of the ex-China EV-battery market to approximately 34%. While regulatory, trade, local operating requirements, and security risks remain, CATL illustrates important characteristics we believe offer a strong starting position: technological capability, scale, supply-chain visibility and the organisational capacity to meet overseas customer and regulatory requirements.

Sources: Bloomberg, CATL, Reuters, SNE Research

In our research and engagement, we track observable indicators that we believe can foreshadow a company's leadership potential early. These include supplier-audit programmes that extend beyond questionnaires; localisation milestones delivered against stated timelines; evidence that companies are passing the audits of demanding international customers; carbon and traceability data made available at the product level; and procurement or regulatory decisions that reference resilience or security criteria.

There are risks to this view. European regulatory timelines could slip or requirements could soften, as the 2026 Omnibus amendments demonstrated. Conversely, protectionism could harden faster than localisation strategies can respond, constraining even well-prepared exporters. Localisation may reduce exposure to protectionism risks but cannot fully eliminate it.

In our view, fundamental research and active engagement are essential to distinguishing companies that can convert overseas demand into durable profitability from those whose export ambitions may never become a viable source of profit. We believe that a number of companies are facing more significant risks than the market is currently pricing in, such as protectionism measures, the cost and time required to meet EU traceability and due-diligence requirements, or procurement rules that penalise single-country supply chains. Where valuations already assume successful expansion abroad, we believe these risks could represent significant downside than valuations today reflect, in some cases. The opportunity is significant, but it cannot be assessed effectively by treating China's clean-tech sector as a single investment theme.

Related Insights



[China's Corporate Governance](#) [The Case for an Ownership-Aware Approach](#)

China's governance framework has improved on paper, but concentrated ownership remains the central risk for minority shareholders. Drawing on engagement with Chinese companies, exchanges, and regulators, we argue governance should be assessed company-by-company around the controlling owner, not through generic third-party scores.



[China's Innovation Test](#) [Talent, R&D Productivity, and Competitive Advantage](#)

As Chinese companies shift from cost competitiveness toward innovation, the ability to attract, develop, and retain skilled talent is emerging as a genuine competitive advantage. We look at why R&D spending alone doesn't predict success, and how talent management is increasingly separating leaders from laggards.

Table 1:

EU Regulatory Timeline and “Made in EU” Requirements

Regulation	Effective Dates & Phasing	Key Requirements
EU CSDDD (Corporate Sustainability Due Diligence Directive) ^a	National transposition due 26 July 2028; first application 26 July 2029. Annual due-diligence statements apply for financial years from 1 January 2030.	Applies to EU companies with >5,000 employees and >€1.5bn net worldwide turnover, and to non-EU companies with >€1.5bn net turnover generated in the EU. In-scope companies must identify, prevent, and mitigate human-rights and environmental impacts across their own operations and “chain of activities.”
EU Battery Passport ^b	18 February 2027: mandatory for EV, LMT, and industrial batteries >2kWh.	QR-accessible digital record of carbon footprint, material origin, and recycled content.
EU Digital Product Passport (DPP) ^c	Gradual adoption by sector through 2030. After batteries, initial sectors include iron, steel, aluminum, textiles, and furniture.	Manufacturers must provide environmental, sustainability, and circularity data, including reparability data, energy and water use data, and substances of concern. Required for market entry regardless of origin.
EU CBAM (Carbon Border Adjustment Mechanism) ^d	October 2023–December 2025: transitional reporting phase. 1 Jan 2026: definitive regime begins (only authorised declarants may import); certificate sales from 1 February 2027; first annual surrender due 30 September 2027.	Importers of cement, iron and steel, aluminum, fertilisers, electricity, and hydrogen must provide verified GHG data. Embedded emissions are priced against the EU ETS.
EU Net-Zero Industry Act (EU NZIA) ^e	29 June 2024: entered into force. 30 December 2025: non-price criteria apply in renewable-energy auctions. 30 June 2026: resilience and sustainability criteria apply in public procurement.	Benchmark for EU manufacturing capacity to meet at least 40% of annual deployment needs by 2030. Member States must apply non-price criteria (responsible business conduct, cybersecurity, sustainability, and resilience) to at least 30% of auctioned volume or 6 GW per year. In procurement, resilience criteria apply where a single third country supplies over 50% of an EU net-zero technology.

As of September 2026

Regulations may continue to evolve. The proposed EU Industrial Accelerator Act may also have implications for the sectors discussed in this research.

a. Directive (EU) 2024/1760, as amended by Directive (EU) 2026/470 (consolidated text of 18 March 2026)

b. Regulation (EU) 2023/1542, Art. 77 and Annex XIII, as amended by Regulation (EU) 2025/1561 (consolidated text of 31 July 2025)

c. ESPR, Regulation (EU) 2024/1781 (consolidated text, 28 June 2024)

d. Regulation (EU) 2023/956, as amended by Regulation (EU) 2025/2083 (consolidated text of 20 October 2025)

e. REGULATION (EU) 2024/1735 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 June 2024 on establishing a framework of measures for strengthening Europe’s net-zero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724

On the Ground in China

How companies’ management of sustainability issues is reshaping the investment landscape

Background

A 10-day engagement tour across mainland China was conducted by investment professionals from Lazard’s Sustainable Investment and Emerging Markets teams. Over the course of the trip, they met with more than 20 companies across 11 cities, spanning the clean technology, physical AI, healthcare, robotics, and mining sectors. The tour aimed to identify where strong sustainability practices are supporting competitive advantage and where unmanaged ESG risks could have material financial implications.

Principal Findings

 Innovation & R&D as a competitive moat Sustained R&D spend defines “New China” industries and is a credible source of long-term competitive advantage.	 Market structure: retail-driven, momentum-led ~75% of equity activity is retail-driven, with direct implications for volatility and Investor Relations strategy.
 Export opportunity: new energy value chain Domestic margin pressure is pushing clean-tech firms overseas, just as Europe and the rest of Asia increasingly prioritise energy security.	 EU regulatory compliance Supplier due diligence is still largely paper-based; firms that close this gap first gain structural access to European markets.
 Enhanced data security and privacy as a revenue driver Considerations around national security, cybersecurity, and data privacy in products, together with risk-reduction strategies, should help to distinguish potential winners from the losers.	 Corporate governance Governance is improving but a number of gaps remain; an increase in H-share listings should help to resolve some of these.

Lazard Delegates

Jennifer Anderson, Managing Director, Global Head of Investment Stewardship and Sustainable Investment
Michelle Xiaomeng Liu, Director, Portfolio Manager/Analyst
Rebecca Greenberg, Senior Vice President, Research Analyst



Changzhou Huaming Electronic Equipment Co., Ltd
May 2026



Zijin Mining Group Co., Ltd
May 2026



Shanghai BYD Co., Ltd
May 2026

Unlocking Potential across Emerging Markets

Tailored Solutions for Different Needs

In an increasingly interconnected and complex world, investor needs are evolving as markets become more interconnected and complex. Lazard works with clients to focus on the issues that matter most, drawing on the firm's investment capabilities and broader resources. We take a disciplined, client-specific approach that looks beyond benchmark performance to address each client's objectives. Our range of investment strategies is designed to meet diverse and evolving needs.

RELATIVE VALUE

Emerging Markets Equity

Objective

Seeks to outperform the MSCI Emerging Markets Index with typically lower-than-index levels of volatility. The strategy typically invests in 70-to-90 securities with market caps of over \$300 million with a focus on names greater than \$3 billion.

Approach

Financial productivity (defined as return on equity, or ROE) determines a security's appropriate valuation. We believe a bottom-up research process is a key driver of value creation over the long term. We use database screening to identify emerging markets equity securities with a clear focus on companies with high and stable levels of ROE at attractive valuations.

Investment Edge

We seek to buy profitability inexpensively, as opposed to buying assets inexpensively. We avoid style drift and look for value creation where the trade-off between valuation and financial productivity drives our investment decisions.

CORE

Emerging Markets Core Equity

Objective

Designed as a standalone core solution that seeks to outperform the MSCI Emerging Markets Index over a full market cycle by investing in companies with attractive financial productivity—the foundation of a company's intrinsic value and long-term return potential for structural growth and value creation. The strategy typically invests in 60-to-90 liquid securities with market caps of \$300 million or more.

Approach

We believe alpha can be generated by identifying businesses with robust financial productivity and long runways of opportunity—what we call Compounders and represent two-thirds of the portfolio—that are attractively priced relative to their fundamentals. Additionally, we believe Mispriced securities, or businesses where financial productivity is expected to increase due to structural change or market dynamics, can deliver attractive returns for investors since the market tends to underestimate the speed or the magnitude of the improvement.

Investment Edge

We aim to take a holistic, multi-faceted approach to analyzing emerging markets opportunities, focusing on understanding each company's long-term potential. We seek to maximise stock-specific return drivers, where the tracking error of the portfolio is primarily being driven by fundamental analyst conviction, while minimising unintended factor risks.

CORE

Emerging Markets Core Sustainable Equity

Objective

Seeks to achieve attractive risk-adjusted relative returns over a full market cycle and the strategy invests in companies that demonstrate high levels of financial productivity, supported by strong returns on equity and returns on invested capital within a disciplined sustainable investment framework tailored to Emerging Markets.

Approach

The strategy identifies companies across emerging markets that combine strong financial performance with responsible business practices. The team researches companies that generate high returns on capital while managing their environmental, social, and governance risks well. They look for two types of investment opportunities: high-quality businesses with lasting competitive advantages that can maintain strong earnings growth, and companies undervalued by the market that have the potential to improve through management initiatives or changing market conditions.

Investment Edge

The strategy's competitive advantage stems from Lazard's deep emerging markets expertise built over 35+ years. This gives the team extensive relationships with company management teams and strong local market knowledge. The team uses a proprietary framework to assess how a company's environmental, social, and governance practices directly impact financial performance and long-term value—an insight often missed by other investors. Active dialogue with portfolio companies provides deeper insight into sustainability challenges and opportunities.

GROWTH

Developing Markets Equity

Objective

Seeks to generate strong relative returns over a full market cycle by investing in companies we believe offer sustainable earnings growth at attractive valuations. The strategy typically invests in 50-to-90 securities with market capitalisations of \$300 million or more with a focus on companies greater than \$1 billion.

Approach

Our investment style focuses on growth at a reasonable price, offering a solution for those with a positive outlook on emerging markets. We seek to invest in profitable companies that are creating or capitalising on structural shifts within their industries, targeting growth, and avoiding hype-driven momentum. By assessing the trade-off between sustainable earnings growth rates and valuations, we seek to add value through stock selection, particularly in rising markets, with a focus on company profits.

Investment Edge

We have a dedicated team with extensive experience in growth investing within the emerging markets asset class. Based on bottom-up analysis, the team focuses on disciplined stock selection aimed at exploiting longer-term inefficiencies, seeking to construct a portfolio of quality businesses with multiple patterns of earnings growth.

RELATIVE GROWTH

China A-Shares

Objective

The strategy seeks to outperform the MSCI China A Index over a full market cycle while generating consistent results. The strategy typically invests in 40 to 50 securities and seeks to capture opportunities across China's onshore equity market by investing in companies with sustainable earnings growth or resilient, improving profitability available at attractive valuations.

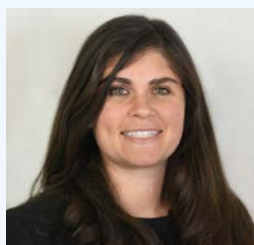
Approach

A bottom-up, fundamental investment process identifies "New China" businesses with sustainable relative earnings growth at reasonable valuations, alongside "Old China" companies offering stable or improving profitability at attractive valuations. Research focuses on business quality, sustainability, industry-specific productivity measures, and valuation discipline.

Investment Edge

The strategy combines Lazard's established relative-value and growth-at-a-reasonable-price equity investment approaches (incepted in 1994 and 2007, respectively) to identify companies with undervalued profitability and sustainable growth. An experienced Hong Kong-based team draws on local market networks and Lazard's global research platform to uncover mispriced opportunities.

Authors



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Director
Portfolio Manager/Analyst

Important Information

Notes

1. New energy vehicles includes: battery electric vehicles, plug-in hybrid electric vehicles, and fuel cell electric vehicles.
2. AlixPartners, 23rd Annual Global Automotive Outlook - China, June 2026.
3. BloombergNEF, "How the Energy Transition Is Rewiring Global Trade: 2050 Scenarios," February 2026.
4. BloombergNEF, "How the Energy Transition Is Rewiring Global Trade: 2050 Scenarios," February 2026.
5. CATL 2025 Annual Report, results by geographic region.
6. Sungrow 2024 Annual Report, p. 39, results by geography. Overseas as the company defines it includes Hong Kong, Macau, and Taiwan; figures reflect the restated basis following the 2024 warranty-cost accounting change. Overseas margin premia partly reflect product mix, not purely geographic pricing power; we weigh this when assessing how durable a company's overseas profitability is likely to be.
7. SAIC Motor 2025 Annual Report (English version), p. 13, "Main operations by region"; overseas figures include SGMW export sales per the company's revised regional classification.
8. IEA, The State of Energy Innovation 2026.
9. European Commission, SWD (2022) 39 final (23 February 2022), as cited in the Commission's answer to Parliamentary Question E-003394/2023. Scope figures reflect the original proposal; the 2026 Omnibus amendments subsequently narrowed the directive's scope.
10. European Commission, first CBAM certificate price publication, 7 April 2026 (€75.36/tCO₂e for Q1 2026); default-value surcharges per CBAM implementing rules.
11. Ember (based on China General Administration of Customs data).
12. "Recommendations to strengthen Australia's modern slavery laws: Initial position paper, January 2026," Office of the Australian Anti-Slavery Commissioner.
13. Inclusion does not suggest direct engagement.
14. Reuters, June 2026.
15. Reuters, June 2026.
16. BBC, March 2026.

Disclaimers

Published on 2 October 2026.

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