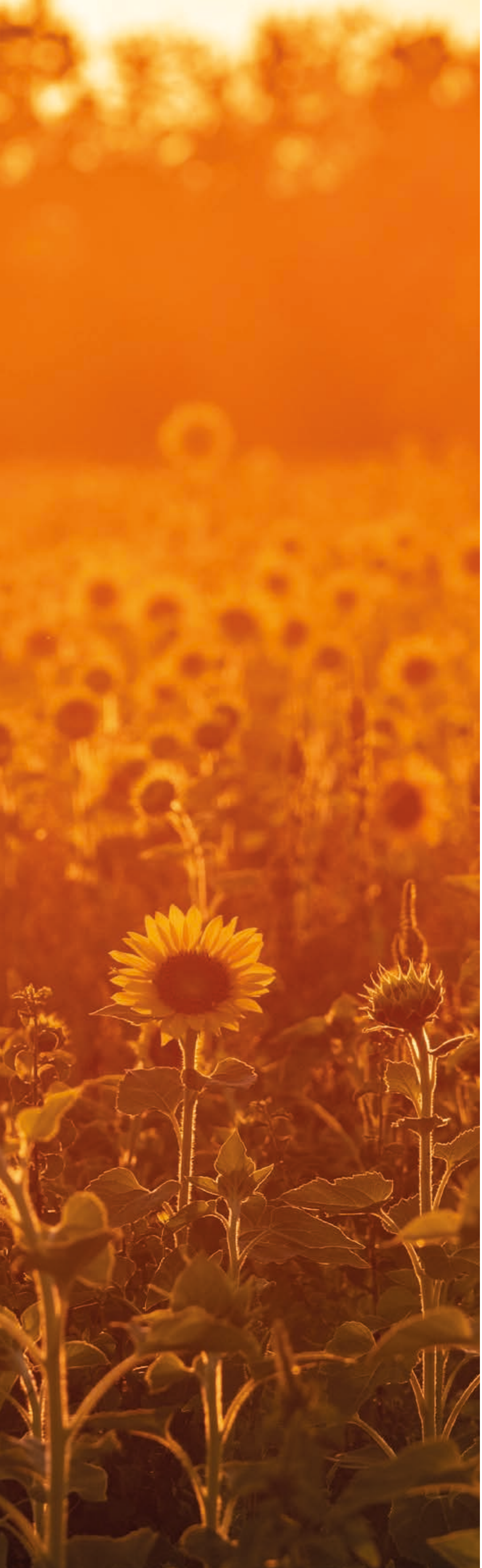


UK Stewardship Code Submission

Reporting Period:
1 January – 31 December 2023

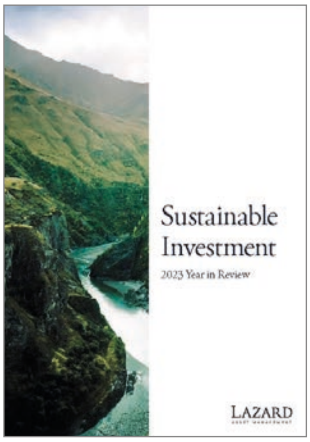
Submission Date:
April 2024

LAZARD
ASSET MANAGEMENT

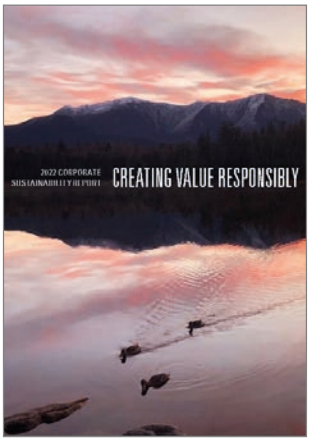
What is the UK Stewardship Code?

The UK Stewardship Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. The Financial Reporting Council (FRC), who developed the code, defines it as: "Stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society." In October 2019, a substantially revised and strengthened UK Stewardship Code was published and took effect on 1 January 2020. The Code comprises a set of 12 "apply and explain" Principles for asset managers and asset owners, and a separate set of six Principles for service providers. The 12 Principles covered in detail in this report capture four broad areas: purpose and governance, investment approach, engagement, and exercising rights and responsibilities. The FRC regulates auditors, accountants, and actuaries across the UK and sets the UK's Corporate Governance and Stewardship Codes. However, the scope of the stewardship code is global and covers all asset classes. All our sustainability policies, research insights, and reports, including our Annual Sustainable Investment Reports, TCFD, and PRI Transparency report are available on our website: Sustainable Investing at Lazard.

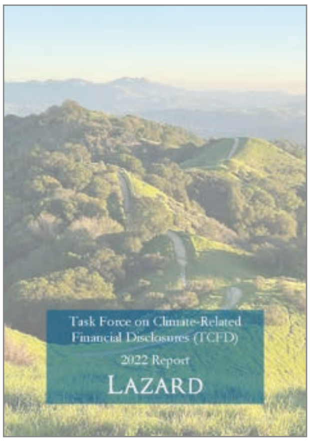
Examples of our Sustainability and Stewardship Reporting and Policies



Sustainable Investment Report[1]



Corporate Sustainability Report

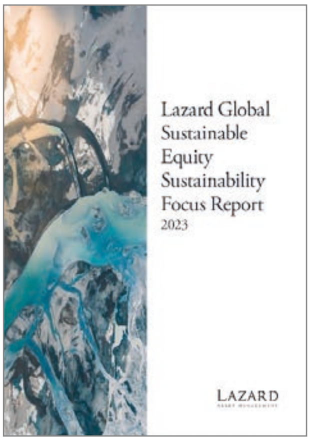


Firm-Wide TCFD Report

PRI Transparency Report

Sustainable Investment and ESG Integration Policy

Global Governance Principles



Sustainability Focus Report
Lazard Global Sustainable Equity

Sustainability Focus Report
Lazard US Sustainable Equity

1. The latest Sustainable Investment Report will all be available on the website in Q2 2024

Introduction

The importance of active ownership has been magnified in recent years as stakeholders and the public apply more scrutiny to the relationship between asset managers and portfolio companies. As a steward of clients' capital for decades, we believe this is a broadly positive development. It has led to greater industry-wide transparency and accountability, and like most firms, we have refined our own engagement and reporting practices in response to this new environment. The pages that follow detail what those refinements looked like in 2023, with a focus on those that we believe set us apart from other firms: the hands-on involvement of our investment professionals, our strict focus on financial materiality, and our improved ability to measure outcomes.

In 2023, we launched our four Sustainable Investment Principles for sustainability focused and ESG integrated strategies:

- **Fiduciary** signifying our responsibility to act in the best interest of our clients;
- **Holistic Research**, representing our commitment to comprehensive fundamental analysis as a basis for engagement and voting decisions;
- **Active Owners**, which speaks to our investment professionals' commitment to exercising clients' voting rights and engage on their behalf; and
- **Transparency**, which entails the open sharing of information as evidenced by the 2023 launch of our quarterly Active Ownership reports.

At Lazard, voting and engagement are led by the investment professionals who manage client portfolios and ultimately make allocation decisions on their behalf. Our environmental, social, and governance (ESG) colleagues are integrated into this process as necessary and appropriate, assessing financially material considerations, including key ESG issues across our ESG integrated and sustainability focused products, ranging from workforce diversification to fair wages to clean energy use. Together with the firm's ESG personnel, our investment professionals ensure the companies' activities and decisions continue to align with our original investment thesis.

One of the most difficult aspects of stewardship is measuring the tangible outcomes from engagement—and in this area, we made significant strides over the last year. In line with our Active Owners principle, historically we have held over 4,000 meetings with companies each year. We know these meetings are vital to our fundamental research efforts, yet historically it has been difficult to quantify their value. This year marked an exciting shift: we surveyed the analysts present in each meeting to find out what was discussed, with nearly a third of those surveyed citing ESG due diligence and we found that nearly 200 of our engagements were indeed factored into the investment decision-making process or related to real-world outcomes. This is the first time we've been able to capture the "so what" of our stewardship efforts, and we are already considering ways to increase that number going forward.

Looking back on the publication of our first Stewardship Code Submission in 2021, we are proud of the advancements we've made in enhancing our stewardship practices. The broader conversation surrounding stewardship will undoubtedly evolve, as will the regulatory frameworks that monitor it. But our focus on active management and clients' best interests will not. We believe 2023 has left us well positioned for the future and we invite you to read about our progress. This report describes our efforts in depth. It has been reviewed and approved by our Global Active Ownership Committee and members of senior management.

Jeremy Taylor
CEO UK, Lazard Asset Management Limited

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Principle 1: **Our purpose, strategy, and culture**

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment, and society.

Our Firm

Our parent company, Lazard, Inc. owns two separate businesses operating under the same brand: Lazard Financial Advisory and Lazard Asset Management. Lazard Financial Advisory advises its clients around the world on strategic and financial matters including mergers and acquisitions, advisory, capital market advisory, shareholder advisory, restructuring and capital solutions, sovereign advisory, geopolitical advisory, capital raising and placement, and other strategic advisory matters. Lazard Asset Management offers a broad range of global investment solutions and investment and wealth management services in equity and fixed income strategies, asset allocation strategies, alternative investments and private equity funds to corporations, public funds, sovereign entities, endowments and foundations, labour funds, financial intermediaries, and private clients. Lazard, Inc. is a listed company and our Corporate Sustainability reporting is done at the parent-entity level. The graphic below illustrates the combined global footprint of offices and employees.

This 2023 submission to the 2020 UK Stewardship Code is made by Lazard Asset Management (LAM), which has a 50-plus year history in asset stewardship. A significant portion of our 300 investment professionals, including a global network of more than 100 analysts , employ fundamental research and analysis to manage client portfolios. LAM is an active manager—none of our client's assets are managed on a passive basis. The majority of the assets managed are in long-only equity strategies. However, there are also teams focused on fixed income (corporate, municipal, and sovereign), convertibles, multi-asset, and quantitative equity investment. The breakdown of LAM's assets is described in more detail in Principle 6.

Lazard, Inc. at a Glance

NORTH AMERICA
New York
Austin
Boston
Charlotte
Chicago
Houston
Los Angeles
Minneapolis
Montreal
San Francisco

CENTRAL AND SOUTH AMERICA
São Paulo

EUROPE
London
Paris
Amsterdam
Bordeaux
Brussels
Dublin
Frankfurt
Geneva
Hamburg
Luxembourg
Lyon
Madrid
Milan
Munich
Nantes
Stockholm
Vienna
Zürich

ASIA PACIFIC
Dubai
Hong Kong
Melbourne
Riyadh
Seoul
Singapore
Sydney
Tokyo

54% AMERICAS

5% ASIA PACIFIC

41% EUROPE/ MIDDLE EAST/ AFRICA

$2.4bn	$247bn	175	~3,200	96	48
Operating Revenue	Assets Under Management	Years Serving Clients	Employees	Nationalities	Languages

As at 31 December 2023. Includes Lazard Asset Management, Lazard & Co., Limited, and Lazard Frères Gestion
Source: Lazard

Our Purpose

At Lazard, Inc. our global network, intellectual capital, and two centuries of collective experience and knowledge continue to further our unwavering mission: To provide the most sophisticated and differentiated advice and investment solutions for our clients, advancing our legacy as l'haute banque d'affaires vis-à-vis the world.

Lazard Asset Management's purpose is to invest our clients' capital in a manner designed to provide positive risk-adjusted returns within the constraints of the strategies we have designed or that have been specified by clients. Across our ESG Integrated and Sustainability Focused strategies, we don't believe that the returns from an investment which generates a high cost to the environment or to society are sustainable in the long term. Similarly, we assess and research how companies and sovereigns are managing their human and natural capital because we believe these externalities ultimately have a financially material impact on risk and return. We partner with our clients to achieve their goals.

Our Purpose: Investing for the Future

We invest institutional assets on behalf of company employees, government workers, teachers, and other members of our global community to help them prepare for retirement.

We invest assets on behalf of academic institutions, foundations, hospitals, and not-for-profit organisations, that strive to make our world smarter, healthier, and more sustainable.

We invest assets on behalf of families and individuals, directly and by partnering with financial institutions, who are looking to grow and preserve inter-generational wealth.

Our Principles and Values

To deliver on our purpose, we follow Lazard's three Guiding Principles: diversity of thought, empowerment of talent, and alignment of interests.

Principles

Diversity of thought remains a strategic advantage

- Capitalising on the benefits of having a multi-disciplinary, multi-cultural, global team
- Capturing the intellectual horsepower from our global team of exceptional individuals
- Making better decisions based on more comprehensive analysis incorporating diverse perspectives arising from life experiences

Empowerment of talent results in a motivated team of long-tenured professionals

- Cultivating talent at all levels around the globe
- Encouraging individual growth opportunities
- Fostering an environment of learning and mentorship

Alignment of interests is paramount to our success

- Providing valuable investment advice
- Delivering expected patterns of performance
- Embracing the highest ethical and governance standards
- Aligning the incentives of our team with those of our global client base

Our Culture

As highlighted in Lazard Inc's 2023 Annual Report, we are focused on elevating our culture and further evolving our strategy:

Elevating our Culture

The success of Lazard is the result of our exceptional people, who hold one another accountable for achieving the highest level of excellence. We foster excellence through intellectual curiosity, which includes learning from one another as well as leveraging technology. We are living in a particularly dynamic age, and we are focused on implementing and adopting AI tools to better serve our clients going forward.

At Lazard, we create an environment for colleagues to work at the top of their licence, which demands an increasingly commercial and collegial culture. Developing new business opportunities and providing best-in-class solutions for our clients requires intense effort and collaboration. Over the past few months, our emphasis on elevating our culture has informed changes in everything from our performance management and compensation programs to our organisational structure and communications efforts.

Lazard is an intellectual capital business focused on delivering the best advice and solutions to clients. As a global firm that has grown organically from local roots in different countries, we celebrate diverse perspectives and have a deep tradition of respect for individual differences, which has been core to our success for 175 years. We continue to prioritise supporting an environment where our colleagues can thrive.

Beyond our business, we continue to invest substantially in support of our communities outside of the firm. These efforts include social impact, volunteerism, and philanthropic activities across our global footprint. To learn more, you can explore our Community Engagement activities and read our Corporate Sustainability Report on Lazard.com.

Our Strategy

2023 marked an inflection point for Lazard in a number of ways, as we celebrated our past while embracing our future. During the year, we commemorated our 175th anniversary, honoured Ken Jacobs, who transitioned to Executive Chairman on 1 October, and shared our vision for Lazard 2030. In September 2023, we shared our future vision of Lazard 2030: To build on our storied history, aim higher together, and further increase our relevance for clients across the world. Our goals are to double firm-wide revenue by 2030 and deliver an average annual shareholder return of between 10 and 15 percent, by achieving high-productivity growth in Financial Advisory while diversifying and strengthening our Asset Management business.

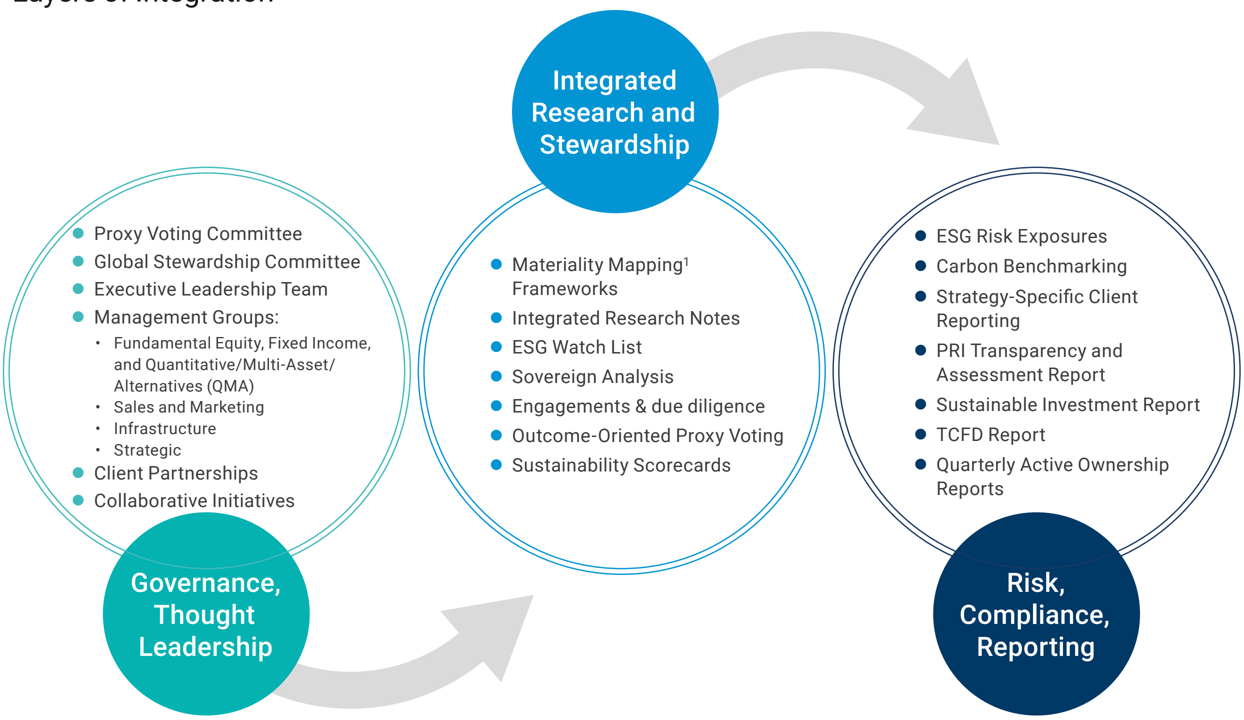
We define success as meeting our clients' investment needs and objectives. We work in partnership with our clients, allowing them to employ our capabilities and resources to their best advantage.

As a result, our investment platform has grown and evolved in response to emerging investment trends and our clients' diverse needs. LAM's goal is to grow through the delivery of investment success to our clients and through further diversification of our business by investment strategy and client type.

Investment Beliefs, ESG Integration, and Stewardship

We believe that stewardship is the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries. For many reasons, our relevant strategies generally view investments that substantially detract from the economy, the environment, and society as unsustainable and therefore unlikely to create long-term value. Our relevant investment professionals have incorporated assessments of financially material governance and human and natural capital into their research, investment, voting, and engagement processes for many years. These professionals believe that a company's governance and incentive structures, including its board composition and remuneration practices, determine shareholders' ability to drive accountability for corporate performance. Environmental issues, notably the risks and opportunities associated with climate change, can impact a company's financial performance and its long term outlook. High employee engagement, diversity of background and perspectives, and a strong culture are often found in industry-leading businesses because they foster productivity, innovation, and client relationships. Our relevant investment personnel believe that the integration of these financially material governance, human, and natural capital factors into investment decision-making and risk-management processes can generate superior investment outcomes. Accordingly, we have built research, stewardship, and reporting processes, and governance structures, to drive integration across our applicable investment processes. The graphic below illustrates how these processes fit together.

Layers of Integration



For illustrative purposes only.

1. LAM's proprietary sector-based approach to ESG integration is based on elements of SASB's Materiality Map™, ©2024. All rights reserved. Reprinted with permission from the SASB Foundation.

In 2023, in response to increased scrutiny of ESG practices, we sought to more clearly articulate this long-standing view of the financial materiality of stakeholder issues by distilling our approach into four clear principles. Our Sustainable Investment Principles are outlined below:

Principle One

Fiduciary

Our foremost responsibility is to act in the best interest of our clients, with a resolute focus on seeking to protect client capital and maximising long-term returns.

Principle Two

Holistic Research

Our investment approach is rooted in deep fundamental research, which includes analysing financially material ESG considerations as we do other fundamental factors. We do not support firm-wide exclusion policies based on screens, nor do we solely depend on external ESG ratings providers for portfolio decisions. This integrated approach provides a holistic picture of risks and opportunities.

Principle Three

Active Owners

Regular interactions with companies in client portfolios are vital to our investment process. As stewards of our clients' capital, we emphasise engagement and exercising our clients' voting rights. These responsibilities lie primarily with our investment professionals.

Principle Four

Transparency

We are committed to providing transparency into our processes and frameworks for ESG integration, evidence of where and how investment analysis is impacted by ESG considerations, and our stewardship efforts.

"The importance active ownership, has been magnified in recent years as stakeholders and the public apply more scrutiny to the relationship between asset managers and portfolio companies. As a steward of clients' capital for decades, we believe this is a broadly positive development. It has led to greater industry-wide transparency and accountability, and like most firms, we have refined our own engagement and reporting practices in response to this new environment."

Jeremy Taylor

CEO UK, Lazard Asset Management Limited

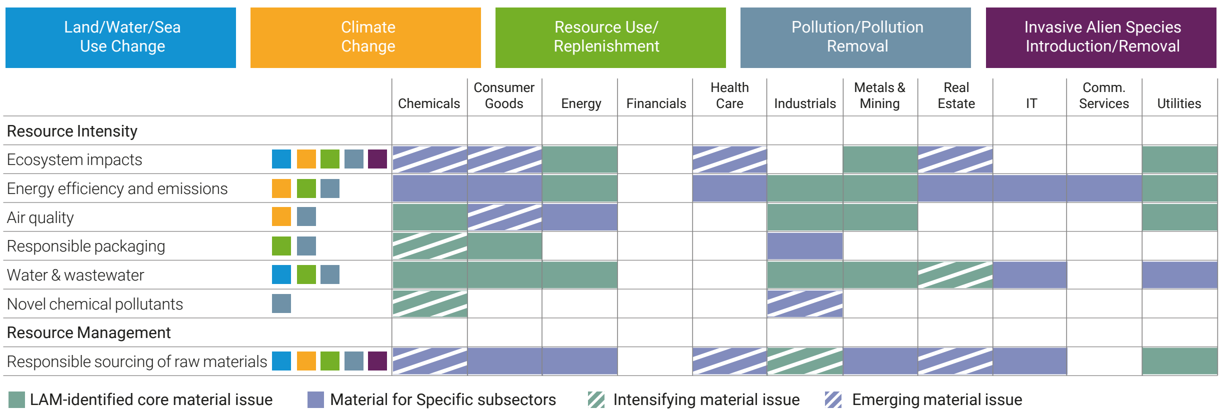
Materiality Mapping

LAM has a systematic and firm-wide approach to governance, human, and natural capital research, by adopting a dynamic, global proprietary process called Materiality Mapping, which is designed to capture the most material ESG risks and opportunities across different sectors for use by investment professionals managing ESG integrated and/or sustainability focused products. Materiality Mapping has the potential to add value to our investment process in several ways. Initially, we held workshops to provide a forum for analysts from various teams and locations to understand and debate how financially material ESG considerations may create or destroy value in a particular industry over time and to contextualise the risks and opportunities most pertinent to a specific company given its operating activities. They were designed to facilitate discussions across our investment platforms.

We consider the financial materiality of ESG issues to exist on a spectrum, with varying levels of intensity, influenced by contextual considerations across geographies and industries.

LAM has been utilising its Materiality Mapping process for several years now. In 2023, over 50 Lazard Analysts participated in updating the sector-level Lazard Materiality Map via an online survey. Taking a weighted average approach of analyst responses for each sector and line item, the 2023 map captures more idiosyncrasies between subsectors or geographies than prior versions did, and now includes mapping to the LAM Biodiversity Framework as shown below. In alignment with many engagements and key research focuses, 57% of analysts reported that most material ESG risk or opportunities for coverage fell into the Environmental category, broken down to resource intensity, the energy transition, circular economy, and others. Product and service access and affordability, as well as cybersecurity and human capital management, also continue to be key issues.

Mapping the Five Drivers of Biodiversity Loss to Our Materiality Map



Source: Lazard

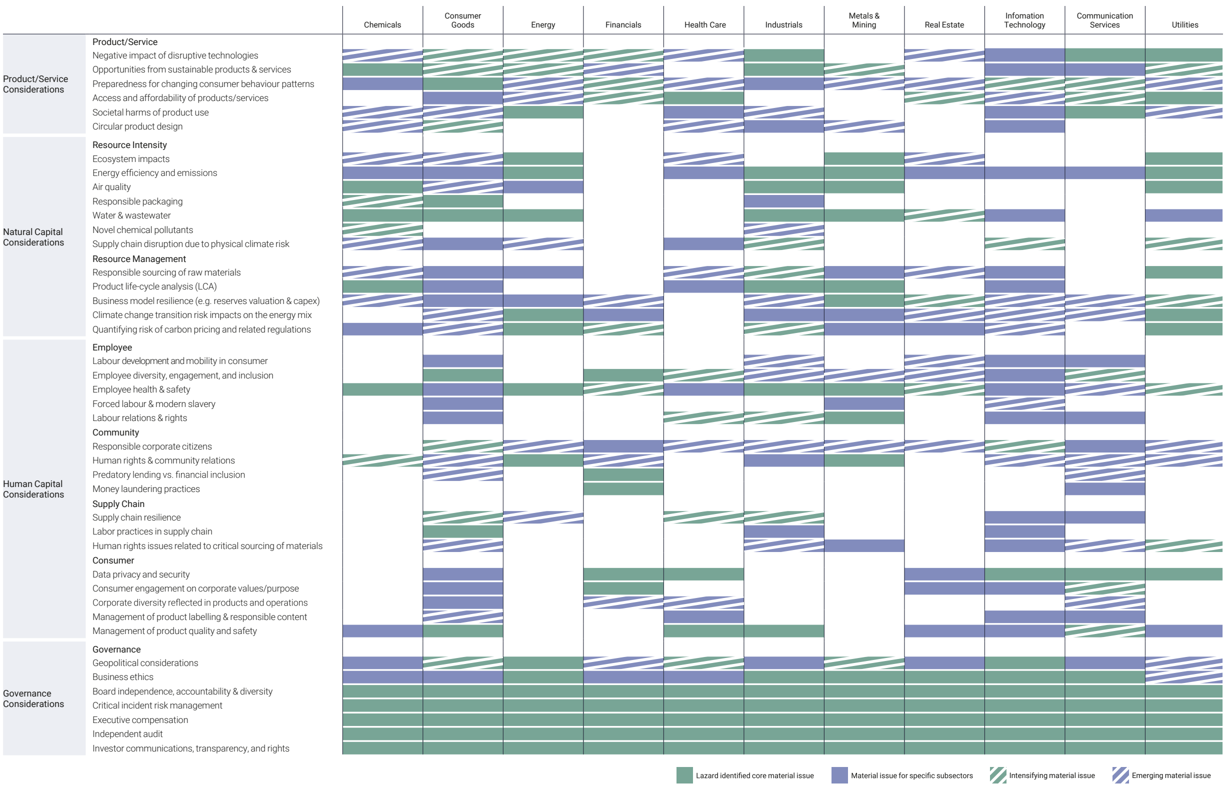
Materiality Mapping helps relevant investment professionals to:

1. **Identify and prioritise the most material issues by both industry and region**
   In 2023, over 85 surveys were completed by over 50 analysts across 4 investment platforms. We collated these insights to seek to identify existing and emerging issues that are financially material to each sector.
2. **Deconstruct and analyse the issues identified through the workshops**
   After identifying the issues that we believe are most likely to be financially material for a sector, we conduct a more thorough analysis to understand both the issues and the transmission mechanisms by which it will translate into changes in financial performance and/or the market's perception of valuation or future cash generation potential. Examples of such transmission mechanisms include the expectation or manifestation of regulatory change, or changing cost of or access to capital.
3. **Build proprietary and forward-looking frameworks**
   To help quantify the issues, we identify appropriate metrics and potential sources of alternative data that can help inform our analysis of individual companies. We also harness our fundamental and quantitative analytical capabilities to generate new inputs that can be incorporated into our financial models and our assessment of the fair value of companies.
4. **Engage**
   We actively engage with companies to better understand the issues identified during our Materiality Mapping process and seek to incorporate the findings from these meetings into our investment research.

An overview of how we view materiality across each sector is illustrated below:

Materiality Mapping

A Dynamic and Evolutionary Process That Helps Systematically Analyse Material ESG Issues



As at 28 February 2024 and a point-in-time reflection of the assessed material issues. For illustrative purposes only. Size and connections are shown in a stylised and simplified way to demonstrate the inter-connectivity between factors within Natural Capital, Human Capital, and Financial Capital. Lazard Asset Management's proprietary sector-based approach to ESG integration is based on elements of SASB's Materiality Map™, © 2024. All rights reserved. Reprinted with permission from the SASB Foundation.

Materiality Mapping is designed to be inherently dynamic, built upon the foundational concepts of dynamic materiality as espoused by the World Economic Forum, leading academics, and the collaborative efforts of leading standard-setting institutions, including Climate Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), and the IFRS Foundation.

Geopolitical influences and exposure have risen in materiality over the past several iterations of the map, reflecting the political environment that many companies across sectors are exposed to. Within Chemicals, we saw the Ukraine War impacts manifesting in higher materiality. Within Consumer, Information Technology, and Communication Services, the impacts of greater restrictions on components have increased materiality of the topic and appear to be worsening. From the supplier perspective in Industrials, our analysts note the ties between certain companies and national military or defence programs can limit ability to invest due to existence or probability of restrictions on those components. The similar pervasive importance, beginning in force with the pandemic and continuing via geopolitical tensions and regulation like the Inflation Reduction Act, of supply chain resiliency points to the development of local supply chains.

Other key topics include labour mobility, business model resilience, and risks and opportunities with the widespread popularisation of AI and machine learning. 2023 saw companies that did not proactively invest in employees and wages experience higher investments required to bridge gaps, reflected in the higher materiality for Labor Development and Mobility in Consumer. In alignment with Lazard analysis on green capex and grid investments required as part of the energy transition, business model resilience including reserves valuation and capex has emerged as a material topic for many of the sectors under analysis. AI and machine learning manifests in the 2023 map in the form of both risks and opportunities, with the potential for abuse of the technology countered to opportunities for application across nearly every sector.

Serving the Best Interests of Our Clients

We believe our core investment processes, depth of resources, collective investment experience, and long-standing relationships with the companies that we invest in on behalf of our clients are all central to our success as active managers and stewards of our clients' capital. Our integrated approach to ESG across relevant portfolios and strategies has positioned us well for the shift from shareholder primacy to stakeholder optimisation and the continuing evolution in this space. Furthermore, we recognise that to continue serving the needs of our clients and beneficiaries in a rapidly evolving field, we must also continue to innovate and collaborate both internally and with the wider investment industry.

The past year has seen a continuation of both a backlash on ESG and greenwashing concerns. We believe that both concerns, albeit on either end of a spectrum, stems from the lack of a definition that honours all financially material considerations, including ESG risks and opportunities. This was one catalyst for formalising our Sustainable Investment Principles, discussed earlier in Principle 1.

We believe that ESG is about discovering and pricing environmental, social, and governance risks and opportunities. It should hence be part and parcel of good disciplined fundamental investing. This is true even more so today as we see several sustainability-related structural shifts in society that are driving regional regulations, changes in consumer behaviour, and technological disruptions.

We believe ESG is best suited for active management as it cannot be based on backward-looking data or trend analysis, but rather forward-looking views on how specific sustainability trends could impact the financial productivity or valuation of the enterprises in which we look to invest.

Looking ahead, we remain excited about the opportunities for sustainable investment across the globe. While the labels may be debated, the underlying trends of the energy transition, healthier living habits, greater scrutiny on worker rights, etc. remain strong, in addition to the continued growth of investor appetite for solutions that both help mitigate such risks and generate alpha.

We provide a more comprehensive assessment of our effectiveness in serving the best interests of our clients and beneficiaries under Principle 6.

Principle 2: **Governance, resources, and incentives**

Signatories' governance, resources, and incentives support stewardship.

Our governance structure is designed to ensure that LAM's commitment to sustainable investment is reflected in relevant policies and processes. LAM has historically maintained several key committees for governance and policy oversight, which has evolved with our business over time.

In November 2022, our leadership structure was streamlined with new management groups succeeding the various oversight committees with the exception of the Global Stewardship Committee and Proxy Voting Committee, which remained in the same format throughout 2023. However, in December 2023, the Executive Leadership Team agreed to merge Global Proxy Committee and Stewardship Committee to align with our view that proxy voting, and engagement are interlinked and both integral to effective stewardship of our clients' capital. The new Global Active Ownership committee will hold its first meeting in Q1 2024.

Governance Structure

Evan Russo was appointed Chief Executive Officer (CEO) of Lazard's asset management (LAM) business on 1 June 2022, succeeding Ashish Bhutani, who made the decision to retire after nearly two decades of leading the business. Evan joined Lazard in 2007, and prior to becoming CEO of asset management, served as Chief Financial Officer of Lazard, Inc. and Lazard Group.

At the end of November 2022, Evan announced a streamlined leadership structure for LAM with dedicated management groups responsible for oversight of each key business areas as well as a new Executive Leadership Team. These changes were made with the goal of empowering our leaders to bring the best of the firm to our clients while enhancing ownership and accountability across all areas of the business.

LAM's Executive Leadership Team, which replaces the previous Global Management Committee, includes a dynamic group of senior leaders with a broad range of investment, distribution, and business skills and is responsible for oversight of the business and setting strategy while facilitating coordination across Lazard's dedicated management groups responsible for oversight of our key business areas.

The vast majority of the members of the previous Global Management Committee are now part of the dedicated management groups for Investments, Sales and Marketing, and Infrastructure. We believe a more focused and specialised management group structure will enable us to provide more effective oversight and accountability over each business area and ultimately lead to better investment outcomes for our clients. The Management Groups include:

1. **Fundamental Equity, Fixed Income, and Quantitative/Multi-Asset/Alternatives (QMA) Investment Management Groups**—organised by investment specialty, these groups are responsible for the oversight, day-to-day management and coordination of our investment teams, including regular review of investment strategies, investment processes, and risk controls, and seek to help ensure effectiveness of our research, ESG, and trading capabilities.
2. **Sales and Marketing Management Group**—responsible for the oversight and management of our global sales, client service, and marketing businesses.
3. **Infrastructure Management Group**—responsible for oversight and coordination across our global trading, legal, compliance, technology, operations, and human capital management functions.

Senior members of the ESG team are required to provide regular updates to the Executive Leadership Team as well as the individual management groups as necessary and appropriate. In addition to these new management structures, the following committees will continue to provide governance and oversight of our policies and procedures.

Global Stewardship Committee

LAM's Global Stewardship Committee generally meets quarterly and is responsible for coordinating and establishing policy related to the ways in which the firm practices stewardship on behalf of its clients, particularly where we use their votes and/or their economic influence to seek change. The Committee will also consider the reputational and business risk related to stewardship activities, not only through activities that we engage in or support but also those where we don't engage or support.

Committee membership is composed of senior representatives from each of our investment platforms and regional offices as well as our Directors of Research, Global Head of Sustainable Investment and ESG, Director of Stewardship, General Counsel, and our Chief Operating Officer. The Committee is responsible for setting policy, oversight, and coordinating stewardship activities across our global business. Amongst other things, the Committee also reviews our policies to ensure they deal appropriately with high-profile shareholder resolutions, conflicts of interests, and the escalation of engagement.

The Global Stewardship Committee was established in November 2020. Oversight of our written engagements and decision-making around our participation in industry groups and collective engagements used to be undertaken by the Investment Council prior to the formation of this committee. As the volume of engagements grew, with the approval of our Management Committee, we created a separate body dedicated to stewardship issues. 2023 marked the third full year of the Committee's operation; the key activities of the committee during the year were aligned with our three overarching stewardship objectives:

1. Demonstrate the value of fundamental research and its influence on voting decisions
2. Evidence high quality, outcome-oriented engagements that either influence our investment decision-making and/or drive real-world change
3. Meet evolving stakeholder expectations and provide transparency on our stewardship activities

Activities undertaken to support the objectives in 2023:

- **Q1: Review of** UNGC breaches, enhance external client reporting, coordinating engagement activities across difference strategies and asset classes
- **Q2:** 2022 Stewardship Code submission, reviewing progress against objective 2, updating collaborative engagement policy, review of stewardship activities and polarisation of ESG
- **Q3:** Inaugural Quarterly Active Ownership report approved and published, deep dive of engagement stats relating to the second objective above, tracking and defining engagement success, review UNGC breaches, sharing learnings from stewardship roundtables for investors and vote transparency
- **Q4:** Review of annual stewardship survey sent to investment professionals including actions taken on 2022 results and further priorities identified in 2023 survey, review of engagement stats and balance of due diligence versus outcome-focused engagements, strategic priorities for 2023

Global Proxy Voting Committee

LAM's Global Proxy Voting Committee oversees the implementation of the firm's global Proxy Voting Policy, including its ESG provisions. These are based on our Global Governance Principles as shown below. Our Proxy Voting Committee has been in existence for over 20 years, reflecting our commitment to exercise voting rights on behalf of our clients where they have delegated to us the responsibility for doing so. The Proxy Voting Committee meets regularly, generally on a quarterly basis, to review the global policy and other matters relating to the firm's proxy voting functions. Meetings may be convened more frequently (for example, to discuss a specific proxy agenda or proposal) as needed. Membership includes our Global Head of Sustainable Investment and ESG, our Director of Stewardship, representatives of our Legal, Compliance, and Proxy Operations teams, and various investment professionals. The Proxy Voting Committee also reviews proxy voting recommendations from investment teams that conflict with LAM proxy voting guidelines. The key activities of the committee in 2023 closely align to our stewardship objectives with a particular focus on the first objective of demonstrating the value of fundamental research and its influence on voting decisions. The actions taken include:

- Granted final approval for the new US specific voting policy following the extensive development, consultation, and implementation of the policy undertaken by individual members of both the Proxy and Stewardship Committees in March 2023.

- The Committee also granted approval for the carve-out for Japanese Equities within the Global Proxy Voting policy updates in 2023.
- The Committee collaborated and addressed challenges investment professionals contend with particularly during high volume periods. The committee agreed to implement the tools and platform we have today, which allows for more streamlined and straight-through vote processing while also providing analysts and portfolio managers sufficient time to review before the voting deadline.
- Committee regularly reviews potential conflicts of interest and most recently reaffirmed the conflict policy particularly with financial institutions and Lazard's relationship via the wrap and model businesses.

Each quarterly meeting focused on the following activities:

- **Q1:** Approval of both US and Japan specific voting policies, annual due diligence of proxy advisors
- **Q2:** Discussion on regional matters and due diligence update
- **Q3:** Proxy season recap and recent trends
- **Q4:** Annual review of proxy policy and vote transparency

Implementing Our Global Governance Principles

The firm's view on corporate governance and accountability has been set out clearly in our Global Governance Principles, which were developed by the Sustainable Investment & ESG team and agreed to by the relevant committees. These principles are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management. The Principles are highlighted below:

1. Board Independence: The primary job of the Board is to hire and evaluate the CEO and to set corporate policies and objectives. In that regard the Board of a company should be sufficiently independent, diverse, and have an appropriate collective skill set to undertake its stewardship role: to hold executive management to account, including on the development and implementation of strategy.
2. Board Accountability: The Board is accountable to the owners of the company, namely its shareholders. Engagement with shareholders should be a priority for the Board.
3. Board Make-Up: The experience and skills that each non-executive and executive director bring to their role and to the Board should be transparent and further cognitive diversity. Nomination processes should be robust. Each board member should have sufficient time to fulfill their duties and should not be over-committed.
4. Audit Oversight: Shareholder capital is protected through independent and effective auditor oversight of company financials.
5. Shareholder Rights: Democratic shareholder rights, such as one share one vote, are favoured.
6. Disclosure: Accuracy and transparency in disclosure are key conditions for accountability.
7. Integration of Human and Natural Capital and Corporate Governance: The management of financial, governance, and reputational risks and opportunities should be key priorities. This includes those risks and opportunities related to a company's management of human and natural capital and corporate governance. We believe that this will enhance long-term financial returns.
8. Culture and Ethics: Corporations should strive to model integrity and impeccable standards of business ethics in their relations with all stakeholders. We believe that companies with a healthy corporate culture at their core will be more successful in the long term.
9. Fair and Transparent Remuneration: Remuneration should be fair and transparent. We believe that executives should earn rewards that are proportionate with the long-term value they generate for all stakeholders. In 2022, executive remuneration was identified as a key engagement objective to prioritise.
10. Sustainable Capital Allocation: In general capital allocation decisions should prioritise the creation of long-term value. To the extent possible, these decisions should seek to minimise material negative social and environmental impacts. We believe the impacts of those decisions on stakeholders should be managed in a responsible way as we believe this can affect the value of a company.

We are committed to reviewing these principles on a regular basis and adapting them as appropriate to achieve the best outcomes for our clients.

LAM's Global Governance Principles

ESG Resources

As demonstrated in Principles 1 and 7, LAM has an integrated approach to ESG that requires relevant investment professionals to fully incorporate stewardship into their engagement and investment decision-making. We believe that engagement and proxy voting is most impactful when led by our analysts and portfolio managers attached to fundamental strategies and linked to ultimate decisions to invest in or divest from a given security. Relevant investment professionals work closely with the firm's Sustainable Investment & ESG team, which is responsible for setting the firm's sustainable investment goals, conducting ESG training, educating investment professionals on relevant ESG issues and trends, facilitating ESG client reporting, and helping oversee overall development and implementation of our ESG policies. Further, the dedicated ESG research and stewardship specialists work collaboratively as an integrated part of the investment platforms. However, ultimately it is our relevant investment professionals, consisting of over 100 analysts and 130 portfolio managers averaging 20 years of experience, who are responsible for incorporating ESG into their fundamental research.

The ESG team is led by Jennifer Anderson, who has over 17 years of industry experience, including sitting on the board of the Institutional Investors Group on Climate Change (IIGCC). Lazard's ESG team has 12 other domain experts across Research, Stewardship, Data and Analytics, and Client Intelligence pillars with an average industry experience of 12 years.

We believe it is important to build a team with direct industry experience and technical expertise whilst balancing this with diverse skill sets that help us navigate the structural changes to which our companies are exposed.

In addition, our proxy voting activities are supported by a three-person Proxy Operations team. The head of this team also chairs LAM's Proxy Voting Committee. Please refer to Principle 12 for further detail.

Leadership Bios

Jennifer Anderson

*Managing Director, Global Head of Sustainable Investment and ESG**
Lazard Asset Management Limited (London)

Jennifer Anderson is the Global Head of Sustainable Investment and ESG at Lazard Asset Management. She oversees the firm's sustainable investment and ESG integration strategy and sits on the firm's Stewardship and Proxy Voting Committees. She began working in the investment field in 2006. Prior to joining Lazard in 2019, Jennifer was an Investment Manager for TPT Retirement Solutions and during this time she also served on the Board of the Directors of the Institutional Investors Group on Climate Change (IIGCC). Her previous role was as an equity research analyst in sustainable investment at Citigroup Global Capital Markets, and she started her career as an SRI analyst at Jupiter Asset Management. Jennifer has a B.A. in economics and economic history from the University of Leicester and an M.Sc. in environment technology from Imperial College London.

*Just beyond the reporting period, in January 2024—we consolidated our ESG leadership team under Jenny Anderson and named her Global Head of Sustainable Investment and ESG for Lazard Asset Management. With our new consolidated leadership structure in place, Nikita Singhal has left the firm. Jenny has been Co-Head of Sustainable Investment and ESG for Lazard Asset Management since joining the firm in 2019. In her time at the firm, Jenny has distinguished herself as a highly strategic thinker as well as an expert on sustainable investment matters.

Elly Irving

Director of Stewardship and Chair of the Global Stewardship Committee,
Sustainable Investment and ESG
Lazard Asset Management Limited (London)

Elly Irving is Director of Stewardship on the Sustainable Investment & ESG team. She is focused on developing our stewardship strategy, supporting our portfolio managers and analysts on their engagements, monitoring engagement impact, and aligning our proxy voting and engagement activities where possible. Prior to joining Lazard in 2021, she was Head of Engagement at Schroders, where she developed the engagement framework and infrastructure for equity and credit investment teams globally to support ESG integration. Elly joined Schroders in 2014 as an ESG sector analyst covering the consumer sector, focused on publishing investment-focused thematic research on modern slavery, obesity trends, living wages, etc. Prior to Schroders Elly held ESG roles at Newton, where she focused on proxy voting and company-level ESG analysis and started her career at F&C (now part of Columbia Threadneedle). Elly holds a B.A. (Hons) in business studies with accounting and finance from Nottingham Trent University.

Greg Van Droogenbroeck

Director, ESG Data and Analytics Lead
Lazard Asset Management LLC (New York)

Gregory Van Droogenbroeck is Director of ESG Data and Analytics on the Sustainable Investment & ESG team. He began working in the investment field in 2006. Prior to joining Lazard in 2022, Greg led different product teams across enterprise research, regulatory, pricing, and research data at Bloomberg LP. Most recently, he managed the enterprise research and sustainability data product team, which was focused on developing commercial intraday and end-of-day enterprise data feeds related to ESG and systematic quant research. Prior to Bloomberg, Greg worked on the sell side at ING in multiple roles including credit structuring and risk management. He has a Master's in applied physics and a post graduate in management from the Vrije Universiteit Brussel and passed CFA levels 1, 2, and 3.

Sustainable Investment & ESG Team Structure

As at 31 December 2023

Supporting Our Investment Professionals

LAM has a dedicated ESG team responsible for setting the firm's sustainable investment goals, conducting ESG training, educating investment professionals on relevant ESG issues and trends, facilitating ESG client reporting, and helping oversee overall development and implementation of our ESG policies.

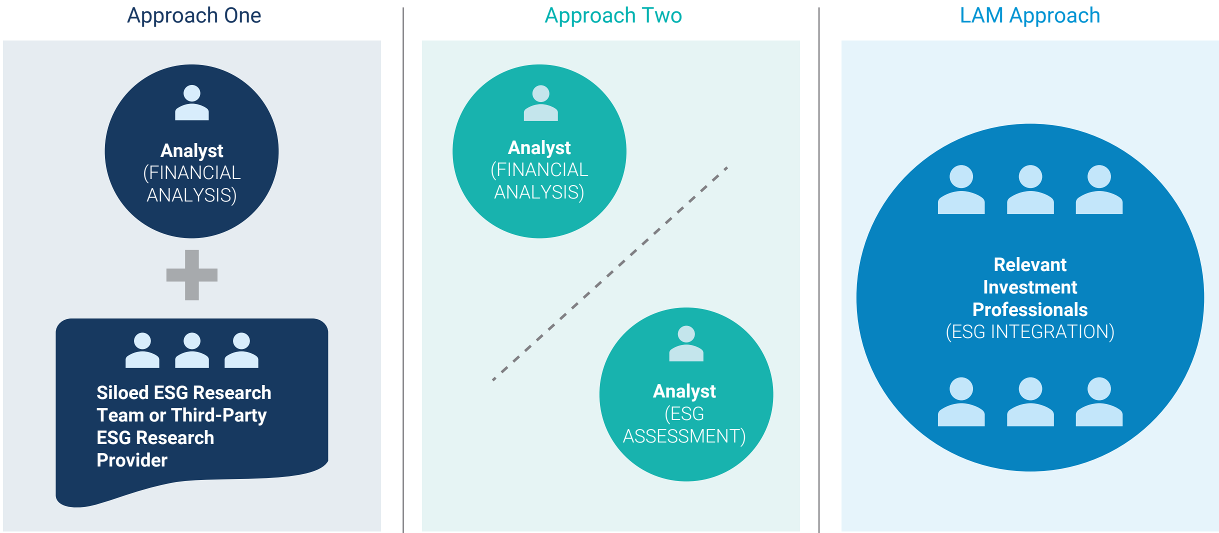
However, our relevant investment professionals are fully responsible for conducting ESG research.

Our ESG process is directly linked to financial analysis. We believe genuine ESG integration cannot separate ESG analysis from fundamental analysis but rather must make ESG central to the financial analysis. This means our relevant analysts are best placed to contextualise various ESG considerations, and they must deconstruct and understand where and how ESG considerations may impact a company's financial productivity or valuation.

We also do not rely exclusively on external ratings. External ESG ratings may be based on backward-looking data, can fail to contextualise financial materiality, and often disagree with ratings from other firms due to differences in imputation and benchmarking techniques. See Principle 8 for more detail.

At LAM, we believe thinking and operating through a sustainability lens should be everyone's job, and related insights are incorporated into multiple aspects of our investment decision-making and client solutions. All relevant investment professionals, including a global network of more than 100 analysts and sector specialists, are responsible for conducting research on sustainable investment related to their sectors, stocks, and portfolios. It is not conducted by a separate team. We believe our sector specialists are in the best position to understand the material ESG risks and opportunities within their sectors and integrate them into investment decisions.

Our Sustainability Research Is Proprietary and Forward Looking, Differentiating Us from Firms That Rely on External Ratings and Research Providers



- The "day-one" approach to ESG integration
- A step forward but not true integration
- ESG integration across the investment process
- Sustainability as a core component of financial analysis

ESG Training

LAM's Sustainable Investment & ESG team offers periodic sessions on material and emerging ESG issues. The goal is to increase internal expertise and share insights through knowledge initiatives. During 2023, the Sustainable Investment & ESG team offered a series of workshops to support investment analysts and portfolio managers to ensure a consistent firm-wide process for ESG integration. More information can be found under Principle 7. Other examples of training in 2023 included:

Stewardship: Proxy Voting and Outcome-Oriented Engagement

We hosted several stewardship roundtable discussions on corporate governance practices and guidance on best practice ahead of the of the 2023 proxy season. This also provided an opportunity to explain and communicate our new US-specific US proxy voting guidelines to all relevant investment professionals. These roundtables were offered to each of our regional investment platforms: Emerging Markets, International (ex-US), and US. In addition to these discussions, our Proxy Operations team also offered two refresher training sessions for analysts and portfolio managers on the software interface used to make and justify proxy voting decisions. Training sessions were offered to investment professionals based in London and New York.

In the second half of 2023, we hosted roundtables with the investment platforms again to focus on our engagement definitions and the data collected during the first full 12 months under the new tracking process; for more detail see Principle 9. Training is just one channel we use to educate our relevant professionals in stewardship matters. In addition to these focused training sessions, we provide informal training through routine daily investment calls hosted by regional Heads of Research, weekly thematic research calls hosted by our Global Thematic team, as well as one-on-one interactions with our investment professionals. The team also continues to host periodic ESG update meetings with our sales teams to update them on changes to our ESG integration, voting and engagement, and regulatory changes while also attaining their feedback on client views.

Training on ESG Data

During 2023 our Head of ESG Data conducted multiple training sessions across three research platforms to demonstrate a new proprietary data tool designed to provide comparable ESG metrics at scale to further support the sustainability scorecards required by relevant strategies. The workshops allowed investment professionals to provide feedback and further refine the tool, which is now available to all analysts.

Communicating Research and Resources

During 2023 we continued to evolve our approach to communicating relevant research and resources more effectively to relevant investment professionals outside of these meetings. We sought to achieve this through:

- Enhancing our intranet pages to include resources such as thought leadership articles, engagement templates, and examples of engagement best practice and industry trends
- Publishing a bi-weekly ESG newsletter including examples of relevant sell-side or NGO research, examples of ESG integration within investment analysis, and engagements undertaken during the week
- Conducting a survey to understand where our stewardship resources are helpful to investment professionals and identify where gaps still remain. This was an important input into our stewardship strategy review for 2024.

Service Providers

To complement our proprietary fundamental research efforts, LAM utilises third-party data and ratings providers that provide a wide variety of environmental, social, and governance data points. These service providers act as a useful starting point to research companies' ESG performance as well as identify controversies and industry trends. While these service providers do not always cover every company in our investment universe, they provide a comprehensive tool to enhance and supplement fundamental research and analysis. LAM's Sustainable Investment & ESG team is responsible for meeting with and monitoring data providers to ensure that the firm's investment teams have access to the most robust and credible data sets. A summary of the data providers we utilise as at the end of 2023 are listed below:

ESG/Stewardship Service Providers

Stewardship Service Providers

LAM currently subscribes to proxy voting services provided by Institutional Shareholder Services Inc. (ISS) as well as additional proxy research from Glass, Lewis and Co. (Glass Lewis), who provide both proxy voting research and vote execution. Members of the Proxy Committee, along with members of the Sustainable Investment & ESG team and Legal and Compliance, conduct regular due diligence of ISS and Glass Lewis as well as an annual due diligence meeting. In addition we host weekly calls to share feedback and raise requests as needed. However, our voting decisions are driven by a combination of our customised LAM Global Proxy Voting Policy and case-by-case analysis conducted by our investment professionals. LAM does not leverage external providers for engagement activities. The responsibility for all company engagement and voting decisions rests directly with our investment professionals. We believe that our relevant investment professionals are in the best position to evaluate the impact that ESG issues or the outcome of a given proposal will have on long-term shareholder value.

Sustainability Incentives

The assessment and compensation of our US, international, and emerging markets equity sector analysts is linked to a variety of qualitative and quantitative factors, including the integration of financially material sustainability- related considerations into their research, as appropriate. This is designed to provide incentives to focus on high-quality ESG research and engagement that is financially material to the companies they cover.

Effectiveness of Our Governance Structures and Processes

Both the Global Stewardship Committee and Proxy Voting Committee have been effective in their oversight and implementation of stewardship efforts during 2023 as measured by progress against our three objectives. For example:

1. **Demonstrate the value of fundamental research and its influence on voting decisions**

Refining our regional-specific guidelines for US- and Japan-listed equities as well as increased governance-focused engagement resulted in a marked change in the differentiation to proxy advisor recommendations and provided further evidence of fundamental research in final voting decisions.

2. **Evidence high quality, outcome-oriented engagements that either influence our investment decision-making and/or drive real-world outcomes**

An area that the Stewardship Committee highlighted for further improvement in 2021 was the opportunity to improve systematic tracking of engagement activity and related outcomes. Towards the end of 2021, we trialled a number of third-party providers and reached the conclusion that building a solution in-house in an effort to document engagement activity together with company specific research in LAM's research database. During 2022 the committee established a working group to develop new engagement definitions that were outcome focused. This helped to more clearly differentiate between ESG due diligence and engagement with tangible outcomes that either influence the investment process or drive real-world outcomes. At the end of 2022, new processes and technology were developed along with training for all investment professionals. The first full year of tracking and data collection in 2023 gave us a better understanding of the depth and quality of engagements being conducted by LAM's investment professionals. It also gave us clarity on the engagement outcomes being generated. We conducted a review in Q4 to assess the quality of the responses, which led to further training for analysts and further enhancements to the tracking process to align with the materiality mapping process. For more detail see Principle 9.

3. **Meet evolving stakeholder expectations and provide transparency on our stewardship activities**

Over 2023 we improved the response rates to automated emails used to track ESG due diligence and engagement discussions across the 4,000 plus company meetings held over the year. This is designed to allow for more accurate reporting back to clients. Further milestones in transparency were achieved with the publication of our inaugural Quarterly Active Ownership report in Q3 2023, in which we disclose thought leadership, engagement case studies with tangible outcomes, significant votes, and a deep dive into ESG integration at relevant strategy level.

However, in December 2023, the Executive Leadership Team agreed to merge Global Proxy Committee and Stewardship Committee to align with our view that proxy voting, and engagement are interlinked and both integral to effective stewardship of our clients' capital. The new Global Active Ownership committee will hold its first meeting in Q1 2024.

Principle 3: Conflicts of interests

Signatories manage conflicts of interests to put the best interests of clients and beneficiaries first.

As described in Principle 1, Lazard Asset Management (LAM) is a subsidiary of Lazard, Inc., a publicly traded company (NYSE: LAZ), which also operates an independent Financial Advisory business that serves corporate and government clients and is completely separate from the Asset Management business from a functional perspective. As highlighted in our parent company's 2023 annual report, potential conflicts of interests for LAM may arise because of our parent company's business structure. LAM also will encounter the potential conflicts that other asset managers experience when actively managing client portfolios with discretion, including where interests of one client conflicts with those of our other clients.

LAM's Conflict Mitigation Policies and Procedures

In addition to publicly disclosing key potential conflicts, as a manager with fiduciary duties to its investors, LAM has adopted numerous policies and procedures designed to help the firm consistently place our clients' interests ahead of other interests. Our fiduciary culture positions us well to undertake stewardship activities on behalf of those clients. Without limitation, our conflicts controls include:

- LAM does not use its discretion to buy securities issued by Lazard, Inc. for our client accounts and has coded its internal restricted list accordingly.
- Where we engage in discretionary trading for multiple accounts in the same investment strategy, generally we ensure that those accounts transact in the same securities at the same time on a pari passu basis regardless of the fees they pay to LAM.
- We maintain a strict, global information barrier designed to ensure that LAM's investment activities operate independently from the financial advisory and investment banking activities conducted by Lazard's Financial Advisory business.
- Whether or not it is mandated by local laws, all of LAM's global employees must seek Compliance pre-approval to transact in their personal accounts.
- Our portfolios in the aggregate will not own more than twenty percent (20%) of an issuer's outstanding listed equity without approval by our Compliance.
- All LAM personnel must seek Compliance pre-approval before engaging in outside business activities. In particular, LAM discourages its personnel from serving on the boards of publicly traded companies, and will restrict client trading in a security under the rare case where an employee is approved to join the board.

We have adopted particular controls to avoid conflicts when LAM is exercising proxy voting rights on behalf of our client accounts, which are detailed in both our Sustainable Investment and ESG Integration Policy and our Proxy Voting Policy Overview. Both are publicly available on our website. Our conflict policy outlines the following requirements:

- Pursuant to our global Proxy Voting Policy, all votes are cast by our investment personnel with oversight from our Proxy Committee and Proxy Operations team—no LAM sales personnel and no Lazard, Inc. financial advisory personnel are permitted to influence LAM's proxy voting.
- Where our Proxy Operations team has identified a potential conflict relating to a proxy vote in the categories set forth in the Policy, the vote will be cast according to our written voting guidelines.
- Where our Proxy Operations team has identified a potential conflict relating to a vote and where guidelines are to generally vote on a case-by-case basis, LAM will vote according to the majority recommendation of the independent proxy services to which we subscribe, or we will abstain.
- Exceptions to the Policy's guidelines must be approved by the Proxy Committee or the firm's Chief Compliance Officer.

How We Applied Our Conflicts Policy in 2023

During 2023 there were 91 meetings (out of over 5,000 meetings voted) where it was determined that a potential conflict of interest may be present. All of these were reviewed by the Proxy Voting Committee, and it was agreed that all should either be deferred to our proxy advisor or that we should register an abstention based on the conflicts category. The chart below provides a breakdown by type of conflict during the period:

Conflicts of Interests

Conflict Reason	# of Meetings
A Lazard personnel sits on this company's Board of Directors	11
Echo Vote/Lazard funds voted in accord with other Shareholders' voting	2
LAM manages the company's assets/pension plan	42
Lazard serves as a financial advisor or provides other IB advisory services	4
The proponent of one or more of this meeting's proposals is a LAM client	21
This company is a LAM online broker	11
Grand total	91

Both the Proxy Voting and Stewardship Committees have committed to reviewing our existing policy on a regular basis. As an area of improvement, we aim to formalise additional policy provisions to capture potential conflicts that may arise through the firm's engagement activities.

Principle 4: **Promoting well-functioning markets**

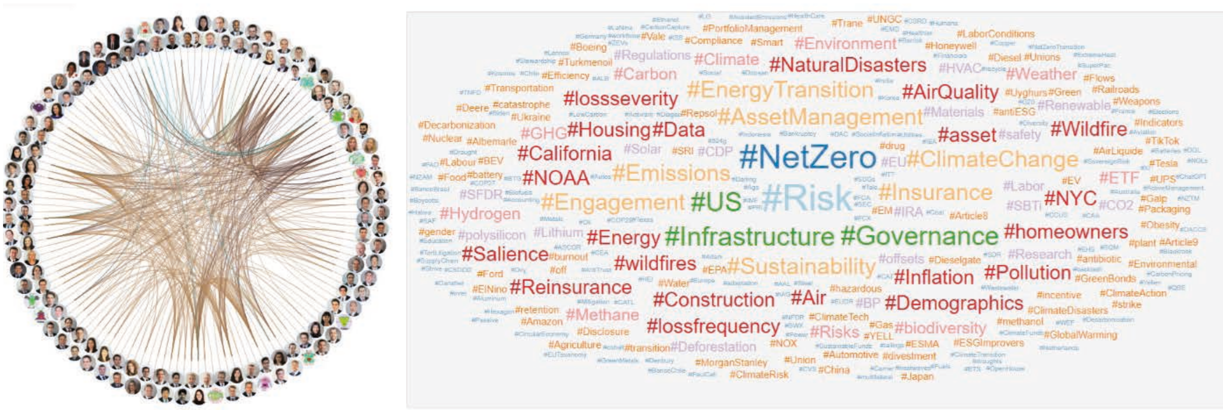
Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Market-Wide Risks

Market-wide risks are those that lead to financial loss or negatively impact overall performance of the market. LAM does not have a Chief Investment Officer; instead, the firm seeks to identify market-wide and systemic risks through the following channels:

1. LAM has a dedicated risk management team that reports directly to the CEO and management groups while also engaging with portfolio management teams through risk meetings. The risk team uses a variety of external tools to assess market-relative risk and statistically measure exposures to commodity prices, exchange rates, etc.
2. Lazard's Geopolitical Advisory Group is another resource through which we seek to identify and monitor market-wide risks. This group leverages both external experts and Lazard's in-house expertise. The Group offers corporate leaders and boards bespoke analysis providing strategic insights in an evolving geopolitical environment as they navigate potential risks and opportunities impacting their business. In 2023 the Group hosted several webinars for Lazard employees and published reports on critical minerals and the geopolitics of artificial intelligence.
3. Ronald Temple, Lazard's Chief Market Strategist, serves as a thought leader and market strategist for Lazard's Asset Management and Financial Advisory businesses and works closely with Lazard's Geopolitical Advisory group. Since joining Lazard in 2001, Ron has leveraged his financial sector, macroeconomic, and policy expertise to deliver differentiated insights and engages extensively with a wide range of Lazard's investment professionals across the equity and debt arenas to leverage the firm's insight broadly.
4. The Global Thematic Equity team hosts a weekly call open to all investment professionals globally as a forum for discussion and debate on the latest macro trends and risks. The call is often attended by over 100 investment professionals.
5. We discuss market risks through an internally developed digital message board system known as "Dragonfly," which has been used widely since its launch in 2010. It has over 220 active users and is a forum to express and debate macro views. As of 31 December 2023, we had over 7,700 threads, over 10,200 topics, and 19,000 posts. As demonstrated by the word cloud overleaf, climate change and net zero remained key topics of our discussions during the year.

Network Graph on Climate Change and Net Zero from 2023



As at 31 December 2023
Source: Lazard Asset Management

Systemic Risks

The personnel who manage our fundamentally driven strategies generally attempt to identify, analyse, and monitor systemic risks through their research activities and related meetings. For systemic risks-related financially material social and environmental trends, most notably including climate change, we draw insights from Materiality Mapping exercises. The level of interaction between investment professionals through materiality-mapping surveys allows us to identify emerging environmental, social, and governance issues, which can also inform our corporate engagement. Climate change provides a relevant example to demonstrate this:

Case Study: Climate Change

With the evolving net-zero investing landscape, we continued to adapt our approach to help our relevant investment professionals better understand transition-related risks and opportunities. In particular, we achieved the following. We continue to strengthen our research and stewardship capabilities relating to climate change and assessing the potential transition risk (or opportunities).

- Continued to manage net zero-committed portfolios as part of our Net Zero Asset Managers initiative (NZAM) assets. Our initial commitment in 2022 can be found in the NZAM Initial Target Disclosure Report.
- Updated our Climate Change Investment Policy in October 2023, including developments around our firm management structure and oversight, as well as the strengthening of our stewardship definitions and new processes for sovereign climate risk assessments.
- Continued to evolve a proprietary sovereign framework to assess both the ability and willingness of different countries to transition to help us assess climate risk and opportunity across our sovereign debt strategies. We also participated in collaborative engagements on the transition through our membership in EMIA. For more details see Principle 10.
- Expanded the capabilities of our proprietary Net-Zero dashboard built into our research platform, which is designed to measure, track, and report on historical and forward-looking portfolios' carbon performance and provide greater visibility and accessibility of climate-related data to investment professionals. This can be used for net-zero designated portfolios, but it has also been used to help identify and prioritise climate-focused engagements for other relevant strategies.
- Published several research pieces on net-zero and climate topics such as: investing in the transition in emerging markets, the reliability of avoided emissions data, the importance of critical minerals for the energy transition, and the opportunity from investing in climate solution providers, amongst others (see below).

Collaboration to Promote Improved Financial Markets

As appropriate, we engage with regulatory bodies, industry initiatives, and policymakers in efforts to improve the environment for investor stewardship in the markets in which we operate.

Engaging with Policymakers

LAM has the ability to engage with policymakers where appropriate to improve standards in the markets in which we operate. For example, in November 2023, Jennifer Anderson, Global Head of Sustainable Investment and ESG, attended a GS Sustain conference with the EU Commission in Brussels to discuss the broader sustainable finance regulation. The meeting focused on the transition from a linear to a circular economy, decarbonization and the green transition, green capex, and regulation in Europe, including the EU Taxonomy, SFDR, CSRD, the Net-Zero Industrial Act, and the Critical Materials Act.

Engaging with Industry Initiatives

We support several industry and sustainability initiatives, including those relating to issues around our stewardship priorities, corporate governance, diversity, and climate change (see Principle 10 for further information). Collaboration with industry initiatives is used to advance our own thinking, help set strategic priorities and improve outcomes, or further sustainability standards and disclosures that will we believe broaden the adoption of sustainable investment. Further details on LAM's participating in collaborative initiatives are provided in Principle 10. Some key initiatives and examples of where we have a long history of involvement are highlighted below:

- **Principles for Responsible Investment (PRI)**—we have been a member since 2014. We are an active signatory, participating in webinars and events. Looking across all asset classes, our support of the PRI helps promote improved financial markets, specifically through the implementation of the PRI's 6 Principles, specifically, and integrating ESG into our own investment decisions, Principles 2 and 3 through actively engaging with our holdings and promoting transparency, and Principles 4 and 5 through industry collaboration. In 2023 we completed the annual survey, met directly with the PRI's CEO, David Atkin, to share our feedback on industry trends and the evolving needs of the PRI's signatory base, and we attended the Annual PRI in Person Conference in Tokyo to engage with peers, clients, and other industry stakeholders.
- **Other Stewardship Codes**—LAM supports better industry standards of investor engagement and corporate governance across listed companies through our support of the UK, Japanese, and Korean Stewardship codes. LAM was previously a Tier 1 signatory to the 2012 UK Stewardship Code and has a long history of engaging with the FRC and participating in consultations. The Code has helped us to shape our practices, and, in 2023 in particular, we worked to strengthen our ability to demonstrate tangible outcomes from our engagements (Principle 9) and response to client feedback and provide more timely reporting on stewardship, with the launch of our inaugural Quarterly Active Ownership report in Q3 2023 (Principle 6). During 2023 we took active steps to enhance our country-specific proxy voting guidelines for Japanese equity holdings to further align with the Japan Stewardship Code. Lazard Korea Asset Management Co., Ltd. has been a signatory for the Korea Stewardship Code in the Korea Corporate Governance Service (KCGS) since 2019.
- **Institutional Investors Group on Climate Change (IIGCC)**—LAM's Global Head of Sustainable Investment and ESG, Jennifer Anderson, was on the board of the IIGCC prior to joining Lazard. She has been a strategic and active member of the IIGCC for more than 7 years and helped initially form and develop the strategy of the Investor Practices Group. In 2023 LAM co-sponsored the IIGCC AGM, an event that brings together a broad range of asset owners and asset managers that collectively represent €60 trillion in assets. Jennifer Anderson also took part in a panel discussion alongside representatives from the UK government, a national investing body, and peers from the investment community to share perspectives on how to remove barriers to net zero-aligned investing in emerging markets. The discussion focused on how to encourage capital flows into emerging markets and close the climate finance gap and the role of policy and public bodies in supporting developing countries' transition to net zero.
- **International Corporate Governance Network (ICGN)**—LAM has been a supporter of ICGN since 1999. The ICGN sets and promotes standards for corporate governance across the industry, and our investment professionals regularly participate in ICGN events to share insights and to engage with peers in the industry. In 2023 Roland Bosch, governance analyst in the firm's Sustainable Investment & ESG team, attended the International Corporate Governance Network annual conference in Toronto. Regional and local governance practices and regulations, proxy voting and stewardship trends, and the long-term outlook for sustainable investing were among the topics highlighted during the sessions. Participating in this initiative has helped us to monitor emerging governance trends and adapt our engagement priorities accordingly.

- **Task Force on Climate-Related Financial Disclosures (TCFD)**—LAM has been a supporter of the TCFD since 2019. Supporting the TCFD aids financial markets through helping to standardise reporting and disclosures on climate across the market to address systemic risk as well as promoting the markets' ability to price carbon risk. Climate-related issues are an important component of our stewardship responsibilities via engagements and proxy voting. For further information, please refer to our TCFD Report 2022 on our website (2023 report to be published later in 2024)
- **Net-Zero Asset Manager Initiative**—In March 2021, LAM announced that we had joined the Net-Zero Asset Managers initiative, making the commitment to support the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. This initiative is an extension of our efforts to embed sustainability analysis into investment decisions and is consistent with our Climate Change Investment Policy
- **Taskforce on Nature-Related Financial Disclosures (TNFD)**—In 2021 LAM joined the newly formed TNFD forum, which leveraged expertise from its task force members to develop a risk management and disclosure framework for organisations to report and act on biodiversity-related risks. In 2023 we actively participated in regular events hosted by TNFD to help evolve our own knowledge on biodiversity-related risks and opportunities and start to build our own biodiversity framework for LAM investors. In June 2023 LAM hosted a client event on the topic of biodiversity data. The discussion explored the extent to which climate change frameworks can be used as a reference point, how corporates and investors are managing expectations for TNFD reporting, and the role of engagement with companies. Also see our paper, Biodiversity Data: Is It Fit for Purpose?

Further examples of our industry involvement in 2023 are highlighted below:

Lazard speaks at Deloitte Corporate Governance panel event:

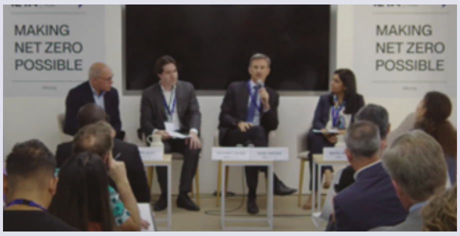
Roland Bosch, Governance Analyst, joined Deloitte for a panel discussion on corporate reporting reform proposals and the fast-evolving ESG reporting landscape. Alongside a group of key stakeholders, he discussed views on the current quality of corporate reporting, the corporate reporting proposed reforms attestation statements, and, more broadly, what is most important for users of financial statements and results announcements.

Climate and Energy Transition Conference:

On April 14, 2023, Lazard hosted its inaugural climate and energy transition conference. The all-day event—attended by more than 150 corporate leaders, investors, policymakers, and economists—provided a unique forum to discuss the financial impacts, opportunities, and risks of climate change and the energy transition.

Mercer 2023 UK Pensions Investment Conference:

In September 2023, Jennifer Anderson spoke on a panel for the "Investment Stewardship: from Ambition to Action" session at the Mercer 2023 UK Pensions Investment Conference. During the session Jennifer spoke about the importance of linking engagement to investment decisions, the differences between active and passive managers relating to engagements, and Lazard's active ownership processes and reporting.



UN Climate Change Conference, COP28, United Arab Emirates:

In December 2023 Lazard CEO Peter Orszag and representatives from both the LAM Sustainable Investment & ESG and Lazard Climate Center attended COP28, the largest global climate conference of 2023. In addition, Lazard hosted an exclusive in-person event in the COP28 Blue Zone, convening corporate leaders, investors, global thought leaders, and public sector decision-makers to address the pressing challenges faced by global economies in the face of climate change and geopolitical instability.

EMIA Panel with Conservation International:

In December 2023 Rebecca Greenberg moderated a panel discussion on priorities for marine biodiversity protections in Brazil.

FT Future of Asset Management:

In November 2023 Jenny Anderson participated in a panel discussion on net zero, the energy transition, and the role of asset management.

Principle 5: **Review and assurance**

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

Internal Assurance

Oversight, Policies, and Reporting

LAM's governance structure helps to ensure that LAM's commitment to sustainable investment and stewardship is reflected in relevant policies and processes, which are reviewed at least annually by the relevant internal teams and committees. Over the last 12 months specifically, LAM has:

- Reviewed and updated its Sustainable Investing and ESG Integration Policy and Climate Change Investment Policy.
- After developing internal definitions for ESG integration and sustainability-focused strategies using objective criteria in 2022, we continued to apply and review the definitions. The definitions provide internal guardrails for both (1) strategies that integrate ESG into investment decision-making and (2) for our range of sustainability-focused strategies.
  - All portfolio management teams are required to describe in writing the ESG integration or sustainability focus-related philosophy, process, and proof (evidence of ESG considerations or achieved objectives) for the relevant portfolio or strategy.
  - Lazard considers an ESG integrated strategy as one that is managed in a way to consistently assess the impact that material environmental, social, or governance considerations may have on the long-term financial performance of an issuer. Portfolio management teams are required to provide periodic evidence to the legal and compliance team of how these underlying criteria are being met.
  - Lazard considers a sustainability-focused portfolio or strategy as one that is designed with the investment belief that the world is moving to a sustainable future and that investors can benefit from this transition by actively including issuers that have (or plan to have) sustainable products, services, and operations. Relevant portfolios complete an internal ESG questionnaire. Portfolio management teams of sustainability-focused strategies are required to provide periodic evidence to the legal and compliance team of how the criteria are being met.
  - As part of our focus on this product governance and oversight, in 2023 we conducted a second and broader review of Lazard's key strategies against the relevant investment and ESG integration criteria. This review includes an internal assessment of how ESG considerations are factored into the investment process and how ESG research is actioned through trading decisions and stewardship activities. The process was supported by internal legal and compliance teams. This process resulted in a breakdown of LAM's assets under management under the relevant product criteria. As of Q4 2023, the firm had ~$2.8bn in sustainability-focused strategies and ~$159bn in assets that met our ESG integrated criteria.
  - Another development in 2023 regarding ESG definitions and monitoring was expanding monthly calls between ESG, legal, and compliance departments to include ESG data and stewardship specialists as well as developing several internal ESG integration dashboards that help monitor ESG-related processes for strategies at the firm such as ESG research and LAM Sustainability Scorecard coverage.
- We further developed reporting capabilities with respect to SFDR, including EU taxonomy, sustainable investments, and PAI data. A specific outcome of this effort was to create several new internal dashboards to present the data to portfolio management teams and connect with client and regulatory reporting workflows.
- Strengthened oversight of LAM's engagement efforts and helped drive improvement and evolution in our stewardship activities and policies through the work of our Global Stewardship Committee.

Internal Controls External Reporting

All of the reporting for LAM's ESG integration and stewardship activities, including the Annual Sustainable Investment Report, PRI Assessment, and TCFD report, are reviewed and signed off by the Global Head of ESG and Sustainable Investment, marketing and compliance teams, and senior management, including the General Counsel and Chief Operating Officer. In 2023, we published a wider set of sustainability-focused reports for a selection of sustainability focused equity strategies, expanding on the reporting from 2022.

Proxy Voting

To ensure the successful execution of proxy voting, LAM has controls in place designed to ensure that no upcoming meetings are missed, to check for missing ballots, and set up new accounts correctly as well as a monthly audit report to review any rejected ballots. The process and controls are reviewed by an external auditor annually as part of the SSAE-18. The quarterly Proxy Voting Committee meetings also add an additional layer of oversight.

Continuous Improvement

In the last year, improving the effectiveness of LAM's stewardship activities has been a focus area. Examples of these activities include, but are not limited to:

- Continued review of LAM's global proxy voting guidelines including the introduction of US-specific guidelines and updated guidelines for Japanese listed companies.
- Enhanced monitoring of potential UNGC breaches identified by third-party data providers using internal dashboards and updated review process.
- Enhancing systematic process to record and track engagement objectives using in-house research tools and more closely aligning with our materiality-mapping process.
- Reviewing all stewardship practices against the Stewardship Code, PRI assessment, and market best practices
- Expanding the scope of bi-weekly ESG and legal and compliance calls beyond ESG regulation to also include oversight of ESG data, reporting, and stewardship activities.
- Updating and expanding our Collaborative Engagement policy into an ESG Signatory and Industry standards policy designed to ensure alignment aligned with regulatory guidance updates on collaborative engagement from the US and Europe as well as introducing a periodic review and audit process conducted with LAM's legal and compliance teams(further detail in Principle 10).
- Explore options to enhance transparency with regards to global proxy voting records (further detail in Principle 12)
- Managing potential conflicts that may arise through our engagement efforts.

Principle 6: **Client and beneficiary needs**

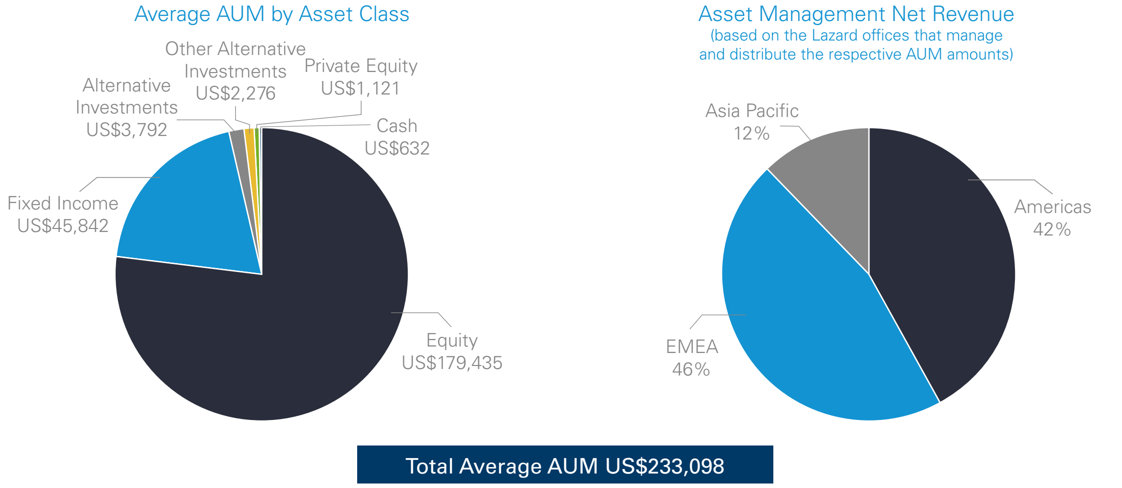
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Breakdown of Our Client Base

As disclosed in Lazard, Inc.'s annual report, approximately 85% of assets under management ("AUM") as of 31 December 2023 are managed on behalf of institutional clients, which include corporations, labour unions, public pension funds, insurance companies, and banks, and through sub-advisory relationships, the sponsors of retail funds and other products offered by registered advisors. 15% of AUM is managed on behalf of individual clients, which principally represents family offices and high net worth individuals. The top ten clients accounted for 29% of total AUM for the year ended 31 December 2023.

The charts below illustrate the mix of AUM as of 31 December 2023, measured by broad product strategy and by office location (the way data is collated on geography is by office location where client service occurs, rather than where the underlying assets are managed). Total AUM at 31 December 2023 was $247 billion. The number of investment professionals and regional offices is broken down further in Principle 1.

Assets under Management



As of 31 December 2023
Source: Lazard

Investment Time Horizons

Investment time horizons vary by strategy and client. Fundamental, long-only equity and listed infrastructure investment strategies tend to have a longer-term horizon than our quantitative equity and fixed income arbitrage products, for example. This is a reflection of the asset class characteristics as well as clients' preferences. With the majority of assets being managed in fundamental bottom-up strategies, the regular interaction with company management is an integral part of the investment process. As a result, many of LAM's investment professionals have an in-depth knowledge of individual companies and long-standing relationships with company management teams that can help to support constructive engagement and dialogue with companies.

Collecting Client Feedback

LAM has an ongoing dialogue with clients, which contributes to an in-depth understanding of their investment objectives, including their interest and expectations on stewardship activities, especially as they relate to voting and engagement. Client feedback is also sought through industry events, which are discussed in more detail later in this section. We continue to seek to enhance our client reporting capabilities, which is in part designed to systemitise our data delivery.

Aligning with Client Stewardship and Investment Policies

Products

Client collaboration has allowed for the development of products to improve alignment with client's sustainability objectives and priorities—for example by launching carbon neutral quantitative equity strategies, a gender diversity strategy, and sustainability-focused equity strategies.

Engagement

While engagement is a regular feature of our fundamental research process, from time to time, clients' own engagement priorities have also been accommodated for certain mandates.

Voting

In general disaggregating engagement and voting from the investment process prevents insights from engagement being fully incorporated into the investment decision-making process, and it limits the scope for a failed engagement to result in escalation. It is also acknowledged that some clients in these strategies may want to retain the voting rights across different funds to maintain consistency. All clients invested in our equity products are offered the ability to delegate voting authority, which is used to vote in line with our Global Proxy Voting Policy, available on the website. Clients are also offered the ability to implement their own proxy policy through LAM's platform as an additional service.

Communicating with Clients

LAM publicly discloses ESG and proxy voting policies on the LAM website, along with the annual Sustainable Investment Report, which provides details on ESG processes, research, engagement, and voting activities (see examples of these reports on page 2). Strategy-level reporting is provided directly to clients covering voting activities, research and engagement examples, and outcomes on a quarterly and ad hoc basis as well as through regular client meetings. During 2023 we completed several hundred due diligence questionnaires on ESG to help evidence how we integrate ESG into relevant portfolios and communicate any changes in policies and practices. LAM's investment professionals routinely participate in industry and client events. This provides an additional channel to both communicate stewardship activities and gather feedback from the clients that are in attendance. Several examples from 2023 are provided below:

Client Roundtable on Biodiversity Data

Members of the firm's Sustainable Investment & ESG team held an insightful talk on the challenges facing investors as the focus on biodiversity ramps up globally. They discussed whether current biodiversity data is fit for purpose for corporates and investors to analyse and assess the risks and opportunities related to nature loss, how to monitor corporate disclosure, and support early-stage company engagement. We believe understanding the biodiversity data environment matters to investors given recent developments in the area, such as the Taskforce on Nature-Related Financial Disclosures (TNFD) releasing its final disclosure recommendations and 190 institutional investors signing up to Nature Action 100, a global initiative aimed at engaging the world's most influential companies to take action on protecting and restoring nature. The accompanying research paper is included in the thought leadership section below.

Sustainability Speaker Series Event with Inevitable Policy Response (IPR)

Lazard hosted a Sustainability Speaker Series event with Jakob Thomä, Project Director at the Inevitable Policy Response (IPR) to discuss global climate policy forecasts and the implications of COP28 for corporates and investors. Alongside Lazard's Global Head of Sustainable Investment & ESG at Lazard Asset Management, and Zachery Halem, Director of the Lazard Climate Centre, the group highlighted key outcomes from COP and discussed how the IPR believes this may impact policy forecasts for investors.

Actioning Feedback Received

Client feedback on reporting and communication is constantly sought through the regular interactions conducted by sales, client servicing, and investment teams. In 2023 we expanded the range of strategies where we publish sustainability focus reports to present ESG integration and stewardship-related information and data points. We also responded to feedback requesting more timely reporting on our stewardship activities with the introduction of our inaugural Quarterly Active Ownership report, which features examples of engagements and the subsequent outcomes, significant votes, active ownership statistics, thought leadership, and each quarter we feature a different Lazard strategy to demonstrate how they integrate ESG at strategy level, which is shown below. We provided training to our client-facing staff via our Global Sales and Marketing meeting.

Active Ownership Report Example

Evidencing how our objectives are implemented each quarter

Contents

- Opening stratement and current trends
- Thought leadership—2024 Outlook
- Focus on one strategy—Japanese Equities
- Active ownership approach and statistics
- Engagement and significan vote case studies
- Industry involvement and published research

For illustrative purposes only.

Principle 7: **Stewardship, investment, and ESG integration**

Signatories systematically integrate stewardship and investment, including material environmental, social, and governance issues, and climate change, to fulfil their responsibilities.

Integrating Stewardship and Investment

LAM is committed to understanding the companies invested in through ongoing fundamental research and quantitative analysis. 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, incorporating the insights from our stewardship activities into investment decisions is a process that can support the creation of long-term value for clients and their beneficiaries. Stewardship is an integrated part of relevant investment processes and is conducted by fundamental analysts and portfolio managers. This approach seeks to have both voting and engagement decisions consistent with investment rationales. 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. It is also acknowledged that the approach to stewardship varies by asset class and investment strategy, as highlighted in the detailed case studies in the response to Principle 9. LAM's firm-wide philosophy toward stewardship is integrated within our Sustainable Investment Principles:

Principle One

Fiduciary

Our foremost responsibility is to act in the best interest of our clients, with a resolute focus on seeking to protect client capital and maximising long-term returns.

Principle Two

Holistic Research

Our investment approach is rooted in deep fundamental research, which includes analysing financially material ESG considerations as we do other fundamental factors. We do not support firm-wide exclusion policies based on screens, nor do we solely depend on external ESG ratings providers for portfolio decisions. This integrated approach provides a holistic picture of risks and opportunities.

Principle Three

Active Owners

Regular interactions with companies in client portfolios are vital to our investment process. As stewards of our clients' capital, we emphasise engagement and exercising our clients' voting rights. These responsibilities lie primarily with our investment professionals.

Principle Four

Transparency

We are committed to providing transparency into our processes and frameworks for ESG integration, evidence of where and how investment analysis is impacted by ESG considerations, and our stewardship efforts.

Monitoring ESG Risks and Opportunities through the Ownership Life Cycle

As referenced in Principle 1, proprietary Materiality Mapping supports ESG integration and is designed to provide a consistent framework across our investment platforms. Materiality Mapping helps identify and monitor ESG risks and opportunities through the ownership life cycle. This process informs the research agenda on sustainability issues and engagements on ESG issues with companies. The research agenda cuts across sectors, industries, and geographies. For example, Materiality Mapping workshops with relevant investment professionals have identified the physical impacts of climate change as being a material risk to several sectors and their supply chains, particularly those with significant physical infrastructure and fixed long-life assets, which led to research methods to layer several climate- and weather-related risks on asset-level data sets.

ESG Watchlist

The goal of the watchlist is to provide PMs and analysts timely information on securities (either held or in their investable universe) that are exposed to high ESG risk(s) based on independent third-party ESG factors. If positions are held in securities issued by companies on the ESG watchlist, the relevant PM team must document a rationale for inclusion in their portfolio which may include the PM's understanding of the relevant ESG risks, how they can be mitigated or if we think they are sufficiently priced into the security. In short, the watchlist is not an exclusion list: PM's are permitted to invest or hold positions in watchlist companies as long as there is a clear rationale.

In 2023, we further enhanced this process to improve data quality and provide more effective oversight.

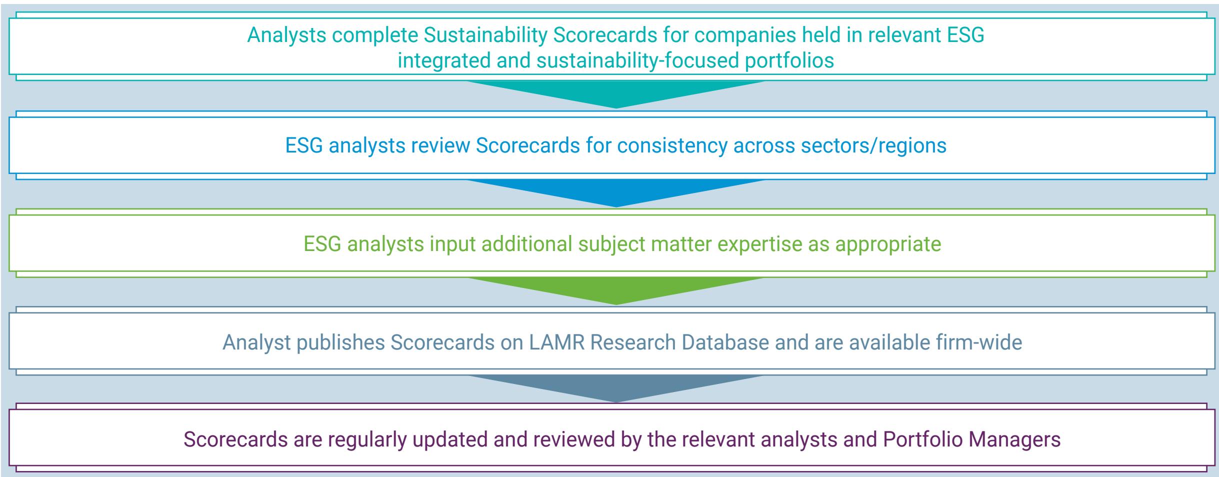
Integration of ESG Data into Assessment by Internal Risk Team

ESG parameters, such as carbon metrics and ESG risk scores, are built into the assessment of portfolio risk undertaken by LAM's risk team and shared with relevant portfolio teams, typically on a regular basis during risk meetings.

Sustainability Scorecards

In addition to the Materiality Mapping process, company-level sustainability assessments were formalised in 2020 through LAM's proprietary Sustainability Scorecards. For those professionals and teams that employ them (including those that manage Sustainability Focused portfolios and strategies), the scorecards provide a framework for assessing the materiality and company response to sustainability risks and opportunities concerning their products and operations. Scorecards are updated on an ongoing basis as new risks and opportunities are identified through our global Materiality Mapping workshops and through analyst research and interactions with the company. The process for the Sustainability Scorecards is illustrated below:

Sustainability Scorecard Process



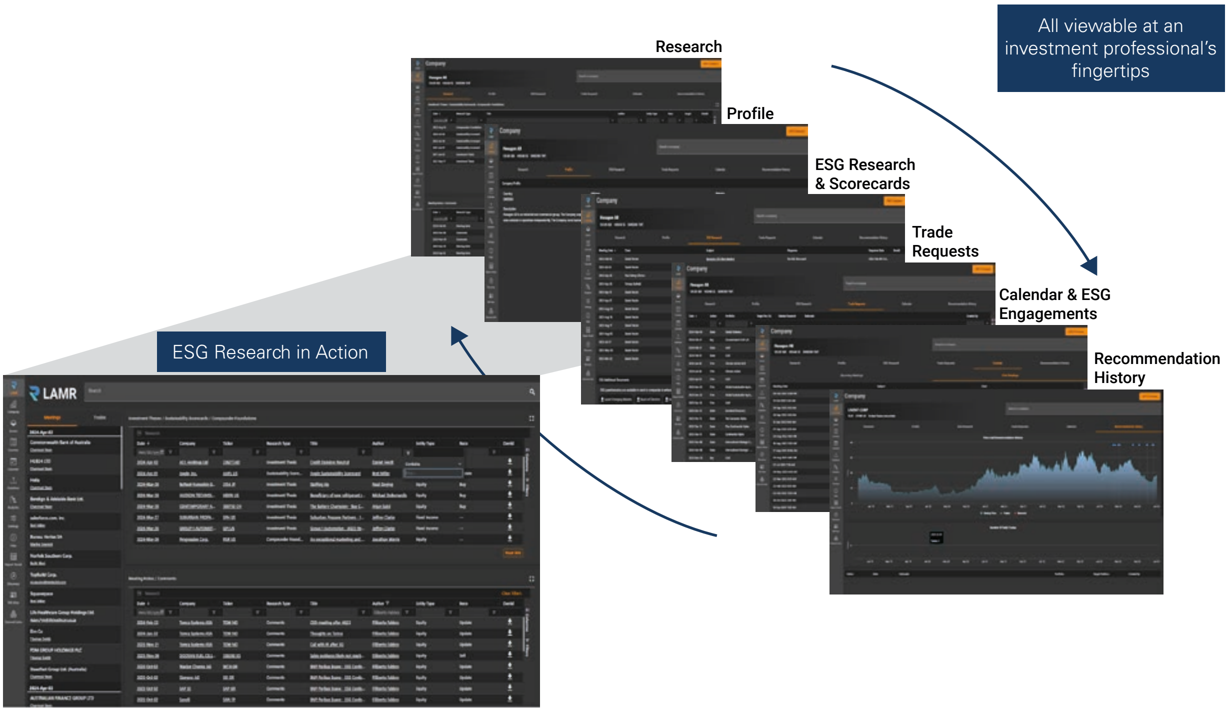
During 2023, we started building a data tool, which is linked to our materiality maps, to further support analysts with their scorecard reviews. This was designed to allow analysts to quickly review the company's historic performance as well as benchmark it against peers in one place with mostly as-reported ESG data. We provided training and sought feedback and we will continue to work in partnership with our analysts to develop this tool further in 2024.

LAMR

The Lazard Asset Management Research (LAMR) database houses analysts' investment theses (which include an ESG section), company meetings records, research notes, and engagement templates alongside the scorecards, which can be found in the ESG profile. The research shared through LAMR provides investment professionals with real-time published investment research and company updates and, where financially material, the analysis saved in LAMR includes research specific to human and natural capital as well as governance. As analysts incorporate ESG considerations into their investment thesis, they are able to record a more detailed section on human and natural capital as well as corporate governance. As well as publishing their research, investment professionals can utilize LAMR to record investment conclusions of ESG meetings and engagements with companies. The graphic below provides an overview of this internal research database:

During 2023, our Global Director of Research worked in partnership with regional Directors of Research, our technology teams, and investment professionals to launch an updated version of LAMR. These enhancements were designed to support a broader goal of making our already-strong research platform more effective, efficient, and productive.

ESG Research Shared Worldwide



For illustrative purposes only.

Applying ESG Integration across Asset Classes and Geographies

Investment professionals managing ESG Integrated and Sustianability Focused strategies and products understand that human and natural capital considerations, such as climate change and societal inequalities, can present risks and opportunities for all strategies. The degree of financial impact and the drivers of financial materiality may vary among asset classes, individual strategies, and investment time horizons. Our approach is tailored according to the asset class and style with the awareness that sustainability considerations impact risk, return, liquidity, and other investment objectives in many ways. Back in 2022, we initiated a new process to define quarterly engagement priorities with a selected number of our equity strategies to better reflect their investment process and ESG integration with their engagement priorities. See Principle 9 for more detail. Several ESG examples are provided below that illustrate the differences in ESG integration across strategies and asset classes:

Equity Strategies

US Large Cap Equity – US Sustainable Equity

The US Sustainable Equity team believes that regulators, policymakers, consumers, and investors will increasingly favour companies that that support a fairer, safer, and more sustainable future for the world's population. This is why the team seeks to identify companies positioned to capitalise on this structural shift, focusing on those whose businesses prioritise environmental stewardship, a social conscience, and good governance. Our proprietary Sustainability Scorecard helps us assess companies' financial strength (e.g. pricing power, margins, competitive advantages, reinvestment opportunities) and their relationships with stakeholders (e.g. with employees, customers, and communities) in order to identify the companies most likely to outperform. Over the course of the year, the team engaged with several of their portfolio companies on material sustainability issues, ranging from living wages to net zero initiatives, which helped them have a more informed view of the company's sustainability and financial productivity profiles. Furthermore in 2023, our Stewardship team collaborated with members of the US Equity team on how Lazard's Global Proxy Policy is applied across US listed holdings, the firm's largest market in terms of voting volumes. This work resulted in US-specific proxy voting guidelines, which we believe will help promote good governance.

ESG Integration Company Example: US Industrials Company

Greener/Sustainability Challenge

Residential and commercial buildings are the largest energy consuming sector of the US economy, responsible for approximately 40% of the nation's energy consumption, 74% of its electricity use, and 35% of its total carbon emissions. Estimates indicate roughly one-third of the energy used by buildings is wasted at a cost of $150 billion annually. With such a large amount of annual greenhouse gas emissions emanating from buildings, regulators at all levels of government are setting ever more stringent energy standards and creating energy efficiency incentives. Most recently, the Inflation Reduction Act of 2022 dedicated over $50 billion to sustainable construction and building energy use. Across the US, states are increasingly adopting Building Performance Standards (BPS), which set energy or emissions targets for existing buildings to achieve over a given time frame.

Decarbonising Commercial Buildings

The company, a leader in sustainable building envelope solutions, addresses energy use and emissions by offering energy-efficient products for commercial buildings. With 65% of its revenues from LEED-qualified products, the company is poised to meet the growing demand for green commercial buildings, expected to grow at a low-to-mid double-digit annual growth through 2030. Its energy-efficient roofing and insulation solutions contribute to a net zero future. In 2022, its insulation products saved building owners 88 million megawatt hours of energy over the product's lifetime. It aims to be net zero by 2050 by reducing operational and value chain emissions by 42% and 52% respectively. The industrials company collaborates with chemical/material suppliers to reduce upstream and downstream emissions. Additionally, it focuses on reducing construction waste entering landfills (up to 30% of all waste in landfills), with recycling and upcycling programs diverting over 700,000 tonness of waste in the past five years.

ESG Integration Company Example: US Healthcare Company

Healthier/Sustainability Challenge

The US healthcare system is one of the most complex and expensive in the world. Health spending has grown to ~17% of US GDP and is projected to continue to increase, driven in part by an ageing population. As such, policymakers are focused on reducing healthcare expenditures while preserving affordable access for the older and low-income populations. Traditional US healthcare is fee-for-service, which prioritises higher-cost reactive medicine over lower-cost preventative care. Shifting care sites, reducing administrative burden, prioritising preventative medicine, and focusing on quality of care are major methods of cost reduction.

The company is one of the largest healthcare companies globally, providing health insurance, pharmacy benefit management services, and healthcare technology. The company is also one of the largest employers of physicians in the United States. Its health insurance for seniors products have lower out-of-pocket costs compared to government-provided fee-for-service Medicare and provides supplementary health benefits to seniors aged 65+.

The company is in a unique position to innovate healthcare models, including value-based care (VBC). VBC shifts risk from insurers to physicians to move care decisions away from fee-for-service and towards preventative care, quality outcomes, and patient experience. VBC's success is based on cost of care, avoidable hospital admission reduction, and preventative screening, which can result in better enrolee experience and lower costs. It can also lead to higher margins for the healthcare company. Whilst still a relatively small portion of revenues, the company has been investing in the new model and is well positioned to rapidly advance its uptake.

International (Global ex-US) Equity

The International Equities team believes that stock returns over time are driven by the sustainability and direction of financial productivity, balanced by valuation. The objective of their approach to ESG integration is to ensure that material ESG risks and opportunities that may impact the long-term financial productivity and valuation of companies are fully assessed. This ESG integration process plays an important role in generating alpha for client portfolios. Fundamental research analysts are responsible for integrating material ESG considerations into their stock analysis, supported by the Sustainable Investment & ESG team. Together, they identify material issues through a proprietary Materiality Mapping exercise, evaluating the key issues facing specific industry groups. Below is an example of how this ESG integration process and how engagement efforts by the firm help feed into investment decision-making for relevant international equity teams.

ESG Integration Company Example: European Industrials Company

Roughly a third or more (30%–40%) of global energy use is for buildings and the biggest contributor to that is the energy required to heat and cool those buildings. Therefore, we believe any business involved in the distribution of HVAC and refrigeration equipment plays a central role in improving buildings' energy, particularly through product offerings related to low-carbon refrigeration. We also believe the company is well positioned to benefit from upcoming environmental regulations. For example, its revenues and cash flows stand to benefit from upgrades and retrofits that will be required by 2030 under new European laws.

Lazard Minerva Gender Diversity

The strategy seeks to invest in high quality companies—i.e. those that have sustainably high financial productivity—and a clear and demonstrable commitment to gender equality. The strategy's purpose is to deliver strong investment returns for our clients and to promote gender equality. The portfolio management team strongly believes that one does not have to sacrifice returns to achieve this dual objective. Their philosophy is rooted in the premise that investing in gender equality offers a significant structural opportunity for economies and societies to reach their full potential.

We take a holistic approach to DE&I research that extends far beyond female representation at senior leadership— an approach often taken by other gender lens strategies. The strategy screens for financial productivity and gender thresholds allow the investment team to narrow its investment universe to a more focused group of companies on which to concentrate our diversity research. Through our diversity due diligence, we aim to get a holistic perspective on an organisation's overall commitment to DE&I, both within and outside their organisation.

We actively engage with companies as a powerful tool to identify areas of improvement across financially material ESG considerations and accelerate the pace of change. Through engagement, we share best practices and hold management accountable. Bespoke engagement meetings are led by the portfolio management team in conjunction with LAM's global sector specialists.

ESG Integration Company Example: Emerging Markets Banking Sector Company

The company is one of the largest privately owned banks in India, with a long runway in growth for increasing financial services penetration and playing a vital role in financial inclusion in India. The company's competitive moat is its strong deposit franchise. The company supports the wider community through a variety of financial literacy programs and provides products/services for unbanked customers, many of which are women.

Diversity in Focus:

Representation

- Female representation on the Board increased from 10% on purchase to 27% in 2023
- Achieved target of 25% women in the workforce two years ahead of schedule

Policies

- Women-only branches in rural areas, improving recruitment and retention
- Introduced policies including maternity, flexible working, healthcare
- Leadership career accelerator program and "returnship" program

Amplify Impact

- Key to driving financial inclusion in India
- Financial literacy camps in rural communities
- Launched new products for underbanked consumers

Future Milestones:

✓ Progress to 2025 DE&I representation goals

✓ Link between DE&I KPIs and compensation

✓ Reduce gender pay gap

Japanese Equity

The team incorporates human and natural capital risks into stock analysis, but 2023 saw an increased focus on governance in light of corporate governance reforms. The team believes that enhanced governance is directly correlated with a company's cost of capital in most cases. By improving governance, a firm can reduce its cost of capital and increase its equity value. In 2023, the Tokyo Stock Exchange (TSE) grabbed investor attention by introducing a series of policy initiatives aimed at holding corporate leadership to higher standards. We believe this is a positive shift that will drive value creation in the years to come, as our research suggests that board composition and diversity can lead to improvements in capital allocation, capital structure, and cost of capital. In this respect, we believe Japan must concentrate on improving director independence and female representation, two areas where it currently lags behind other developed markets. Over time, our hope and expectation is to see more independent boards with more female representation as well as more foreign representation, particularly in the case of multinational corporations. Given the nuances of corporate governance in Japan, we have used country-level proxy voting guidelines in its voting policy for over a decade. In 2023, we made several enhancements to these guidelines to support our engagement efforts with Japanese companies.

Climate Action

The Lazard Climate Action strategy aims to capitalise on opportunities created by the transition to a low-carbon economy by investing in companies across the entire range of climate solutions. The team focuses on leading and innovative companies in both developed and emerging markets that have material and/or rapidly growing exposure to positive climate change actions—whether through mitigation or adaptation—and selects opportunities based on the quality of fundamentals and upside potential. Despite temporary headwinds, climate-related investments reached all-time highs in the first half of 2023, signalling a strong long-term growth potential for clean energy stocks, which make up a large portion of the climate action investable universe. The Lazard Climate Action team has been focused on seeking to capitalise on the attractive opportunities presented by the clean tech sell-off, as the investment team believes the secular growth drivers in the climate action space are not fully reflected in today's valuations.

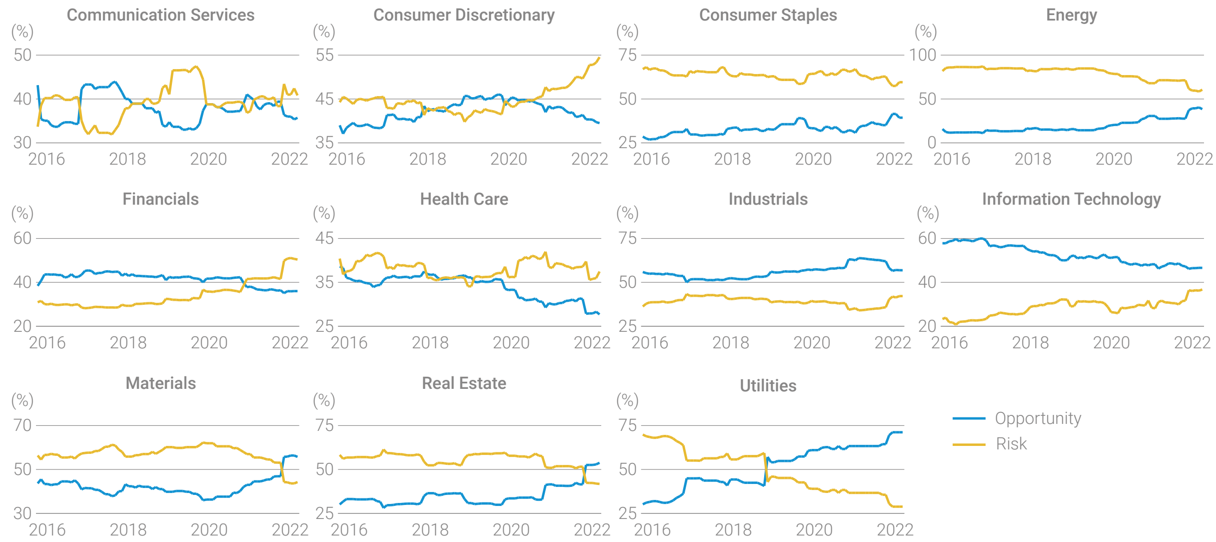
Quantitative Strategies

Advantage Quantitative Equity

The Advantage Quantitative Equity team has developed a proprietary ESG scoring model that is designed to assess a given company's sustainability profile using four pillars. Three of these—Natural Capital, Human Capital, Governance—are used to assess operational risk. The fourth—Product—looks at the impact of a company's goods and/or services on society and the planet. During 2023, the team enhanced their process driven by the view that irrespective of industry, all companies face a wave of technological innovations that will create opportunities as well as costs—opportunities that their competitors may be the first to exploit. During 2023, our quantitative equity team applied natural language processing techniques to companies' annual reports to extract an objective measure of corporate attitudes towards the transition. The Exhibit overleaf shows the results for each sector based on US company constituents. Companies making misleading claims about their environmental impact expose themselves to potential litigation and reputational damage. Our forward-looking quantitative research is designed to allow us to have a more objective measure of greenwashing risk. This is calculated by comparing companies' promises in regulatory filings to real actions concerning their carbon footprint. Companies with large gaps between what they say versus what they do are deemed to be at high risk of greenwashing. As illustrated by the graph overleaf.

Also see our paper, Introducing the Lazard Quantitative Equity Sustainability Framework.

Company Discussions of the Climate Transition



As at 30 June 2022
Source: Lazard, 10-k filings

Alternative Strategies

Convertible Arbitrage (LAM's "Rathmore" Strategy)

The Rathmore team, in its convertible arbitrage strategy, employs a multifaceted approach to ESG integration, centred on direct, issuer-level engagements in the strategy's investment universe, designed to:

1. Better understand an individual issuer's approach to ESG (current, short term, and long term)
2. More accurately assess ESG risks and opportunities at the issuer level
3. Promote accountability and meaningful change.

The direct relationships cultivated with issuers in its investment universe over many years has facilitated the team's active, integrated approach to ESG analysis. In addition to discussing differentiated ways for issuers to enhance their capital structures, these conversations now include a detailed review of an issuer's current ESG risk rating (including any material issues identified by Sustainalytics) as well as an issuer's broad-based outlook on ESG and long-term plans for expanding its current approach.

Lazard Sustainable Private Infrastructure

Platform for investment in UK distributed energy

To date, the decarbonisation of energy has to date occurred largely by building utility-scale renewables (offshore and onshore wind, large solar farms) but this segment of the market has been saturated with capital, compressing investment returns, and has seen an increase in exposure to merchant power prices, increasing volatility. We have identified energy generation that is uncorrelated, distributed, and local as an attractive investment opportunity—we have targeted the UK due to its established government subsidies, availability of long-term contracted revenues, fragmented market, and an ecosystem which supports a wide range of technologies for renewable energy. In seeking to capture this opportunity, we have created New Regions Energy with the aim to grow it into a leading UK distributed energy platform, with two initial assets being a rooftop solar developer and owner and a biogas plant showcasing the vision for the platform. The platform aims for:

- Diversified and complementary cash flows—"all-weather" resilience
- Inflation-protected investment returns
- Cash flows backed by government subsidies or long-term contracts
- Low technology obsolescence risk—focus only on "low-tech" assets.

ESG Integration Example

Investment in a Rooftop Solar Developer

In September, the fund—through New Regions Energy Platform—acquired a 50% stake in a rooftop solar developer. Think commercial solar power and many people envision a giant solar farm dominating a rural landscape in warm climes, not a rooftop installation in a town centre in northern England. But this developer and owner of rooftop solar PV projects for UK commercial and industrial clients is providing a rather smaller, more local dimension to the renewable energy revolution, putting the emphasis on "behind the meter" energy generation and consumption. A local college, nestled in the heart of the former mill town in northwest England, is one of several operational projects developed and owned by the company. In partnership with the company, the further education establishment has installed a rooftop solar PV system that is expected to cut its carbon emissions by approximately 48 tonnes per year and reduce its annual electricity costs by over £80,000. Through rooftop solar projects such as this, the company produces renewable electricity that it distributes through private wire or localised grids, with the company aiming to deliver more than £50 million of invested capital in high-quality solar projects over the next five years.

Fixed Income Strategies

Global Convertibles

LAM also offers a long-only Global Convertibles investment platform. This team's analysis of ESG criteria for each company in its investment universe is an integral part of their convertible bond portfolio management process. Each investment thesis produced by the team includes specific analysis on ESG using a Sustainability Scorecard. This Scorecard is split into two components (Products and Operations) and eight criteria (Products/Services, Employees, Community, Supply Chain, Customers, Resource Intensity, Resource Management, and Governance). The strategy's portfolio management team relies on company reports, extra-financial sources, discussion with company management, and data from our ESG data provider to determine a rationale and a proprietary score ranging from -5 to +5 on an absolute basis for each criterion. Additionally, the team uses LAM's Materiality Mapping process to assign materiality of such criteria to the company according to its sector.

Global Fixed Income

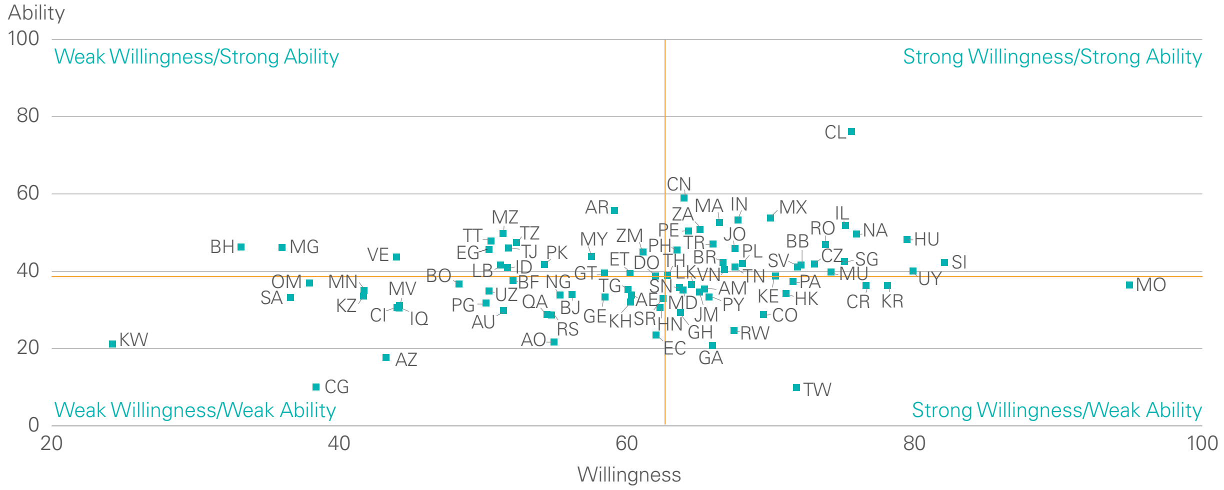
With growing concerns about climate change pressuring corporate and government issuers to reduce their carbon footprints, our Global Fixed Income team believes that a thematic approach to sustainable investing will add value from both an opportunistic and defensive perspective.

Evaluating environmental factors can, in this team's view, be critical in assessing social and governance factors. As of 2023, the team now has over 40% of capital invested in bonds labelled green, social, and sustainable in the global fixed income strategies and have been investing in these "use-of-proceeds" bonds since 2015. The Global Fixed Income team collaborates with LAM equity analysts for engagement with corporates, leveraging LAM's proprietary framework for ESG analysis and Materiality Mapping.

Emerging Markets Debt

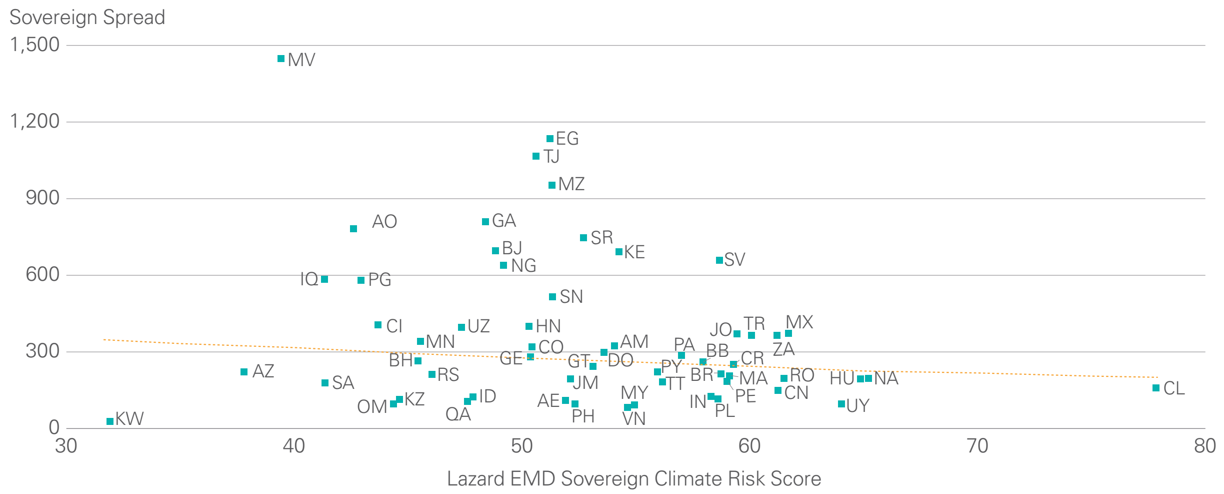
The Emerging Markets Debt team utilises a proprietary sovereign climate risk model that assesses each country in three categories: willingness to transition to net zero carbon emissions (e.g. its climate-related policies); ability to transition (e.g. the quality and abundance of natural resources available to support these efforts); and vulnerability to climate change (e.g. its ability to adapt to or mitigate climate-related risks). Data are adjusted by a three-year trailing factor (where available), and scores ranging from zero to 100 result from an aggregated percentile ranking of each equally weighted indicator; the model also generates individual scores for each indicator and for each of the three pillars of willingness, ability, and vulnerability. These scores are designed to supplement the research process across relevant strategies and to help us understand how climate risk could impact sovereign credit quality. This process helps us monitor risk over time, and to identify specific countries, like Chile, that we believe are well positioned to confront the energy transition versus others, like Kuwait and the Republic of Congo, which we think could potentially face greater challenges (Exhibit 1). Interestingly, we see no correlation between sovereign risk spreads and sovereign climate risk scores (Exhibit 2). Our current analysis suggests that markets may be more focused on short-term energy security and high oil prices, rather than on longer-term energy transition or environmental considerations.

Exhibit 1: Sovereign Willingness vs. Ability to Transition



As at 8 November 2023. For illustrative purposes only.
Source: Lazard

Exhibit 2: No Correlation Found between Sovereign Spreads and Sovereign Climate Risk Scores



As at 8 November 2023. For illustrative purposes only. Note: Country subindex spreads from the JP Morgan Emerging Market Bond Index Global Diversified (EMBIGD) Index. Distressed credits, defined as countries with spreads exceeding 1,500 basis points, are excluded.
Source: Lazard

Whilst there are distinct ESG integration approaches at the strategy or asset class level as shown above, some integration and stewardship activities encompass multiple strategies within the same investment platform. For example:

US Equity Platform

In 2021 LAM initiated the "LAM CEO Series" to foster more corporate engagement with the firm's largest holdings. The CEO Series hosts deep-dive conversations between selected CEOs of publicly traded companies with key LAM investment professionals, fostering cross-collaboration between sectors and specialties. Each session is a bilateral discussion whereby we provide the visiting CEO insight into the LAM team and how we work together to approach and assess companies in which we invest. At the same time, participating investment professionals are able to engage across different industries, discover diverse learnings, and apply those insights to contrast sectors and scenarios. Where appropriate, we incorporate discussion of relevant sustainability issues, including but not limited to environmental-related considerations that we believe have a financially material impact.

In 2023, we hosted a further 11 CEO's, including ConocoPhillips, Thermo Fisher, and American Express. This took the total number of meetings to 55 since the initiative launch. Participating investment professionals conducted follow-up discussions, allowing for cross-sectoral debate and comparisons. Learnings were discussed amongst investment professionals to foster sharing of best practice across sectors, companies, and management teams. Feedback was also collected from the presenting CEOs. We understood the meetings to be mutually beneficial, providing insight to company management teams regarding how LAM operates as a firm and to understand more about its ESG integration and stewardship activities.

How Stewardship Activities Inform Investment Decisions

As active managers, insights from our fundamental engagements are incorporated into investment decisions, which we believe will further enhance long-term value for clients and beneficiaries. This approach is integrated into our applicable fundamental research efforts, which drives decisions to engage with a company on ESG matters. Stewardship activities can inform investment decisions in a number of ways. 2023 marked the first full year where we applied and tracked interactions with company management under our updated engagement definitions. At the heart of this new definition is the recognition that engagement can either be a form of due diligence, gaining a deeper understanding of which human and natural capital issues are financially material to a company, and how they are responding to these, or an engagement with a tangible outcome. This can be either:

1. Investment outcome where there can be a change to our investment view, including valuation, or voting decision.

OR

2. Observable change/improvement in company or issuer practices that support real-world outcomes

As outlined in the opening statement from our CEO, this new tracking allowed us to identify that of the 4,000+ company meetings hosted by our investment professionals in 2023—with nearly a third being ESG due diligence and in a minority of cases where we could determine a tangible outcome—we found that nearly 200 of our engagements were indeed factored into the investment decision-making process or related to real-world outcomes.

Further detail is provided in Principle 9.

Principle 8: **Monitoring managers and service providers**

Signatories monitor and hold managers and/or service providers to account.

Monitoring Service Providers

As discussed in Principle 2, several third-party data sets are used to provide investment teams with a wide variety of environmental, social, and governance data points. LAM's Sustainable Investment & ESG team is responsible for meeting with and monitoring ESG data providers to ensure that the firm's relevant investment teams have access to relevant data sets.

Some data solutions have also been built in-house. For example, as referenced in Principle 4, a proprietary Net Zero Framework was developed in 2021 to support net zero-committed portfolios in the modelling of carbon emissions for corporates on a proprietary basis rather than relying solely on data from a third-party provider. This continues to be refined and updated. For example, in 2023, we made the following enhancements:

- **Developed vs. Emerging markets**: Distinguished between developed and developing markets and set a different alignment threshold for emerging markets to accommodate the Paris Agreement's "common but differentiated responsibility and respective capabilities" to reflect both a different policy environment and positive role that emerging markets can have on climate transition. Please see our research papers "The Challenges of Emerging Markets Net Zero Investing " and "The Overlooked Building Blocks of the Energy Transition" for more detail.
- **Backward- vs. forward-looking data**: Another enhancement we made was to seek to address the balance in past- versus forward-looking data by onboarding new forward-looking low carbon transition data.
- **Accessibility**: We enhanced the accessibility of all our net zero data, including our proprietary Climate Alignment Assessment within a portfolio-level data tool used by investment professionals within Lazard.

LAM's Head of Proxy Operations, alongside members of the Legal and Compliance Team, the Global Stewardship Committee, and other relevant stakeholders, conducts regular due diligence of our proxy voting research and other data providers. In 2023, this included meetings with ISS and Glass Lewis. Please refer to Principle 2 for further details. We also participate in the ISS questionnaire that informs the upcoming benchmark policy template, from which our own custom policy is based. LAM recognises that the ESG data and ratings space is evolving quickly and as such conducts regular assessments of the quality of current providers as well as considers new data providers to ensure we meet the needs of our clients and future regulation.

In 2023, LAM conducted several reviews of third-party data services, including:

- A further review of our vendors and primary sources of data for certain data elements.
- Automated the process of acquiring PAI and EU Taxonomy data from an external vendor.
- Assessed solutions for climate scenario analysis and biodiversity data but concluded that current available solutions have varied outputs and/or data quality issues.

Engaging with Service Providers

LAM has an ongoing dialogue with service providers to communicate firm-wide expectations and provide feedback. When inaccuracies or concerns about research or data quality are identified in the provision of research or data, direct engagement with the service provider is undertaken, which can help to improve the service provided back to us and other clients. For example, regular calls with our proxy advisor are scheduled, and frequent interactions with ESG data providers are carried out. This allows the opportunity to provide feedback and highlight errors where they occur. The Sustainable Investment & ESG team and investment professionals work together with the service providers to illustrate a mistake and update the reports accordingly. In 2023, this included examples such as:

- Engaging with one of our ESG data providers where an environmental data point was not accurately reflected within the reports.
- Through detailed review we identified that one data vendor was providing two conflicting data feeds on the same topic of ESG controversies. Once we had identified this error, we contacted the vendor to alert them and worked with them to fix the issue.
- Drawing on our fundamental research and in-depth knowledge of individual companies and relevant compensation practices we were able to highlight multiple incorrect data points relating to executive compensation as reported by one of our data vendors.
- We host a weekly call with our proxy advisor and research quality and/or errors are sometimes raised as part of this call. An example includes updates to national regulations that were not reflected in research or benchmark policy.
- In-depth discussions on the process to assess controversial weapons exposure as identified by a third-party vendor and ultimately deciding the company was incorrectly flagged for exposure.

These examples illustrate the only ongoing due diligence that is possible where we leverage the in-depth company knowledge that our investment professionals have. Feedback on a range of other issues has also been shared, such as the accuracy of third-party analysis, the ability for companies to fact check proxy research, selecting relevant peer groups, and timeliness of research ahead of company annual general meetings.

We also continued a series of monthly calls with one of our primary ESG research providers to discuss changes and improvements to our existing products.

Principle 9: **Engagement**

Signatories engage with issuers to maintain or enhance the value of assets.

As outlined within the Sustainable Investment & ESG Integration Policy, LAM is committed to ongoing due diligence on the companies and securities held in client portfolios. The fundamentally driven investment teams seek to build constructive relationships with senior management representatives, to share our views when given the opportunity, and to support companies undertaking positive changes. As outlined earlier in the report, as active managers, we endeavour to continuously incorporate the insights from stewardship activities into investment decisions, and vice versa, to enhance long-term value for clients and their beneficiaries.

We have a long legacy in engaging with our companies. Empowered by an average of 20 years' industry experience, our investment professionals have long-standing relationships and deep knowledge of the companies we invest in. We believe that our investment professionals are the most relevant stewards to engage with company management and make the final decision on how to vote at company annual general meetings (AGMs). Our stewardship approach seeks to align both engagement and proxy voting, with investment decision-making at the heart of these interactions. Although our dedicated stewardship and ESG specialists work in collaboration with our investment professionals, they are not a siloed function to which decisions are outsourced. In 2023, we clearly defined our overarching stewardship goals, with engagement playing a key role in the progress, against objectives one and two:

1. Demonstrate the value of fundamental research (including engagement) and its influence on voting decisions.
2. Evidence high-quality, outcome-oriented engagements that either influence our investment decision-making and/or drive real-world outcomes.

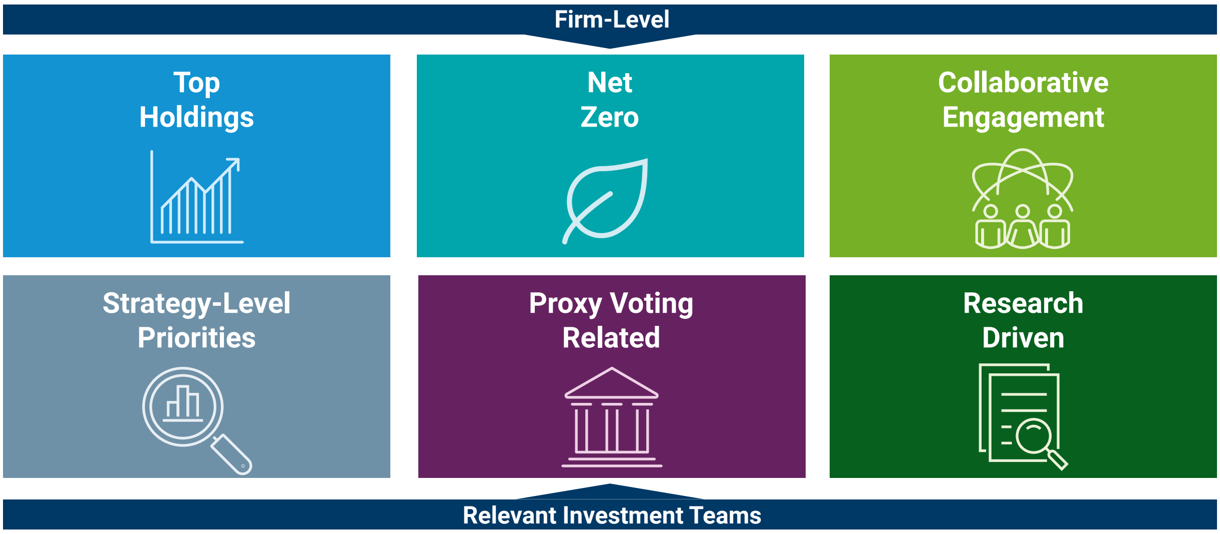
Below we detail the processes and procedures implemented to help us achieve these objectives during 2023.

Prioritising Engagements

Engagement is an integral part of LAM's investment process for ESG-integrated portfolios. As a firm we typically have participated in over 4,000 company meetings globally per year, with over a quarter of these including some level of discussion around material sustainability topics. Investment professionals conduct meetings with company management as a regular part of the research process and to better understand how companies are deploying their capital and conducting their business operations. The prioritisation of the engagement is intended to reflect both the materiality of the issue and the significance of the security within a given portfolio. During 2022 we developed a new framework to bring together some of our long-standing processes that drive engagement to more clearly articulate how we prioritise which companies to engage with and why. This is a balance of firm-level engagement priorities agreed to by our Global Stewardship committee, specifically Climate Change, Diversity, and Executive Compensation, with the ESG integration that happens at a strategy and investment platform level. This balance of top-down and bottom-up prioritisation process is illustrated by the graphic on the next page.

- Top holdings focus on where our clients collectively have high exposure to individual companies; they are then screened against a list of ESG metrics and a refined list discussed with sector analysts to agree to potential engagement candidates.
- Net Zero priorities help to ensure we target engagement with companies in designated net zero aligned portfolios that have the most material risks related to climate change, or are the highest emitters, or have poor transparency related to disclosure and transparency as outlined in our white paper discussed in Principle 4.
- Collaborative engagement has been an area where we have introduced a policy to help ensure we are selective in joining engagements that can add the most value to our investment decision-making process and raise industry standards. See Principle 10 for more detail.
- Strategy-level priorities align engagement priorities with the individual ESG integration approach of relevant strategies.
- Proxy voting-related engagement typically aligns with the pre- and post-proxy season discussions and is an area where there is a higher number of proactive requests from companies seeking our views compared to other forms of engagement. Proactive engagement is also undertaken.
- Research-driven engagement captures engagements resulting from our fundamental research process, whether it's reacting to negative news flow and potential controversies or monitoring emerging trends within our existing holdings. In 2022, LAM developed a controversies framework to assess a company's responsibility, response, and remediation. This process is typically driven by our relevant investment professionals.

Engagement Priorities across Relevant Portfolios



For illustrative purposes only.

Once an engagement has been undertaken, either face-to-face, by conference call, letter, or email, the sector analysts and portfolio managers are expected to record this by responding to an automated email sent after every company meeting registered on LAM's Research Database. Through this database, the investment professionals can share, in real time, the investment conclusions of company meetings with their colleagues worldwide. This helps to ensure all analysts and investment professionals can incorporate this information into their view on a company.

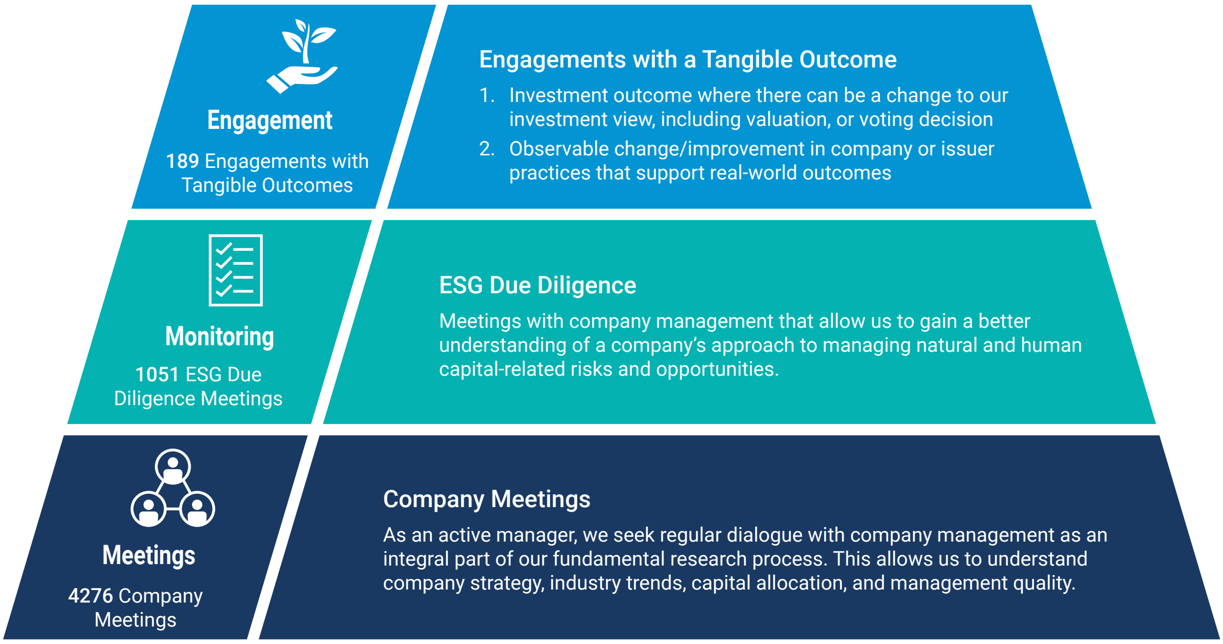
Engagement Objectives for Integrated Portfolios

Historically, we maintained two overarching engagement objectives: either information gathering for informed decision-making or purposeful engagement where we may add value for our clients. To ensure we are accountable to our clients, in 2022 we developed new engagement definitions. We believe the revised criteria supports client and regulatory reporting as expectations around evidencing the level and depth of engagement activities grows over time. 2023 marked the first full year of collecting data using the new definitions.

Our objective was to more effectively track both engagement objectives and outcomes, allowing us to measure our engagement effectiveness. Effectiveness can be measured by a tangible outcome. As an active manager driven by fundamental research, we are assessing sustainability through the lens of pricing externalities to understand financial risk and opportunities. This requires us to translate our engagements so that they're meaningful to our investment process as active managers. If an engagement doesn't result in a tangible outcome, then we label it as due diligence. A tangible outcome is where learnings from an engagement led to a potential change to our investment decision-making process, for example: a change to an investment thesis, change to valuation, informing our proxy voting decisions, feeding into sustainability scorecards, or other investment-focused metric.

Our current definitions are illustrated by the graphic below:

Our Approach to Active Ownership



For illustrative purposes only.

These types of engagements may also lead to an influencing engagement where we can identify a missed opportunity or risk that hasn't been adequately addressed. This is where we define a specific objective around something we want a company to do differently. It is our view that it is challenging to credibly measure the extent to which investor engagement has influenced changes in company practice, given that an investor won't have full transparency on the visibility into the range of stakeholder engagements that an individual corporate is involved in at any one time. However, we believe that investors can evidence how an engagement has impacted their own investment process, or measure whether a requested change has occurred, regardless of how many other stakeholders may have been requesting the same change.

In consultation with relevant stakeholders across our firm, our new definitions were approved by our Global Stewardship Committee in Q3 2022. We commenced a new tracking system via our centralised research system, LAMR, in Q4 2022. 2023 marked the first full 12 months of collecting engagement outcomes.

ESG Engagement Case Studies

Net Zero engagement priority: Banco do Brasil – Emerging Markets Equity

We met with management to discuss the bank's exposure to climate change's physical risks, considering their 51% market share in domestic agriculture lending, and to address deforestation and traceability. The bank employs 200 technical professionals assisting agriculture clients with financial services and best practices. By leveraging a weather database and satellite data the company can make climate risk assessments and understand the likelihood of more severe and frequent weather events.

To manage climate risks, the bank works with clients on insurance, monitors weather changes, assists with harvest financing, and helps access climate-resilient seeds and improved water preservation techniques. A segregated team conducts risk assessments based on ESG guidelines. The discussion allowed us to understand their climate risk monitoring, but further questions remain.

Outcome

We made specific requests for change and plan to follow up with the company to discuss risk assessments, monitoring, and tools used in credit lending processes for agriculture clients, requesting evidence of their effectiveness.

Strategy-level engagement: Hexagon – Global Thematic Equity, Global Sustainable Equity, International Equity

We proactively engaged with the company management to address concerns raised in a short-seller report about transparency, governance, and conflicts of interest, and determine if a change in our investment strategy is needed. We engaged directly with the company on four occasions and participated in industry conferences and group investor calls. In our meetings with the Investor Relations, CEO, Chairman, and Chair of the Nominations Committee, we discussed potential conflicts of interest between the company and the Chairman's investment business, concerns about the lack of disclosure, including the rationale for mergers and acquisitions and their alignment with the company's strategy, as well as board independence and the replacement of three Non-Executive Directors who stepped down before the Annual General Meeting (AGM). We consistently followed up with the company to encourage enhanced disclosure and rebuilding trust in corporate governance.

Outcome

We made specific requests for change and updated our investment thesis based on the findings from our engagements. Although we acknowledge that improvements are needed, we believe that the market has overly discounted the stock. We are encouraged by the management's commitment to strengthening both disclosure and governance moving forward, so our investment view remains the same.

Proxy voting-related engagement: Japanese Retailer – Japan Equity and International Equity

In one example of the changing corporate environment in Japan, an activist investor ramped up its campaign against a Japanese retailer and operator of convenience stores globally. Ahead of the AGM, leading proxy advisors announced full support for the activist investor and recommended shareholders vote against three incumbent directors, including the CEO. The activist demanded the company divest from a low-profit-making division. After meeting both the activist and the company, we analysed the proposals and decided to support the company on most of them. We engaged on this issue with both parties by considering the concept of "Best Owner", which was re-introduced in Japan by the Japanese Ministry for Economic Trade & Industry (METI).

Outcome

The activist-nominated candidates received support from a third of shareholders, with an equal proportion of votes against the existing management team. As a result, the company has renewed focus on the growth strategy of the business division in question as well as generating stronger shareholder returns going forward.

Proxy voting-related engagement priority: Disney - Global Thematic Equity and US Equity

During 2023 our sector specialist and members of the ESG team met with Investor Relations to discuss:

- Corporate governance changes, in particular on CEO succession following the return of the former CEO amidst an activist campaign and challenges at the company
- Previous requests we had made of the company to provide more transparency on how it manages employee retention and competitive pay

The company previously separated the CEO and Chair roles but faced challenges, leading to management changes and the former CEO's return. They discussed lessons learned from this succession experience and their new approach moving forward, including the establishment of a separate succession planning committee consisting of non-executive directors with CEO experience. We requested clear succession timelines be communicated to the market. Additionally, we addressed wage pressures in a division employing seasonal workers and discussed attracting and retaining employees amidst increased scrutiny over low pay. In prior engagements, we sought specific reporting changes on employee retention, and the company confirmed this disclosure would be included in their 2024 sustainability disclosures.

Outcome

These insights will inform our analysis ahead of the AGM and voting decisions, whilst progress on employee policies, retention, and implementing our requested changes resulted in an improved management score for employees in the sector analyst's sustainability scorecard review.

Strategy-level priority – Compass - International Equity, European Equity, and Quantitative Equity

Our consumer analyst met with the CEO, CFO, and IR of this multinational consumer discretionary company for the seventh time this year, continuing our long-term dialogue. The meeting focused on senior management succession planning, client demand for high sustainability standards, and supply chain resilience. We were encouraged by the board's succession plans, showcasing a strong executive talent pipeline developed over time. Clients increasingly demand adherence to their supplier standards, covering various sustainability requirements. The company views robust net zero credentials as a commercial imperative to meet client expectations, regulatory requirements, and drive new business. We also discussed the company's supply chain resilience after the COVID-19 pandemic disruption.

Outcome

This meeting reinforced our confidence in the sustainability of growth and returns, effective management of stakeholder risks, and adaptability to evolving client demands, prompting us to increase our position in one of our equity portfolios.

Strategy-level engagement priority: Arcadium Lithium – US Sustainable Equity

After the company published its sustainability report, we sought clarification on risks and trends, focusing on lithium hydroxide implications in battery exports from China due to stricter Uyghur Forced Labor Prevention Act (UFLPA) enforcement and the weakening environmental performance amidst production ramp-up. The company audits its upstream supply chain for UFLPA compliance and works on reducing water, energy, and emissions intensity whilst prioritising expansion and lithium production. They collaborate with municipal and renewable energy providers to decrease energy intensity and use closed-loop systems for water conservation. Committed to carbon neutrality by 2040, they aim for a 30% reduction in greenhouse gas emissions by 2030 but will re-baseline targets after a merger. Independent studies on mining operations, watershed use, and social impact are conducted by third parties.

Outcome

The meeting increased our confidence in the management's ability to handle regulatory risks and improve mining operations' sustainability. We will monitor progress after the planned merger.

Ongoing Dialogue by Relevant Investment Professionals

We believe our relevant portfolio managers and analysts are well positioned to evaluate the potential impact that ESG issues have on the sustainability of financial returns and long-term shareholder value. As such, engagement activities are the responsibility of investment professionals and are not delegated to stewardship specialists and separate meetings. This is an important differentiator, and we believe the most effective shareholder engagement is undertaken by the investment professionals who can act upon the information that arises from the dialogues.

For equities, engagement is led by the investment professionals that own the companies in the portfolios they manage. As active managers, we can fully incorporate the insights from our engagement into investment decisions as necessary and appropriate, further enhancing long-term value for clients and beneficiaries.

LAM's relevant fixed income investment professionals may engage with both sovereign and corporate debt issuers to better understand risks and opportunities. In addition to arranging their own meetings, fixed income investment professionals may also participate in meetings with management arranged by LAM's global equity investment professionals. Regular meetings with management enable investment professionals to further understand a company's business models, financial projections, ESG issues, and stress scenarios, as well as stay current on economic and financial conditions.

Methods of Engagement

A range of different methods to engage with our investee companies are used: in-person meetings, conference calls, group meetings, conferences, site visits, and written correspondence, as appropriate. The volume of meetings is currently tracked, but the engagement methods are not yet systematically tracked. This is something we will consider as we evolve the systems used to record stewardship activity. Engagements may happen before we invest in a company as well as through our ownership as part of ongoing monitoring or influencing change. Engagement meetings can involve different company representatives, from board members and senior management to investor relations and sustainability specialists. As outlined in Principle 1, as an active manager, we believe that stewardship is fundamental to understanding the companies we invest in, and it's part of our objective to persuade companies to adapt where we identify financially material risks and opportunities.

Engaging across Different Geographies and Asset Classes

Engagement is primarily driven by LAM's fundamental research sector analysts and the portfolio managers for our fundamentally driven investment strategies. Their engagement insights and objectives are shared through LAM's research database, LAMR, which is broadly accessible by our global professionals. In addition to the equity examples above, we also conducted engagement across our sovereign debt holdings during the year.

Case study: Fixed Income– Emerging Markets Sovereign Debt Issuer

Engagement with governments through fixed income investing is more challenging and therefore more limited in scope and frequency. However, in 2023 we did engage directly with sovereign issuers, including one in South America.

The primary aim of the engagement was to discuss and understand the country's sovereign sustainable bond framework, which is designed to finance a wide array of green and social projects. The meeting also sought to comprehend how the government intends to integrate this initiative into the broader financial landscape by establishing a sustainable benchmark yield curve for corporate bond issuances.

The comprehensive dialogue addressed the sovereign's sustainability framework, eligible projects, and monitoring mechanisms, as well as the country's Ecological Transformation Plan, alignment with the United Nations Framework Convention on Climate Change, and ambitious environmental targets within its Nationally Determined Contributions (NDCs). The country pledged to issue a sustainable bond by 2023, overseen by the Sovereign Sustainable Finance Committee (CFSS), prioritising green projects with specific allocation details and disbursement periods announced before each issuance. Concurrently, regulatory developments, including a cap-and-trade emissions scheme and carbon tax discussions, are progressing toward resolution by year-end.

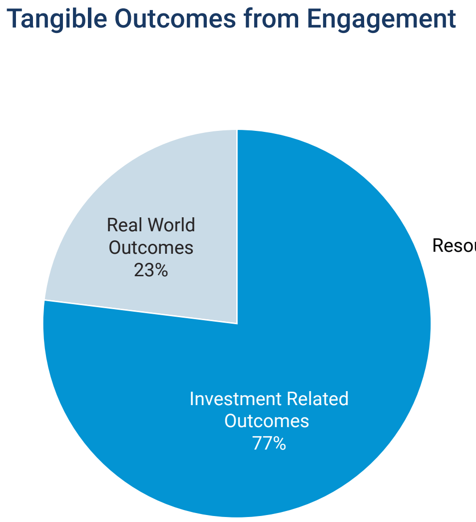
Outcome

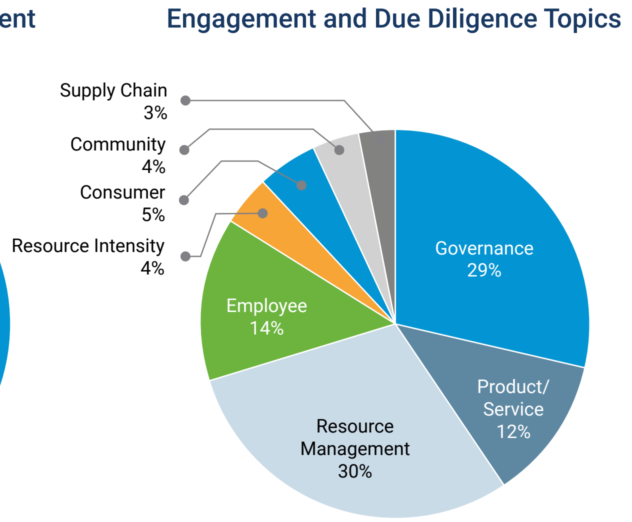
We will plan to continue monitoring the framework and await the regulatory developments.

Engagement Outcomes

The majority of our investment professionals record their engagements on our centralised research database, LAMR. Over the past few years, we have built additional functionality into LAMR so that any company meeting where an ESG topic has been raised and tagged can be better tracked as part of engagement monitoring. Most recently, we enhanced our tracking to align with the Materiality Mapping topics as discussed above. These changes were implemented in 2023 and are designed to allow us to provide a feedback loop for the Materiality Mapping process and provide data on new emerging engagement topics. As highlighted above, 2023 marked the first full year of tracking engagement outcomes, which are illustrated in the graph below:

2023 Engagement Highlights





Source: Lazard

We believe the revised criteria will also support client and regulatory reporting as expectations around evidencing the level and depth of engagement activities grow over time. We will continue to explore options to further strengthen our engagement tracking capabilities in the future. Further to the statistics above, a case study of an investment-related outcome is detailed below:

Case study on engagement outcomes: Emerging Markets Automobile Manufacturer – Emerging Markets Equity

Topic – Corporate governance practices

Our Emerging Markets platform and ESG team met with the company's Independent Board Director and Investor Relations (IR) team to discuss sustainability milestones, addressing corporate governance concerns and improvements, and exploring the company's overall business strategy. Key milestones included increased board diversity of expertise, enhanced on-site management for independent directors, higher share cancellation amounts, and growing focus on ESG at the board level. The Independent Board director noted a shift in the influence of the Board of Directors across Korean corporates, leading to more substantive discussions and involvement in decision-making. Gender diversity was also discussed, with the company seeking suitable female candidates with relevant experience for its board.

Outcome

While acknowledging progress, we identified opportunities to improve governance, such as the compensation committee's lack of independence and perceived Chairman's power. The company plans to make the committee fully independent and consider amending the Board's by-laws for audit committee independence.

Future milestones established and communicated to the company include:

- Considering updating the Board's by-laws to require a fully independent Audit Committee, with the director consulting the Board and the company's legal advisors.
- Continuously monitoring and engaging on the compensation committee's independence and influence over management compensation, ensuring sufficient board independence.

Principle 10: **Collaboration**

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Evolving Our Approach to Collaboration

Generally, engagement activities are conducted through one-on-one meetings with company management and the Board of Directors, as we can act independently on issues that we have identified. We often mix discussion of stewardship and financially material sustainability issues with proprietary insight into a company's business performance and financial health—in other words, insights that we regard as commercially sensitive in nature. However, as stated in our previous reports, collaborative engagement was identified as an area of weakness through both the independent review conducted by an external consultant and benchmarking against the UK Stewardship Code. We acknowledge that client expectations are shifting, and some are supportive of industry-wide engagements and the view that this may be influential through consistent messaging and representation of a larger shareholding. We note that collaborative engagement can also offer a type of escalation where direct engagement may not have resulted in the desired outcome.

In 2022 the firm's Stewardship Committee reviewed stakeholder views and effectiveness of collaborative engagement and formalised a policy to help identify the most constructive collaborative opportunities where we believe there is a material risk (or opportunity) that may have not been addressed by a company or industry. During 2023 we completed an annual review and worked with our legal and compliance teams to assess new guidance from SEC and FCA and made further updates to our policy. We also broadened the scope beyond collaborative engagement to capture all industry involvement and memberships. We also undertook an annual review of all industry initiatives and memberships. We provided feedback to several initiatives and industry associations during 2023, for example:

- We hosted calls with EMIA directly to share our feedback on priorities for 2024.
- We joined group calls with CA 100+ in 2023 and re-iterated our recommendations that were previously shared via our consultation responses for both methodology changes and governance & strategy that were completed in 2022.

During 2023 we also reviewed a number of new potential industry organisations and collaborative initiatives and actively chose not to participate where they failed to meet the expectations set out in our policy. One example was a biodiversity-focused initiative that failed to evidence robust governance oversight and clear link to financial materiality. Our intention remains to be highly selective in reviewing collaborative engagement opportunities. Our objective is not to increase engagement volumes but review collaborative engagements through the lens of opportunity in terms of alignment with financial materiality, and clear and investment-focused objectives, constructive in approach and acknowledging that it is not the role of investors to micro-manage corporates. We also consider any risks in participating in collaborative engagements, for example, seeking to identifying a potential conflict of interests, ability to influence the engagement, and overall governance of an initiative. The approval process requires that all collaborative engagements are reviewed against this framework with the Global Stewardship Committee granting sign-off. We regularly review new opportunities and monitor existing memberships and participation.

Examples illustrating how this policy continued to be implemented and the outcomes generated in 2023 are detailed below:

Collaborating through Industry Initiatives

During the year we participated in several collaborative engagement initiatives with both corporates and sovereigns to further progress our stewardship priorities and those of our clients. This included participation in the Emerging Markets Investor Alliance (EMIA) and the Science-based Targets Initiative (SBTi), as well as hosting and participating in several industry events.

- **CDP:** We signed up to a collaborative engagement initiatives run by the non-profit organisation CDP. CDP data is one of the key data sources that feeds into our Climate Alignment Assessment framework. During 2023 we participated in the CDP's **Science-based Targets Initiative (SBTi) Campaign**: to contribute to accelerating the adoption of science-based climate targets in the corporate sector, by collaboratively engaging companies on this matter.
  - **OUTCOME:** Only 9% of companies targeted have targets set or are committed to the SBTi.
  - Nearly 45% of names are held across LAM portfolios.
- **Climate Action 100+**
  CA 100+ is a collaborative engagement platform focused on over 160 listed companies representing around 80% of global greenhouse gas emissions that are critical to the net zero transition. Our investment professionals continues to engage directly with all US and European listed energy sector stocks but where corporate access is more challenging, we leverage our participation in CA 100+ to engage with just two emerging market companies. During 2023, we had ongoing CA 100+ engagements with Ecopetrol and Petróleos Mexicanos (PEMEX) through our emerging markets platform. Finally, we participated in two consultations with the CA 100+ covering both the governance and strategy of the initiative and the benchmark methodology.
- **The Emerging Markets Investors Alliance (EMIA)**
  The Emerging Markets Investors Alliance enables institutional emerging markets investors to support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest. The Alliance seeks to raise awareness and advocate for these issues through collaboration among investors, companies or governments, and public policy experts. Through the Emerging Markets Investors Alliance, LAM's Emerging Markets Debt platform took part in several sovereign engagements with several emerging market sovereign issuers. See an example below.

Sovereign Engagement in Collaboration with EMIA

During 2023, we identified a number of biodiversity risks that, if not managed properly, could impact a particular country's willingness and ability to repay debt. After a lot of our own due diligence, we decided that marine ecosystems, such as mangroves, warranted further investor focus given their role in carbon sequestration, costal flood protection and aquatic biodiversity. Blue (marine) carbon is a nascent opportunity for the country; one which we endeavour to better understand and, over time, feed into our proprietary sovereign transition framework that looks at a country's willingness and ability to transition towards net zero.

We saw constructive engagement as a potential way to better understand this risk, which led us to join a Biodiversity Working Group at EMIA. Through EMIA we participated in a panel discussion with Conservation International to better understand current work being undertaken on the topic. Following the event, the group worked with a policy partner within the respective government's ministry to explore engagement opportunities around emerging regulation with regard to mangrove protection and enhancement. We continued to develop these potential engagement plans with the EMIA Working Group in early 2024.

Collaborative Engagement Examples

LAM's collaborative engagement policy and review process has been further enhanced in 2023. We believe our continued involvement in industry initiatives during 2023 has continued to strengthen our understanding of industry trends, the regulatory landscape, and enabled learnings about emerging best practices on topics such as climate transition plans and promoted greater transparency from companies on science-based targets. Collaborative engagement remains a useful stewardship tool alongside wider industry involvement, voting on behalf of our clients and direct engagement, which continues to represent the majority of our engagements. Additional transparency from corporates has also directly enhanced our ability to assess financially material risks and opportunities through proprietary tools including our Climate Alignment Assessment and Net Zero dashboard. Collaboration may also be undertaken through our involvement with industry initiatives, as referenced in Principle 4. Participation in industry initiatives furthers our understanding of industry trends and the regulatory landscape. It also is designed to keep the firm fully informed about emerging best practices and industry standards such as climate transition plans and portfolio-level carbon metrics.

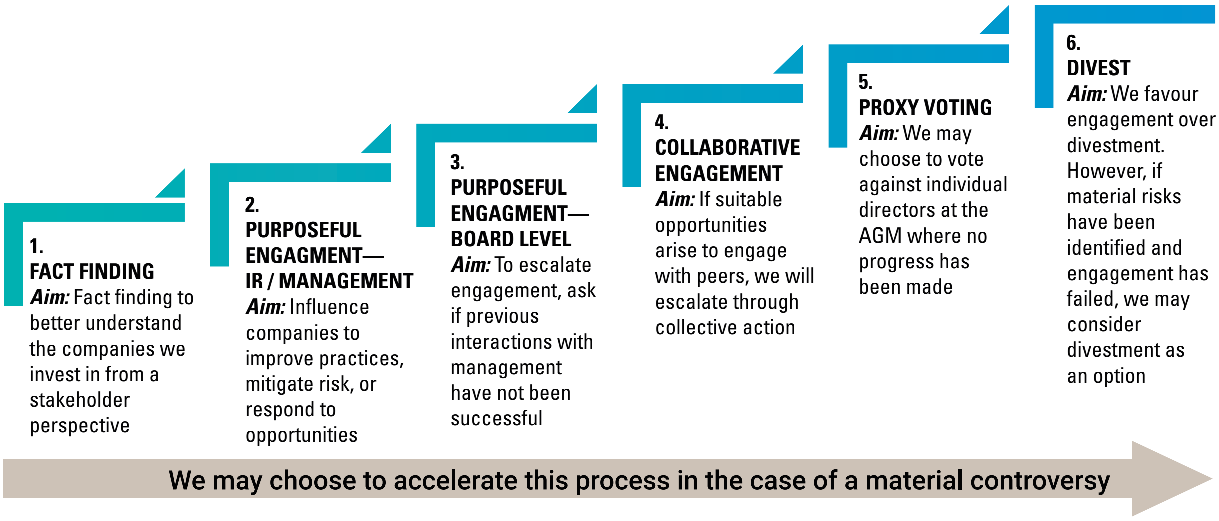
As discussed in our quarterly Active Ownership reports, we believe that increased scrutiny is helping to increase the governance and investment relevance of collaborative engagements and we will continue to monitor further improvements in 2024.

Principle 11: **Escalation**

Signatories, where necessary, escalate stewardship activities to influence issuers.

As highlighted in our previous report, our Global Stewardship Committee formalised an escalation process as part of our wider ESG policy in 2022. The process below is applied on a case-by-case basis. It does not require that each step be implemented, but rather it outlines the range of options available to our relevant investment professionals when an engagement has failed to achieve the desired outcomes. The below graphic illustrates our approach to escalation:

LAM Engagement Objectives for Integrated Portfolios



For illustrative purposes only.

In addition to the process outlined above, we also employ other processes to complement the escalation process. At a firm level, we provide our investment professionals managing ESG-integrated and sustianability-focused strategies and products with access to an ESG Watchlist, which relevant equity and fixed income investment professionals can use to help identify potential ESG issues in the publicly listed issuers in their investment universe. On a quarterly basis, the ESG Watchlist flags companies with environmental, social, or governance ratings falling below certain thresholds based on multiple factors including, but not limited to, a low ESG rating from a third-party provider and/or a potential breach of the UN Global Compact (UNGC). Relevant investment professionals may then conduct further research and engagement on these companies to determine the reasons for the low rating. Our stewardship committee also reviews any changes to UNGC breaches. Below is a case study from 2023 where we applied our formalised escalation policy. This example combines steps 2, 3, 5, and 6 from our escalation framework. We may consider divestment as an option, though it is rarely used, as we prioritise engagement and constructive dialogue together with company management to drive positive change. However, this was a unique example during 2023 where engagement and voting against management failed to drive change and governance concerns were material enough to impact our investment thesis and the decision to divest.

Escalation Case Study: European Energy sector—divesting following material governance concerns

Background

This European small cap equity is involved in the storage, distribution, and sale of petroleum, liquefied petroleum gas (LPG), food, and chemical products held across our small cap portfolios.

Ahead of the company's AGM, we met with the CFO to discuss the contents of several proposed management resolutions given conflicting views across the existing board and management team. We decided to vote against the management proposals that empower the partnership at the expense of shareholders. In particular, we were not supportive of the re-election of the non-independent Chair of the Supervisory Board, compensation for the Management Board, and the changing of the by-laws of the company. We also attended the virtual AGM to monitor the voting results and hear from the board.

Details of engagement/escalation

At the AGM activities, financial results, performance, and strategy were presented to shareholders by the managing partners and a managing director. The Chair of the Supervisory Board then described the company's governance. Following a dialogue with shareholders, the resolutions were submitted to shareholders' vote. Whilst the shareholders approved all the resolutions, the following proposals—which we didn't support—got a high level of dissent:

- The renewal of the term of office for one Supervisory Board member. This is concerning, as the Supervisory Board considered him not to be qualified as independent due to his length of service on the Board but still supported his re-election as Chair. At the 2023 combined shareholders' meeting, 41% of the shareholders voted against the renewal of this individual director
- The compensation paid during or awarded in respect of FY 2022 to the corporate officers. This resolution related to the compensation paid to Agena (of which the managing partner is Chair). At the 2023 combined shareholders' meeting, 18% of the shareholders voted against approval of compensation to Agena
- The compensation policies applicable to the corporate officers for FY 2023. This was the ex-ante vote to approve the compensation policy of the Management Board. In 2022 no variable compensation was paid to the Management Board, as the triggering condition (at least >5% increase of net income) was not met. The company is proposing to remove the triggering condition for the FY 2023. At the 2023 combined shareholders' meeting, 31% of the shareholders voted against approval of compensation for the Management Board
- The amendment to Article 20 of the by-laws relating to the age limit of the Management Board. The rationale to increase the age limit is to enable two managing partners to support the ongoing succession within the company's Management Board. At the 2023 combined shareholders' meeting, 19% of the shareholders voted against amendment of the by-laws

Outcome

The earlier meeting with the CFO formed the basis of our 2023 AGM vote instruction, in particular with regard to the controversial resolutions, which empower the partnership at the expense of shareholders. Although shareholders approved all the resolutions as the 2023 combined shareholders' meeting, four resolutions got a high level of dissent by shareholders. We were disappointed by the lack of responsiveness of the company to the dissent. In addition, we question whether a potential reform of the corporate form of the company—to strengthen the independent oversight of the managing partners—is a realistic scenario.

Divest/further engage

We opted to divest from the company as the governance issues resulted in a change in investment thesis.

Principle 12: **Exercising rights and responsibilities**

Signatories actively exercise their rights and responsibilities.

As an extension of LAM's fiduciary duties to its equities clients, LAM is responsible to vote proxies in the best interests of those clients over the long term. The firm currently subscribes to research services and proxy voting execution provided by ISS and Glass Lewis (as discussed in the response to Principle 2). These proxy advisory services provide independent analysis and recommendations based on the guidelines formalised in LAM's own customised Global Proxy Voting Policy. This research helps improve our understanding of the issues surrounding a company's proxy proposals. Aligned with our stewardship objective of demonstrating the value of fundamental research and its influence on voting decisions, investment professionals are responsible for providing the vote recommendation for a given proposal except where we have identified a material conflict, as set forth in our Global Proxy Voting Policy. LAM has approved specific proxy voting guidelines regarding various common proxy proposals—the "Approved Guidelines"—which are based on our Governance Principles and translated into a detailed custom policy to determine whether a specific agenda item should be voted "For", "Against", or should be considered on a case-by-case basis. The firm's Global Proxy Voting Policy is reviewed annually and is implemented by the Global Proxy Committee. The Policy covers the following:

Our fiduciary duties inform our responsibility to vote proxies:

- General administration including the use of third parties and our voting process
- Detailed policies on what default recommendations will be made, recommending either FOR, AGAINST, or REFER across a range of governance topics, including topics such as routine items, amendments to board policy, shareholder rights, board structure, changes to capital structure, executive compensation, and shareholder proposals
- Requirement of investment professionals to conduct further proxy analysis and engagement where relevant (e.g. case-by-case resolutions identified by our policy or issues deemed to be significant by the investment professional)
- Share blocking
- Conflicts of interests (covered in detail in Principle 3)
- Reporting directly to clients and meeting regulatory requirements

Our Global Governance Principles and Proxy Voting Policy and Procedures are both available on our website.

Global Proxy Committee

Oversight of the Proxy Voting process is provided by a Proxy Committee composed of senior investment professionals, members of the Legal and Compliance department, the firm's Global Head of Sustainable Investment and ESG, Director of Stewardship, and other operations personnel. As discussed in Principle 2, Lazard's Proxy Committee approves specific proxy voting guidelines regarding the most common proxy proposals. Although it is the general policy to vote proxies on all holdings in the same way, on occasion, one portfolio management team may desire to vote differently than another. In such an event, a meeting of the Proxy Committee will be held to determine whether it would be appropriate to split the votes based on evaluation as to the best interests of clients and our responsibilities as a fiduciary. The Proxy Committee meets regularly, generally on a quarterly basis, to review the Global Proxy Voting Policy and other matters relating to the firm's proxy voting functions. Meetings may be convened more frequently as needed, for example, to discuss a specific proxy proposal or approve a vote that is contrary to a policy guideline. A representative of Lazard's Legal and Compliance department will participate in all Proxy Committee meetings.

How Our Voting Approach Differs for Funds, Assets, and Regions

The Proxy Operations team identifies upcoming meetings, and these are assessed against the bespoke Global Proxy Voting Policy. Where resolutions require additional analysis and do not fall under the policy, these meetings are shared systematically through the ISS Communicator platform to the global equity sector analysts and/or portfolio management teams. With their in-depth knowledge of their companies, the relevant analyst reviews company meetings on a case-by-case basis, discussing with portfolio managers when required. The process is applied across all equity portfolios globally. The voting statistics provided on the following pages show how we voted differently across regions. For example, we were able to support a higher proportion of management proposals in the UK compared to emerging markets, where corporate governance practices are still evolving. What the numbers also reflect is while we have strong, long-standing relationships with many companies, we recognise the value of robust governance standards, and we will exercise our clients voting rights to vote against management where we see material weaknesses in corporate governance practices. In 2023 we voted against management on one or more resolutions at 47% of meetings globally.

Differing approach for strategies and assets: For quantitative equity strategies, where there is a position held by the fundamental equity teams, they generally defer to the voting recommendation recommended by the fundamental sector analysts or equity teams. When a company is held exclusively by the quantitative equity team, they will make the voting decision. Bond-only votes, while extremely rare, are treated no differently than a regular equity proxy vote.

Differing approach across regions: As discussed in Principle 2, as part of assessing the effectiveness of our policies and practices, we initiated a review of our Global Proxy Voting Policy and started to explore the feasibility of developing regional policies. Following the 2022 proxy season, we reviewed our proxy voting processes and activity and started to explore the possibility of further strengthening our custom policy to account for regional differences in governance best practice. Commencing in late 2022, we started an in-depth analysis of US corporate governance standards. We assessed our own voting history, the US benchmark policies of both ISS and Glass Lewis and reviewed research on industry best practices to publish a detailed analysis of our current voting and emerging best practices in the US, which is Lazard's largest market by voting volumes, representing 34% of all votes globally. In early 2023 the Sustainable Investment & ESG team initiated a consultation process leveraging, the expertise of senior portfolio managers across our US Equities platform as well as thematic and small cap strategies, the Global Director of Research, and Chair of the Global Proxy Committee. This group assessed the feasibility of introducing a carve-out policy for US equities within the Global Proxy Voting policy. The group looked at individual company case studies, as well as applying back testing on the new guidelines, to ensure that the new guidelines had the right thresholds, voting against the weakest governance practices but not being overly punitive and setting an unrealistic target. These guidelines were approved by Lazard's Global Proxy Voting Committee and communicated to all investment professionals through a number of channels including three pre-proxy season Stewardship Roundtable workshops for the US, International, and Emerging Market platforms. The policy changes covered three broad areas:

- Board structure, including director over boarding and cognitive diversity
- Accountability for poor governance or compensation practices
- Say on pay

Details of these guidelines are available in our Global Proxy Voting Policy.

Following the 2023 proxy season, we assessed our voting practices and viewed the policy enhancements as effective given the increased gap with proxy advisors' recommendation and more in-depth analysis from investment professionals as measured by the requests for additional support from the governance specialists on the Sustainable Investment & ESG team.

In 2023 we also updated our country-specific proxy voting guidelines for Japan to reflect the reforms in the country's governance standards and renewed focus on shareholder returns.

Given the effectiveness of the consultation process and subsequent update to the Global Proxy Voting policy, we will explore the opportunity for country-specific guidelines in other key markets in 2024.

Supporting Clients' Requirements

It is our belief that disaggregating engagement and voting from the investment process may not be the most effective way of overseeing sustainability practices, holding companies to account, and influencing best practices. Where LAM has been delegated the voting authority on behalf of clients, LAM does not delegate that authority to any other person or entity but retains complete authority for voting all proxies on behalf of its clients. We believe that voting decisions taken by our investment professionals, who have in-depth knowledge of the companies in question, an understanding of which sustainability issues are material to financial productivity, and the ability to engage directly with management, is the most effective way of meeting our fiduciary responsibilities to our clients. However, some clients have chosen to keep voting rights in-house, delegated to a third party, or requested that we implement their own custom policy through our own voting platform. There are some regional differences across our global client base, but during 2023 the majority of clients delegated their voting authority to LAM. As highlighted in Principle 5, robust controls and procedures are in place to monitor what shares and voting rights we have.

Segregated versus Pooled Accounts

While LAM has approved specific Proxy Voting Policy and Procedures regarding various common proxy proposals, a small number of clients are managed where we implement a different voting policy to their segregated accounts. This is accommodated at an additional cost; however, the majority of clients follow LAM's custom Proxy Voting policy.

Stock Lending

As noted, Lazard does not generally vote proxies for securities that a client has authorised their custodian bank to use in a stock loan program, which passes voting rights to the party with possession of the shares. Stock lending is very rare. Under certain circumstances, LAM may determine to recall loaned stocks in order to vote the proxies associated with those securities. For example, if Lazard determines that the entity in possession of the stock has borrowed the stock solely to be able to obtain control over the issuer of the stock by voting proxies, or if the client should specifically request LAM to vote the shares on loan, LAM may determine to recall the stock and vote the proxies itself. However, it is expected that this will be done only in exceptional circumstances. In such event, portfolio management teams will make this determination, and the Proxy Administration Team will vote the proxies in accordance with the Approved Guidelines.

Our Voting Records

In 2023 LAM analysts voted in 5,537 meetings—of which, 4,526 were on a case-by-case basis (82%), 920 followed the LAM defined policy (17%), and 91 were conflict (1.6%). In all cases, the votes are reviewed by the relevant sector analysts and portfolio managers with support from our Sustainable Investment & ESG team where required. LAM voted against management on one or more proposals at 47% of the total meetings where we submitted ballots. In general, we may also decide to engage with the management of a company to address any concerns we have about a proposal. In 2023 we voted at 98% of meetings where we had voting authority. This was lower than 100% because markets like Egypt, Norway, and Switzerland have share blocking periods or require a re-registration period that limits trading. To maintain liquidity for our clients, we may therefore choose to not vote the shares.

Voting Record

2023	Emerging Markets	Europe	Other	UK	USA	Total
Total number of meetings	1,919	656	1,066	272	1,624	5,537
Meetings voted	1,892	575	1,058	270	1,620	5,415
Meetings voted 100% with management	1,088	282	565	216	652	2,803
Meetings with one or more votes against management	804	293	493	54	968	2,612
Percent voted with management	58%	49%	53%	80%	40%	52%
Percent with one or more votes against management	42%	51%	47%	20%	60%	47%

Shareholder Proposals

LAM supports the principle that corporations should act as good citizens and generally votes on environmental, climate, social, and corporate governance proposals in a way that we believe will increase long-term shareholder value. Supporting shareholder proposals is one of several stewardship tools and can be used effectively as a catalyst to improve company practices. However, the quality of proposals can vary significantly, so we review on a case-by-case basis. To enable to do this consistently, LAM developed a framework for ESG-related shareholder proposals that leverages both the company knowledge of Lazard's fundamental research analysts and the subject matter expertise of the firm's Sustainable Investment & ESG team. Several principles are used to help guide voting on ESG-related shareholder proposals to ensure consistency in voting decisions, as outlined below.

More likely to support a shareholder proposal based on:

Materiality
Issues are deemed material to the company

Progress
Where there is a lack of progress in managing an issue

Transparency
Resolutions target increased transparency

Asymmetric Knowledge
Resolution respects that management is best placed to implement change

Responsible Conduct
When there is an insufficient response to a controversy

For illustrative purposes only.

LAM's support for shareholder proposals on behalf of portfolios for which we have voting authority was 59% in 2023. We don't believe that applying a blanket policy supporting all ESG shareholder resolutions is the right approach, as we want to assess the materiality, feasibility, and consequences of supporting (or voting against) shareholder proposals.

Below is an example to illustrate how we implement this framework on individual proposals:

Vote for a shareholder proposal with a high level of support

Company/Exposure

US-based distillers and vintners company – Lazard Global Equity Advantage Quantitative strategy

Background

We reviewed shareholder proposals for more transparency on managing climate risk, specifically reducing greenhouse gas emissions (GHG) (scopes 1–3) to achieve net zero by 2050. The beverage company has improved its GHG intensity metrics, but scope 1 and 2 targets and the baseline year are not as ambitious as industry peers'. With 99% of emissions in scope 3, the company is still collecting data. We believe greater visibility over potential risks and mitigation, considering climate change impacts on supply chain resilience and sourcing commodities, would benefit shareholders. We supported the request for increased transparency on climate transition risk management.

(Continued overleaf)

Vote for a shareholder proposal with a high level of support (continued)

Why it is "significant"

The proponent of the resolution reports that 46% of 103 shareholder resolutions filed in 2023 were withdrawn following agreements reached with corporates following constructive dialogue. The shareholder resolution going through to a shareholder vote may be considered a form of escalation or even failed engagement. Applying our proprietary shareholder resolutions principles, we identified alignment with two of the five principles:

1. Financial materiality: as outlined within the risk factors discussed in the company's latest annual report and the advantage team's quant score for natural capital.
2. Progress: lagging sector peers as demonstrated by the company's CDP rating and current targets.

Outcome

We voted in favour of the proposal (and against management). The vote results showed that 31% of all shareholders and 37% of independent shareholders supported the resolution. Given a reasonably high level of support, we will monitor how the company responds to this shareholder feedback ahead of the next AGM.

Transparency of Our Voting Records

When a client delegates responsibility for proxy voting to LAM, we provide reports directly to our clients on all voting activity undertaken on the client's behalf. This is completed on a quarterly, semi-annual, or annual basis, as directed by the client. Information on how LAM voted securities within a reporting period and information regarding our rationale for proxy-voting decisions in a client's portfolio may also be provided upon request. In general, LAM does not disclose detailed voting records publicly except where we are required to do so by law, including in the annual N-PX filing required by the US Securities and Exchange Commission and as part of the EU Shareholder Rights Directive, for which we have provided voting records on our website. We publish aggregated global statistics of LAM's full voting activities every year on our website. We currently provide voting rationales within our client reports but only voting instructions within our publicly available reports. During 2023 we conducted a detailed review of regulations and industry practice around vote transparency. Whilst our focus remains on the evolving regulatory requirements and further evolving reporting directly to our clients, we have taken steps to enhance making proxy voting-related disclosure publicly available. Examples include:

- Introducing a publicly available Quarterly Active Ownership Report, which includes firm-level statistics and examples of significant votes.
- Expanding the range of Sustainability Focus reports, which also provide voting statistics and significant vote examples at strategy level.

We will continue to monitor evolving practices and reporting requirements.

Equity Holdings and Voting Outcomes

Within our equities strategies, we monitor voting outcomes across markets where this information is mandated. We recognise that exercising our clients voting rights is part of a bigger system, and though how we vote may not influence the final outcome, we may be a minority in voting against and raising a concern, or we maybe be part of a majority that results in a resolution failing or passing. Within our significant vote case studies, we try to include this final outcome. For high profile meetings, we monitor results on a case-by-case basis, where we believe the outcome will be material to our investment thesis, as illustrated in the case studies below. In addition we use voting outcome data to identify high levels of dissent to create a watchlist of companies to prioritise for engagement or in-depth analysis ahead of the next AGM.

Vote against management with high dissent level

Case Study: UK Consumer Goods Company—Equity holding

Topic—Corporate Governance Proxy Contest

Objective/background

In early 2023 we had an engagement meeting with the Chair of the consumer company to discuss CEO succession and proposed base salary of the incoming CEO but not the details of the full remuneration plan. As details were published in the proxy materials ahead of the AGM, our analysis led us to vote against approval of the remuneration at the AGM, and this started an on going dialogue with the company's remuneration committee.

Details

At the 2023 AGM, after detailed analysis and discussion between the sector analyst and Sustainable Investment & ESG Team, we instructed a vote against approval of the remuneration report because the incoming CEO's salary was set higher than their predecessor's and was significantly higher than his current salary at a competitor, as well as UK market peers. The Company failed to provide compelling justification for this remuneration package. We were amongst 58% of shareholders who voted against the remuneration report. Following the AGM result, we engaged with the Senior Independent Director and Chair of the Compensation Committee to discuss the high level of shareholder dissent, explain our own voting rationale. The primary concerns were the high level of fixed pay for the incoming CEO and the compounding effect on short- and long-term incentives granted to the CEO. The Chair admitted that the Compensation Committee had initially set the fixed pay of the previous CEO at a too high discount (-14% vs. his predecessor and at the lower quartile of its remuneration benchmarking peer group). We gave our initial feedback on the proposed changes to the directors' remuneration policy—to be approved at the 2024 AGM. We followed up with the Compensation Committee again in September 2023, to discuss the proposed changes—in particular in the modifications of the remuneration benchmarking peer group adjustments top the performance metrics of the variable incentive plans, and changes to the sustainability metrics.

Outcome

The remuneration report resolution failed in 2023, with 58% of shareholders voting against the approval of the remuneration report, and this was the catalyst for several engagements as outlined above. These subsequent discussions were constructive. By the end of 2023, we were supportive of the proposed changes to the revised policy, including the modifications of the remuneration benchmarking and relative total shareholder return (TSR) peer groups and the adjustments to the performance metrics of the variable incentive plans. These discussions and the changes to the plan will directly inform our proxy voting decisions at the next AGM in 2024.

Exercising Rights and Responsibilities for Fixed Income Assets

85% of Lazard's AUM is invested in long-only equity, so our stewardship policies and processes have naturally focused on this asset class. However, as part of our fixed income research and stewardship approach, our objective is to understand the business model, business risks, financial leverage, liquidity, and what structural protections are provided by the bond indenture terms and covenants. This determines the likelihood of credit stability or deterioration and guardrails provided by covenants, security, or other structural elements of a given bond. As highlighted in Principle 7, we integrate ESG into our credit and sovereign issuer analysis and engage with issuers, either directly or collaboratively with industry peers.

Reviewing Prospectus and Transaction Documents

Our process is to review:

- Financials including historical cash flow, earnings levels and volatility, leverage, liquidity, etc.
- Business description for business model, strategy, competitive position
- Covenants for any bond structure protections
- Use of proceeds especially for green, social, and sustainable bonds
- Assessment of creditors rights' in issuer's jurisdiction
- Assessment of the SOE's relationship with government entities

As part of our analysis, we review the covenants and must assess the various business, financial, and operations risks and bond structure. This helps to determine the risk level and view on pricing relative to other investment options.

Amendment of Covenants

In the unlikely situation that an issuer asks for amendments to the indenture, or the business does not perform as expected, the Fixed Income teams would review what is being asked and the level of any compensation being offered. We would then determine if the adjustments could materially weaken creditor protections.

This content represents the views of the author(s), and its conclusions may vary from those held elsewhere within Lazard Asset Management. Lazard is committed to giving our investment professionals the autonomy to develop their own investment views, which are informed by a robust exchange of ideas throughout the firm.

Important Information

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