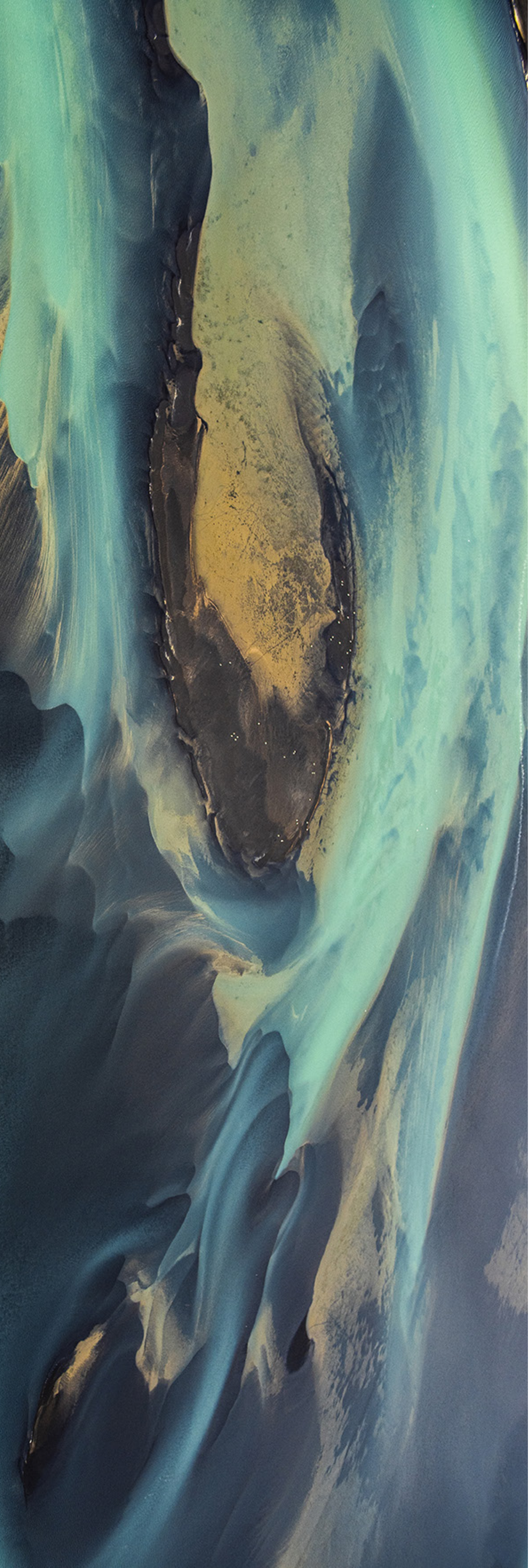


Lazard Active Ownership Report

Fourth Quarter 2023

LAZARD
ASSET MANAGEMENT

Lazard Sustainable Investment Principles

Lazard applies a rigorous, active approach to investing that aligns with our core principles set out below. Our mission is to drive investment returns and improve client outcomes by integrating financially material environmental, social, and governance considerations into our research and portfolio management.

Principle One

Fiduciary

Our foremost responsibility is to act in the best interest of our clients, with a resolute focus on protecting 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.

Thoughts from the Quarter

Looking ahead to the coming year, we are reflecting upon the key events in the final quarter of 2023 that will likely shape global trends in 2024.

Jennifer Anderson
Global Head of Sustainable Investment and ESG

Perhaps the most important activity in Q4 was COP28 in Dubai, where world leaders, policymakers, the private sector, and civil society came together to make progress on climate action.

Despite a complex geopolitical backdrop and mounting pressure to accelerate the current level of action on climate change, the conference made international progress on key areas including commitments to reduce methane emissions and an agreement to boost renewable energy deployment and energy efficiency significantly by 2030. It was also the first time that all countries at the summit agreed to a deal on transitioning away from fossil fuels as part of the treaty's final text. However, challenges remain over the implementation of these policies as global tensions continue to escalate and we also enter the biggest election year on record with almost half of the world's population going to the polls in 2024.

The outcomes of elections could have significant implications for global sustainability policies, perhaps most notably within the US which had made positive steps under President Biden, not least through the investment program of the Inflation Reduction Act. As investors we continue to scrutinize the changing policy landscape to ensure we are investing in the companies that are best positioned for success. Our focused interactions with company management help ensure we have the latest insights about how companies are navigating regulatory uncertainty and subsequent changes to corporate strategy, including the publication of transition plans and updates to net zero commitments.

In this quarter's Active Ownership Report, we explore the key active ownership trends we expect to play out in 2024, highlight the progress being made on governance in Japan through our Japanese Equity platform, and share engagement case studies from discussions on corporate governance as well as key human and natural capital issues over the period.

2024 Outlook

- **Opportunities for active investors** in a more complex environment driven by elections, geopolitics, and volatility. Active managers focused on fundamentals with genuine active ownership can use expertise and insights to help identify alpha opportunities.
- **Complexity from ESG regulation** that is diverging by region and has not harmonised the definition of Sustainable Investment and/or created a standard in the market.
- **Focus on quality of active ownership** for clients that want to be able to express preferences—desire for more choice-supporting trends like pass-through voting.

2023 Highlights

Our key active ownership highlights over the year included:

- **Enhanced Global Voting Policy:** We implemented US-specific guidelines within our firm policy to better reflect our views on best practice governance for US-listed companies. This impacted 34% of our global voting volumes and increased our differentiated views.
- **Improved review of shareholder proposals:** We implemented a more thorough case-by-case review process of shareholder resolutions, leveraging both ESG and investment professional expertise, to help us have a robust approach to these votes. In 2023, we had a support rate of 59%.
- **Improved tracking of engagement outcomes:** We revised our tracking process for outcomes from engagement, either those directly influencing the investment decisions or making requests of companies to achieve real-world outcomes. In 2023, 77% of our engagements influenced our investment decision-making process.

Active Ownership Trends to Watch in 2024

In recent years we have seen the importance of active ownership increase significantly. We explore what may be driving this trend and our expectations for the coming year.

Elly Irving
Director of Stewardship

In our view, there are several factors driving the increased focus on active ownership activities:

- **Increased regulatory focus on sustainable investment.** Regulatory scrutiny has expanded in scope to ensure far more robust oversight and transparency in reporting on voting and engagement activities.
- **Polarised views on ESG.** Clients and regions have different perspectives on the extent to which ESG should influence investment decision-making. Clients are questioning exactly how their managers are directing votes and the effectiveness of both the voting and engagement activities being undertaken on their behalf.
- **Higher stakes.** The latest climate research suggests last year was the hottest on record.[1] It is becoming a commercial imperative for companies operating in high-risk sectors or with significant exposure to physical climate change impact to set transition strategies. Engaging to understand how companies are building climate resilience and holding management accountable for effective risk mitigation is increasingly important.

Given this backdrop, we have identified four active ownership-related trends we expect to play out for investors and clients in 2024:

Trend 1	Democratisation of voting rights
Trend 2	Focus on engagement outcomes
Trend 3	Credibility of corporate claims
Trend 4	Raising the bar on collaborative engagement

1. Democratisation of voting rights

   We believe disaggregating voting rights from the investment process and replacing them with pass-through voting, especially for actively managed portfolios, can lead to unintended adverse consequences (see 'Understanding pass-through voting' section). Most notably, the risk is that companies will no longer be held properly accountable by their shareholders, as pass-through voting and investment-driven engagement may send conflicting messages to company management.

2. Focus on engagement outcomes

   Asset owners, investment consultants, and regulators have shifted their focus from firm-level to strategy-level engagement activity. This creates an incentive for high volumes of engagement, which can be achieved through mass-mailing campaigns and multiple collaborative engagements. However, this has sometimes been at the expense of quality conversations and a focus on outcomes. This view was borne out by a recent review of stewardship practices by UK investment consultant Redington. Reviewing the stewardship efforts of 44 global asset managers, it concluded that only 28.4% of engagements demonstrated a material outcome.[2]

3. Credibility of corporate claims

   The increased volume of ESG engagements over the past decade has arguably been one of several contributing factors that have led to improved corporate sustainability disclosure. However, we have reached the point of focusing on action rather than requesting more disclosure. Investors are therefore increasingly engaging companies on the credibility and achievability of sustainability targets, such as climate transition goals and plans. We believe investors must go further than high-level metrics to understand the nuances of individual corporate transition plans and how they will impact a company's strategy and long-term financial performance.

4. Raising the bar on collaborative engagement

   Collaborative engagement, where multiple investors work together and speak with a collective voice to influence company practices, faced increased scrutiny in 2023. Climate Action 100+ (CA100+), the world's largest collaborative engagement initiative, was under the spotlight and faced criticism through an open letter from several US attorney generals.[3] The initiative has responded swiftly by disclosing a clear legal disclaimer and detailed signatory handbook outlining precise rules about the expectations for CA100+ participants. We believe this has created a new gold standard for collaborative initiatives and is well positioned to comply with the new guidance from regulators. This should allow collaborative engagement to remain an effective active ownership tool alongside direct engagement and proxy voting.

Understanding pass-through voting and the potential consequences

The launch of BlackRock's Voting Choice platform marked a significant step change in how clients' voting rights are directed. It allows for individual clients invested in pooled funds to direct votes based on their proportion of shares held. Prior to 2022, there had been a long history of the small-market segment holding strong ethical or ESG preferences to outsource their voting rights. The two providers of outsourcing voting and engagement services now represent combined assets under advisory of $2.3 trillion.[4] Within a year of launching Voting Choice, BlackRock matched this figure, making over $2 trillion of index assets eligible for pass-through voting, with 25% of this AUM exercising voting choices in time for the 2023 proxy season.[5,6] This scale of outsourced voting cannot be ignored by the industry.

Before considering the implications of this shift it is important to distinguish between passive and active management and the options that asset owners have available to them when considering how best to exercise their voting rights (exhibit below).

In our view, there are five key consequences for asset owners and clients to consider regarding pass-through voting:

Contradictions: ESG integration or vote alignment? We believe effective ESG integration is conducted by investment-focused collaboration between analysts, portfolio managers, and ESG specialists to help inform voting decisions. Taking clients' values and principles into account is essential, but applying these views and relying on third parties to make voting decisions may bypass the in-house expertise of an asset manager and undermine efforts for genuine ESG integration by the asset manager.

Lack of real-world outcomes: Voting decisions driven by diverging views on accountability for issues such as climate change and companies' responses to the ongoing transition are not necessarily resulting in real-world change. At either end of the spectrum of client values, voting decisions are either supporting business as usual and not addressing the underlying client concerns about job security for energy sector workers or requesting that companies immediately cease oil production that would be materially value destructive to shareholder value.

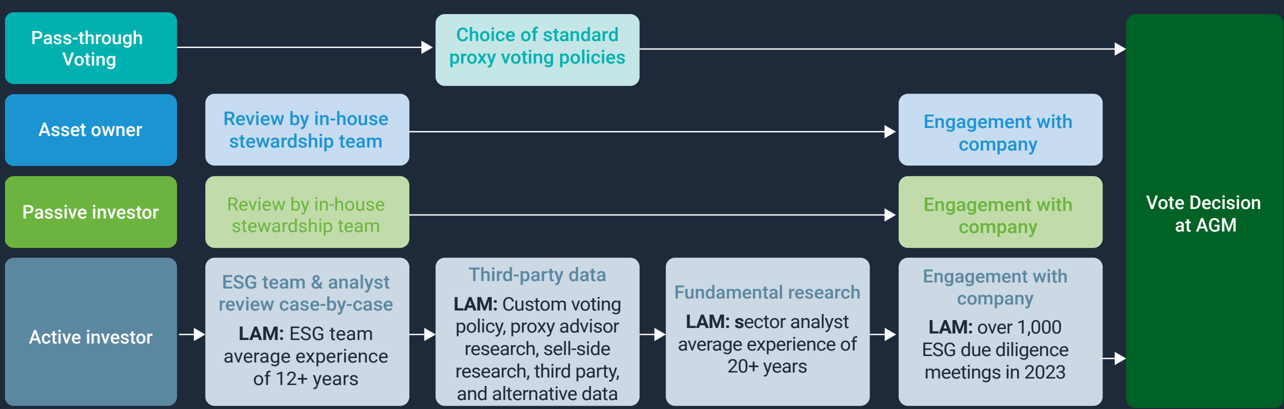
Potential concentration of power for proxy advisors: Passive investment houses are incentivised to offer client-directed voting to counter claims of too much influence at AGMs. However, many of the pass-through voting solutions rely on limited standard proxy voting policies offered by the two large global proxy advisors. The rise in pass-through voting solutions are concentrating the influence of the voting recommendations to these proxy advisors. Active asset managers have faced criticism for being overly reliant on proxy advisors' recommendations, but we believe long-term relationships with management and in-depth knowledge of companies and sectors provide a strong foundation for constructive dialogue where feedback and achievable changes can be encouraged. This is evidenced by our high 'against' vote rate globally (43%) and increasing divergence in our views with proxy advisor benchmark policies.

Diluting the engagement influence of active investors: Effective stewardship requires both voting and engagement. Engagement on broader topics may be undermined and influence diminished if company management hears requests for change but sees voting decisions, directed by the client, go in the opposite direction.

Interpretation of fiduciary duty: As asset owners take back voting rights or request pass-through voting, where does the fiduciary duty to the end client lie? In cases of voting on mergers, acquisitions, or significant strategy changes required by ESG shareholder proposals, where does the fiduciary duty lie if the resulting action is value destructive to a client's portfolio? While fiduciary duty has been widely debated for asset managers, the rules for asset owners are yet to be tested.

Voting Approach of Different Investor Types

The voting approach of active investors uses multiple insights and depth of investment experience to vote on key issues to help create shareholder value



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Views from the Manager: **Japanese Equity**

This quarter we sat down with team members from our Japanese Equity platform to understand how governance reforms are impacting their investment outlook.

Team members from the Japanese Equity platform (from left to right) **Scott Anderson, Tomomi Fukuta, June-Yon Kim, Eiki Goro, Yoshika Inoue, Ario Kishida**

Japan received significant investor focus in 2023. What were the drivers of this?

The Tokyo Stock Exchange (TSE) grabbed investor attention in 2023 by introducing a series of policy initiatives aimed at boosting corporate value by directing listed Japanese companies to improve their capital efficiency and shareholder focus. TSE officials told us their goal is to empower investors in their engagement with company management, which should lead to rising profitability and improved valuations. We believe the shift in management behaviour from these policies may be even more positive for value creation over the coming years than the market realises.

In one example of this changed corporate environment, an activist investor recently ramped up its campaign against a Japanese retailer. Ahead of the AGM, proxy advisors announced support for the activist 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). 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 division and generating stronger shareholder returns going forward.

At the Principles for Responsible Investment (PRI) Conference in Tokyo, Prime Minister Fumio Kishida announced important sustainable investment policies for Japan. Tell us more about these commitments and how corporates responded?

In a sign of evolving Japanese attitudes towards sustainable investment, Prime Minister Kishida declared that seven public pension funds (managing approximately 90 trillion yen) would sign the PRI. The Japanese premier highlighted the country's policies to encourage corporate activity and investment that promotes sustainable growth. These included investment in GX (green transformation), support for startups, improvements in human resource development, and the strengthening of financial functions to encourage sustainability initiatives. The government's target figure is for total public and private GX investment to exceed 150 trillion yen over the next decade.

Examples of GX investment from companies we have engaged with in recent years include home builder Sumitomo Forestry. It established a forestry fund into which 10 Japanese companies made joint investments. They aim to create a carbon credit infrastructure for Japan. In the banking sector, megabank MUFG has announced it will invest 35 trillion yen in sustainable finance by 2030 (including 18 trillion yen in environmental-related activities).

Whilst Japan has a long history of managing environmental impacts, can you give us an overview of how corporates are managing human capital, and in particular any insights on diversity?

We see a clear need to increase the number of female directors in Japan. Japan's GDP ranks third in the world, but the country stands at 125th in the Global Gender Gap index, compiled by the World Economic Forum. This is a serious problem. Based on Glass Lewis's research, 23.9% of Japanese companies do not have a woman on their board of directors—for the TSE's Prime Market the figure is 12.2%; outside the Prime Market it is 50.7%. This is why we strengthened our diversity criteria within the Japan-specific guidelines with our proxy voting policies in 2023.

Our team's senior analyst, Tomomi Fukuta, is engaged in Ph.D. research and teaching on diversity. Tomomi identified through her research that corporate value is positively correlated with having women on a board. The benefits include improved innovation, better career development for female senior managers, and the avoidance of negative screens by some ESG-focused investors.

In the team's latest research, you highlighted the role that improved corporate governance can play in strengthening company valuations. Which aspects of governance will be material in driving change?

We believe 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. Specifically, we focus on board composition and diversity, as we believe these factors provide the essential framework for addressing crucial issues such as efficient capital allocation and optimal capital structure.

Japan still lags other developed markets in terms of director independence and female representation. In our view, these are two critical areas on which Japan must concentrate. Over time, our hope and expectation are to see predominantly independent boards with increased director diversity, including not only greater female representation but also broader foreign representation, particularly in the case of multinational corporations.

How have you engaged with regulators and other industry bodies through this governance reform?

We frequently meet with policymakers and regulators. In October, we joined the International Corporate Governance Network (ICGN) for a full day of meetings with METI, the TSE, and the Japanese Financial Services Agency (FSA). It was important to give positive feedback and suggestions for further improvement. We told the TSE that its initiatives this year—which ask listed companies to pay closer attention to their cost of capital and improve their valuations—had been immensely helpful for our engagement efforts.

Our suggestions included that new policy guidance on M&A should address several issues specific to the Japanese stock market. For example, we believe there should be a ban on partial takeovers, which allow a bidder to tender for just enough shares to get control of the company, rather than being required to bid for all the shares. The guidance should also tighten the rules for listed subsidiaries and anti-takeover provisions, which are generally designed to protect underperforming management teams. We pointed out that these practices are generally not allowed in other markets, as they may harm minority shareholder interests.

Hear more from our Japanese Equity lead portfolio manager June-Yon Kim in this video

LAM is differentiated in that final proxy voting decisions are made by the investor rather than a governance team. Is there a risk of bias and of treating management favourably?

There is a risk of falling into traps laid by our own behavioural biases, so we always try to keep this in mind. However, we view our proxy voting obligation as an important tool in our engagement toolkit. In Japan, shareholders generally get to vote for or against each board member every year. Any board member failing to achieve a support rate of 50% or higher is removed, so proxy votes can certainly affect management behaviour. In recent years, we have seen that significant falls in CEO approval ratios often lead to shareholder-friendly actions in the subsequent year prior to the next AGM vote—the fall in support for the chairman of Toyota Motors and the CEO of Seven & i's proxy votes are potential examples. We believe that showing the tough love implied by 'against' votes is part of our fiduciary duty.

How are you evolving your voting policy to align with recent governance reforms?

The reforms have generated meaningful improvements in the corporate governance and shareholder focus of Japanese companies. This has led to a narrowing in the gap in standards between Japan and other developed equity markets. Therefore, we have been able to bring Lazard's Japan equity proxy voting policy more in line with other regions in recent years.

Given the nuances of corporate governance in Japan, LAM has used country-level proxy voting guidelines in its voting policy for over a decade. In 2023 we made several more changes to our policy framework to support our engagement efforts with Japanese companies. Specifically, we included requirements that go beyond ISS Japan's policy in two areas particularly relevant to the Japanese market: *board member diversity and the holding of listed equities for business relationship purposes*. The latter impedes governance and capital efficiency. This policy on limiting listed equities ownership has led us to vote against the CEO of the business service-sector companies in the past two years. However, we have been careful to balance constructive engagement with an escalation to votes against. We have shared our support and positive feedback for the actions the company has taken in response to our engagement agenda: the firm has reduced its equity holdings from 29.6% of net assets to 15.5% over the past five years to March 2023. Combined with the successful execution of its business strategy, these actions have led to a substantial increase in the company's corporate value. We maintain a close relationship with the company and believe it is stronger for responding to our concerns.

Our Approach to Active Ownership

We have a long history of engaging with companies. With over 20 years' average industry experience, our investment professionals have long-standing relationships with senior managements and other stakeholders, and a deep knowledge of the companies in which we invest. 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. Our stewardship approach seeks to align engagement and proxy voting, with investment decision-making at the heart of these interactions. Our dedicated Sustainable Investment and ESG team works in collaboration with our relevant investment professionals, providing additional subject-matter expertise.

Our overarching active ownership objectives are to:

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

For further information about our stewardship policies and processes, several reports are available on our website.

Meetings

Company Meetings

Objective:

As an active manager, we seek regular dialogue with company management as an integral part of our fundamental research process. This allows us to understand company strategy, industry trends, capital allocation, and management quality.

Monitoring

ESG Due Diligence

Objective:

Meetings with company management that allow us to gain a better understanding of a company's approach to managing natural and human capital-related risks and opportunities.

Engagement

Engagements with a Tangible Outcome

Objective:

1. Investment outcome where there can be a change to our investment view, including valuation, or voting decision
2. Observable change/improvement in company or issuer practices that support real-world outcomes

Our Global Governance Principles

The firm's view on corporate governance and accountability are set out clearly in our Global Governance Principles.

The Principles provide a framework for engagement and voting, aligning with our overarching sustainable investment principles. They are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management.

LAM's Global Governance Principles

1. Board Independence
2. Board Accountability
3. Board Make-Up
4. Audit Oversight
5. Shareholder Rights
6. Disclosure
7. Integration of Human and Natural Capital and Corporate Governance
8. Culture and Ethics
9. Fair and Transparent Remuneration
10. Sustainable Capital Allocation

Active Ownership Statistics – Q4 2023

Direct Engagement

As a firm, we typically conduct around 4,000 company meetings globally per year. Below are the engagement and voting statistics from the last quarter.

1,126
Total company meetings

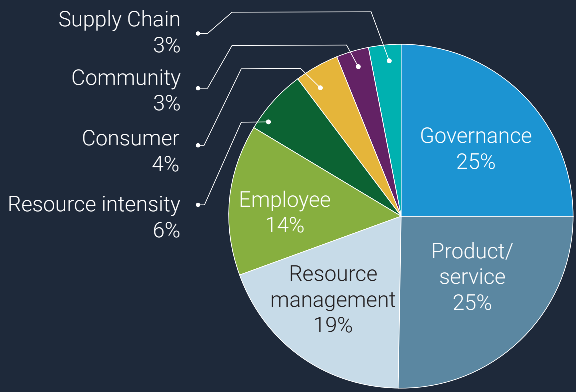
308
ESG due diligence meetings

46
Engagements with tangible outcomes

Engagement Highlights

Q4 2023 Engagement Outcomes

Q4 2023 Engagement Topics



Voting Summary

Q4 2023	Emerging Markets	Europe	Other	United Kingdom	United States	Total
Total number of meetings	330	37	180	32	99	678
Meetings voted	327	35	179	32	98	671
Meetings voted 100% with management	186	24	113	28	43	394
Meetings with one or more against management	141	11	66	4	55	277
Meetings not voted (share blocking)	3	2	1	-	1	7
Meetings with 1 or more abstentions	3	-	-	2	-	5
Percentage voted with management	57%	69%	63%	88%	44%	59%
Percentage voted with one or more against management	43%	31%	37%	13%	56%	41%

64%
Shareholder resolutions supported in Q4 2023

41%
Meetings where we voted against management in one or more proposals

Our Active Ownership Priorities

Prioritising engagement objectives is a key element of our approach to active ownership. In 2022, we formalised our engagement priorities which guide our approach across key sustainability topics and investment-led conversations:

Firm-Level

Top Holdings	Net Zero	Collaborative Engagement
Strategy-Level Priorities	Proxy Voting Related	Research Driven

Relevant Investment Teams

Engagement Examples

Below we present some engagement highlights from the quarter and how this supported our investment view.

Strategy-Level Priorities

European consumer discretionary company–held in International Equity, European Equity, and Quantitative Equity Products

Objective:	We met with the CEO, CFO, and IR of this multinational consumer discretionary company marking our seventh meeting of the year and part of our long-term ongoing dialogue. This meeting focused on long-term succession planning for senior management, client demand for high sustainability standards, and supply chain resilience.
Engagement details:	Covering a broad spectrum of stakeholder issues, we were encouraged to learn of the board's succession plans for senior management that evidenced the strength of the executive talent pipeline developed within the business over time. We also discussed the increasing demands of the company's clients who encourage adherence to their own supplier standards covering a range of sustainability requirements. This built on previous discussions with the company where they explained that evidencing robust net zero credentials was becoming a 'commercial imperative' to meeting their client's expectations/regulatory requirements and driving net new business. Finally, we discussed the resiliency of the company's own supply chain following the COVID pandemic.
What we learned:	The meeting reinforced our view of sustainability of growth and returns given the effective management of key stakeholder risks and ability to adapt to evolving client demands.
Outcome:	This confidence in management and the strategy was a catalyst to build a bigger position across one of our equity portfolios.

Research Driven

US communication services company - held in Global Thematic and US Equity Products

Objective:	We 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. ▪ Follow-up on previous requests we had made of the company to provide more transparency on how it manages employee retention and competitive pay.
Engagement details:	The company has previously split the role of CEO and Chair, appointing a new CEO and appointing the lead independent director as Chair. However, the company faced a number of challenges, and an activist investor took a stake in the business. These factors combined triggered some management changes, including the return of the former CEO. During the meeting the company explained the lessons learned from what could be called a failed succession, and how they were approaching succession differently going forward. We also discussed continued pressure on wages in one division of the business that employs seasonal workers.
What we learned:	We were encouraged to learn that the board had established a separate succession planning committee. Membership consisted of non-executive directors who had direct experience of holding the position of CEO at other companies to ensure the next candidate has the relevant skill set. We asked the company to communicate clear succession timelines to the market. On a separate topic, we spoke about how the company is ensuring it can attract and retain employees across different segments of the business. In recent years the scrutiny over low pay continues and as long-term investors we sought greater confidence that the company can retain talent within the business. During prior engagements in 2022, we requested specific changes to reporting on this topic, so we can have a full understanding of how effectively the business is managing this risk. The company gave us an update and confirmed that this disclosure will be provided in the 2024 sustainability disclosures.
Outcome:	The insight shared about the succession plans will feed into our wider analysis ahead of the AGM and how we decide to vote. The progress made on enhancing employee policies and retention and implementing the specific changes requested by Lazard fed directly into the sector analyst's sustainability scorecard review, resulting in an improved management score for employees.

Strategy-Level Priorities

Emerging market bank held in EM Equity, EM Equity Core, and EM Quantitative Equity Products

Objective	The main focus of the engagement was to discuss the bank's exposure to the physical risks of climate change, given its ~51% market share in agriculture lending in its domestic market. The discussion also covered deforestation and traceability.
Engagement details:	The bank has 200 technical professionals working with agriculture clients on financial service products and technical assistance on best practices. They have maintained a database on weather data and have started using satellite data on weather and climate risks. They acknowledge that climate change will likely lead to more severe and frequent weather events. The company is taking several measures to manage climate risks, such as working with clients to ensure proper insurance, monitoring weather changes, working with producers on harvest financing, and helping clients access climate-resilient seeds and better water preservation techniques. They also have a segregated team performing risk assessments in accordance with the bank's ESG guidelines.
What we learned:	While the call provided an opportunity to understand how the company is monitoring climate risk across its lending activities, we requested a follow-up call later in the quarter to learn more. This gave us a fuller understanding of the risk monitoring process, governance oversight, and the new sustainability-driven product opportunities.
Outcome:	After the second call we made specific requests of the company to hire individuals with climate science expertise to assess the existing physical risk monitoring across the loan portfolio.

Proxy Voting/Significant Votes

We define 'significant' votes as meeting one or more of the following criteria:

1. **Votes against management** – indicating where we have identified poor governance practices and we are using our vote to hold companies to account for higher governance standards.
2. **Shareholder proposals** – addressing human and natural capital considerations, as well as management-proposed Say on Climate votes.
3. **Meetings marked as significant by LAM's investment professionals** – for example, companies where they have actively engaged on governance, or their analysis has identified a material issue such as a significant board change, controversy, or relevance to an investment thesis.

Proxy Voting Examples

Below we present some significant votes from the quarter and how this supported our investment view.

Proxy Voting Related

Vote against management with high dissent level

Company/Exposure	Australian airline company held in our Quantitative Equity strategies
Background:	We voted against the remuneration proposals put forward at the 2023 AGM. Our concerns have been the misalignment between executive pay and performance. In addition, the remuneration structure was poorly aligned with customer outcomes and other stakeholders—which has also contributed to the company's damaged reputation and trust deficit in the past year.
Why it is 'significant':	Our Global Governance Principles include Fair and Transparent Remuneration. We believe that executives should earn rewards that are proportionate with the long-term value they generate for all stakeholders. The company's executive compensation resolution is not aligned with this principle.
Outcome:	Given that an extraordinary 83% of shareholders voted against the adoption of the 2023 remuneration report, this also constituted a 'first strike' for the purposes of the Australian Corporations Act 2001—that aims to hold companies accountable for executive remuneration practices. If the company receives a second strike at the next AGM, it triggers a 'board spill' motion.

Proxy Voting Related

Applying our shareholder resolution framework to review case-by-case

Company/Exposure:	US large-cap technology company held in US Equity Select, Global Equity Select, and multiple thematic strategies
Background:	In 2023, we have seen a marked increase of resolutions concerning risk mitigation for businesses' activities in countries with significant human rights concerns. This technology company received a shareholder proposal, requesting the Board of Directors commission a report assessing the implications of siting cloud datacentres in countries of significant human rights concern, and the company's strategies for mitigating these impacts. We voted against this proposal, as the company maintains adequate human rights-related disclosure and policies—guided by international principles and norms such as the UN Guiding Principles on Business and Human Rights. This also includes a specific statement explaining its approach to operating datacentres in countries or regions with human rights challenges. In addition, the company has worked with other major cloud service providers to develop, agree to, and publish the 'Trusted Cloud Principles'. With these principles the company and other leading cloud computing services companies publicly commit to maintain consistent human rights standards, work with governments, and ensure laws and policies align with these principles.
Why it is 'significant':	We review all material ESG shareholder proposals against our Shareholder Proposal Framework to leverage the expertise of both the ESG & sustainable investment team and the sector analyst. As noted in our Q3 2023 report, we note an increase in shareholder resolutions related to Geopolitical risk.
Outcome:	This resolution was supported by the large proxy advisors and received 33% support from shareholders. However, our analysis concluded that the company has effective oversight. We will continue to monitor this issue as Geopolitical risk and management of human rights risk both continue to evolve.

Proxy Voting Related

Vote against to escalate concerns about shareholder returns

Company/Exposure	Guernsey-listed investment trust held in UK Equity Income
Background:	The investment trust held an AGM and EGM on the same day. The AGM saw a high level of dissent against the approval of the continuation of the company as an investment trust. This concern was also reflected through the high level of votes against two board members and the trust's Chair. The subsequent EGM held later the same day offered shareholders the option to sell the trust's assets to a third party related to the same management group that was connected to the trust. Whilst the partial disposal is a step to closing the 50% gap to NAV it is short-term and the external management company has little incentive to realise value given the ongoing fee income. The vehicle has under their management failed to deliver shareholder value, despite a book of valuable assets. Following our analysis, we supported the wind-up of the trust as it is the best medium-term option.
Why it is 'significant':	At the centre of our Global Governance Principles is the belief that Lazard is a fiduciary that seeks to manage client portfolios in a way that delivers strong investment performance and maximises long-term shareholder value. Among other things, we believe this entails the assessment of value creation for multiple stakeholders. In this case the management team has failed to generate shareholder value.
Outcome:	We voted against management by voting against the continuation of the investment trust. We voted for the disposal of the assets at the EGM, but this failed to achieve the required support and therefore the board will have to be rebuilt following the Chair's departure and the new board will have to propose a viable alternative solution to shareholders or wind up the trust.

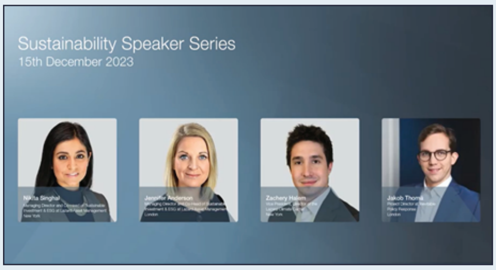
Wider Influence

Participation in industry events and collaborating with clients on current topics is an important aspect of our active ownership approach. Lazard also publishes a selection of thought leadership across key investment and sustainability topics. Below we provide some recent highlights from these activities.

Industry Involvement

Lazard hosts climate panel during COP28

At COP28 in Dubai, Lazard Asset Management and the Lazard Climate Center hosted a climate change panel discussion with Lazard CEO, Peter Orszag, Retired Four-Star Admiral William McRaven, and Harvard Kennedy School Professor Joseph Aldy. The session, Decarbonization Decoded, covered the corporate finance, macroeconomic, and geopolitical implications of climate change and was moderated by senior representatives from Lazard Financial Advisory and Lazard Asset Management. You can watch a replay of the event here.



Lazard hosts Sustainability Speaker Series event with Inevitable Policy Response (IPR)

Lazard recently hosted a Sustainability Speaker Series event with Jakob Thomä, Project Director at the IPR to discuss global climate policy forecasts and the implications of COP28 for corporates and investors. Alongside Nikita Singhal, Jennifer Anderson, and Zachery Halem, Director of the Lazard Climate Center, the group highlighted key outcomes from COP and discussed how the IPR believes this may impact policy forecasts for investors.

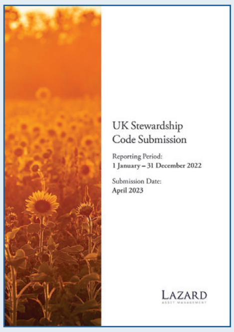
Lazard speaks at Deloitte Corporate Governance panel event

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.

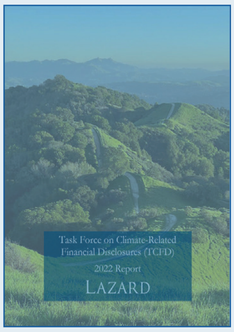
Thought Leadership

Further Information

Sustainable Investment Year in Review

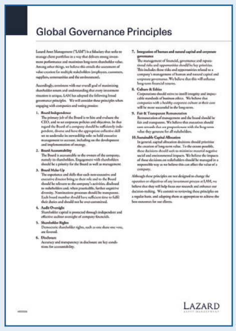


UK Stewardship Code



TCFD Report

Sustainable Investment and ESG Integration Policy



Global Governance Principles

All reports and policy documents can also be found on our website here.

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Notes

1. National Oceanic and Atmospheric Administration (NOAA)
2. Stewardship Code Reporting Analysis 2023, Redington
3. Climate Action 100+
4. REO and Hermes
5. BlackRock Voting choices, BlackRock Voting Choice | BlackRock
6. Pass-through voting technology provider Tumelo estimates that this figure increases to $27.5 trillion when the new solutions offered by an additional seven passive fund managers across the US, Europe, and the UK are included.

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