Lazard Asset Management
Sustainable Investment and ESG Integration Policy
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1 Introduction

Lazard Asset Management (“LAM”) has over 50 years’ experience offering discretionary active investment advisory services in equity, fixed income, currency and commodities strategies. We employ over 300 investment professionals, including a global network of more than 100 analysts and sector specialists who generate proprietary research and analysis for our fundamental investment strategies. We also offer equities strategies that rely on quantitative investment processes. LAM provides investment management services to institutional and individual investors globally. As a fiduciary to our clients, LAM seeks to act in our clients’ best interests and treat each client fairly. This principle underlies all aspects of LAM’s investment processes, including our approach to ESG and Sustainability.

Our firm actively manages all client portfolios with the objective of delivering positive investment performance and maximizing long-term shareholder value. LAM does not offer passive or index products. Portfolio managers at LAM can decide whether or not to incorporate ESG considerations into their investment processes, and to what degree.

A significant portion of our portfolio management teams have decided to explicitly incorporate ESG considerations into their security selection and portfolio construction processes, and some offer strategies that include a particular sustainability focus or objective. For management and marketing purposes, LAM categorizes and defines these strategies as follows:

- **ESG Integrated Portfolios.** LAM defines an ESG Integrated portfolio or strategy as one that is managed in a way that assesses the impact of material environmental, social or governance considerations may have as they relate to the long-term financial performance (including growth and financial productivity) of an issuer. ESG Integrated portfolios at LAM may invest in businesses that have poor ESG characteristics, so long as the portfolio management team is aware of those deficiencies and has considered them (fundamentally or quantitatively) when constructing the portfolio. LAM manages fundamental equity, fundamental fixed income and quantitative equity portfolios which are ESG Integrated.

- **Sustainability-Focused Portfolios.** LAM defines a Sustainability-Focused portfolio or strategy as one that is designed with the assumption that the world is moving to a sustainable future and that investors can benefit from this transition by having exposure to issuers that have (or plan to have) sustainable products, services and operations. LAM manages such portfolios and strategies using a variety of techniques and objectives, including portfolios that seek opportunities in a specific sustainability theme and/or seeking to have a particular sustainability objective. Sustainability Focused portfolios may hold investments that are not considered sustainable at the time of investment, but where the portfolio managers (or quantitative investment process) forecasts that the investment is transitioning to become sustainable or where engagement with the issuer may influence management to take such action in the future.

This policy describes the key elements of our internal approach to incorporating ESG and sustainability matters into our relevant investment processes – without reference to any ESG laws or regulations that certain jurisdictions have adopted. In particular, LAM analyzes portfolios and strategies for compliance with Articles 8 and 9 of the EU Sustainable Finance Disclosure Regulation (“SFDR”) using criteria separate from those outlined in this Policy. LAM generally expects that many ESG Integrated Portfolios will comply with Article 8 of SFDR, subject to investment process modifications in certain instances. Similarly, LAM generally expects that many Sustainability-Focused Portfolios will comply with either Article 8 or Article 9 of SFDR, subject to investment process modifications in certain instances.

2 Philosophy, Approach & Implementation

Philosophy

As a global manager of active portfolios, we recognize that sustainability issues encompass some of the greatest challenges the world faces today. The implications of climate change, pollution and biodiversity loss alongside concerns about social inequality, global health pandemics and other urgent societal and environmental challenges raised by the United Nations Sustainable Development Goals (SDGs) are influencing behaviors and changing society’s expectations. Equipped with the greater visibility that social media platforms can provide, consumers, businesses, and governments are responding, both through changes in policy-setting and regulation, and via changing demand patterns, partly enabled through technological disruption and advancement.

We have always believed that a company’s governance and incentive structures, including its board make-up and remuneration practices, influences the ability of management to deliver long-term success. We believe that environmental issues, and most notably risks and opportunities related to climate change, can impact a company’s financial performance and longer-term outlook, and therefore the value of its debt and equity securities. Equally we believe that a company’s approach to human capital is reflected in the resilience of its workforce and its supply chain.

Our investment professionals for fundamentally managed strategies have been incorporating an assessment of human and natural capital, alongside governance, into their research, engagement and decision-making process for many years to enhance long-term financial returns. For the same reason, the quantitative equity team responsible for our Advantage portfolios has incorporated ESG considerations into its Growth, Sentiment and Quality factors. Each portfolio management team that has chosen to integrate ESG considerations into its investment process is responsible for determining the ESG issues that are most relevant to its asset class and investment objective.
Proprietary Research – Taking a Holistic Approach

The notion that sustainable investing comes with a financial trade-off is outdated. LAM’s fundamentally driven investment processes draw on the proprietary research and financial analysis conducted by our team of over 300 investment professionals including 100 analysts. These investment professionals conduct research to analyze and understand a company’s business fundamentals and we view ESG considerations are an integral part of this analysis. The assessment and compensation of our US, International, and Emerging Markets fundamental equity analysts is linked in part to the integration of sustainability-related considerations into their research. As an example, our standard equity Investment Thesis template contains a section specifically related to ESG. Our research effort is supported to access third party data (e.g. CDP), third party ESG scores by specialist providers, and the growing amount of ESG research produced by sell-side financial analysts. Companies themselves are producing more ESG disclosures.

Our fundamental ESG assessment may differ from that of external providers, possibly because of provider data gaps, or because we are able to generate differentiated insight by taking a dynamic, proprietary and prospective approach to supplement static, backward looking data. Inevitably assessment of some types of issue are subjective, but by focusing on quantifying financial impact, we believe the managers of ESG Integrated and Sustainability Focused portfolios can identify the right issues to discuss with management when they meet issuers.

Implementation – Materiality Mapping and Sustainability Scorecards

ESG issues are highly contextual in nature and issues that are relevant for one sector, industry or geography may not be as relevant for another. To ensure a systematic and firm-wide approach to ESG research, LAM’s ESG and Sustainable Investment team has built a dynamic, global proprietary process called ‘Materiality Mapping’ which helps us to identify the risks and opportunities on a sector-by-sector basis. Research analysts have performed deep dives on individual issues and developed frameworks to assess and quantify these issues which can be accessed by all investment professionals. Further, global sector groups comprising both equity and fixed income professionals have mapped issues to specific sectors.

To link materiality mapping at the industry level to our bottom-up company research, we have developed a Sustainability Scorecard framework. Originally designed for use by our sustainable equity strategies, these can be used in the investment process for other portfolio management teams as a way to help assess the material issues related to a company’s operations, human and natural capital and governance. In addition to this, the quantitative equity team responsible for Advantage portfolios has developed its separate scoring methodology to inform its investment decision making by capturing information across different ESG datasets.

By marrying a top-down understanding of each issue, with a bottom-up understanding of how different companies and different industries are dealing with it, we are working towards developing proprietary tools to quantify material issues in a way that can be reflected in financial models and valuations. We hope to expand the use of these tools as new data becomes available, and to identify new issues as they emerge.

As noted above, we consider material ESG issues to be those that are likely to affect the long-term valuation of the securities we invest in on behalf of our clients. By choosing not to assess a security on every possible ESG metric but to focus on those most important to a company’s long-term financial performance, we can go deeper into the issues that matter and get closer to valuing externalities that are not currently recognized or fully recognized in financial statements.
Lazard Asset Management Research (LAMR)

LAMR is Lazard’s proprietary, web-based, global research database. LAMR enables LAM’s fundamental investment professionals to share analysis and investment recommendations in real-time with colleagues around the world through distribution via email and availability through mobile and desktop applications. (LAM investment professionals also can share research via internal email and chat groups.) The research database also is designed to hold LAM’s fundamental research related to a company’s human and natural capital and governance, specifically Materiality Mapping frameworks and Sustainability Scorecards. As well as publishing their research, investment professionals can record and share the contents of meetings with companies through meeting notes, including purposeful engagements where we have pursued an agenda for change on one or more ESG issues on behalf of our clients.
Service Providers

To complement our proprietary research LAM subscribes to several service providers that help our investment professionals gain a better understanding of a company’s ESG practices and the risks and opportunities that they may present to our current and potential portfolio holdings. While these service providers do not cover every company in our investment universe, they provide a comprehensive tool to enhance and supplement fundamental research and analysis.

Risk Management

Implementation – ESG Watchlist

At a firm level, we also operate an ESG Watchlist which is designed to provide supplemental ESG insights to ESG Integrated and Sustainability Focused portfolios. On a regular basis, LAM generates a report for our investment professionals containing environmental, social and corporate governance ratings from Sustainalytics and Trucost concerning companies in our client portfolios. The companies with the lowest* environmental, social, or corporate governance ratings are “flagged” in the report. From Sustainalytics, the ESG Risk Rating and Controversy Score incorporates human capital as well as social issues. Although the Sustainalytics metrics we use for the Watchlist do cover some environmental issues, we leverage Trucost’ natural capital valuation techniques and compare that to an issuers revenue to understand the relative environmental impact and footprint. The report also flags companies in breach of the United Nations Global Compact Principles as provided by MSCI.

*A company will appear on the Watchlist if its Trucost score falls in the bottom 20% of its sector and in the bottom 10% of the overall universe, or if a company’s Sustainalytics ESG Risk Rating falls into the severe category, or if the company is noted having a Category 5 controversy, which reflects (as defined by Sustainalytics) an event that has severe impact on the environment and/or society, posing serious business risk to the company. Finally, a company will also appear on the Watchlist if its assessment against the United Nations Global Compact violations is designated with a “Fail” by MSCI.

Implementation – Equities Style Research and Carbon Footprint

LAM’s Global Risk Management team also evaluates ESG style tilts using information generated by Style Research as part of its monthly risk management review of equity portfolios across the firm. This data compares a portfolio’s ESG Style factors to the relevant index on a sector and overall portfolio basis. LAM has also developed a tool to compare a portfolio’s carbon footprint to the relevant index using data from Trucost. While investment professionals do not manage their portfolios based on the results of ESG Style tilts or carbon footprint, these assessment tools are available to them to further evaluate their portfolios against the competitive universe and to be aware of potential risks.

Implementation – Country Risk Assessment

To evaluate sovereign issuers LAM’s fixed income investment teams have proprietary country risk assessment (CRA) models which incorporate select metrics and proprietary weightings to derive a comparative scoring system for country analysis. The indicators include a number of ESG
factors. The ESG considerations within the CRAs are important to the Global Fixed Income and Emerging Markets Debt team’s evaluation of sovereign bonds, providing insight into the ability and willingness of a country to repay debt and function within the global markets.

Exclusions and Compliance with Global Norms
We do not systematically exclude particular industry exposures to over-ride our investment decisions, but for segregated client mandates we have the ability to work closely with each client to determine which filtering screens or exclusion lists to apply in the stock-selection process, to ensure the client’s portfolio holdings will be consistent with their organization’s aims or mission statement. LAM subscribes to MSCI data feeds to ensure compliance with screens based on sector, activity and global norms. Furthermore, LAM has an exclusion policy in place across its Irish and German UCITs fund range screening for companies associated with controversial weapons. For Irish and German UCITs funds classified as Article 8 or 9 under SFDR, additional exclusions are in place for nuclear and military weapons, tobacco producers, thermal coal mining and production, and companies that fail to satisfy UN Global Compact principles. While we leverage third party data to monitor and comply with these exclusions, we do not rely exclusively on third party ratings for UN Global Compact violators. We engage with and conduct research into particular companies labeled as UNGC violators, the outcome of which is then evaluated by our Global Stewardship Committee. We may use alerts from the screens to disinvest, adjust position size, or decide to conduct further research.

3 Governance and Oversight
Our governance structure helps to ensure that LAM’s commitment to Sustainable Investment is reflected in relevant policies and processes. The following is a summary of our key oversight bodies:

ESG Steering Committee
The ESG Steering Committee oversees implementation of our ESG Policy, and its members include our Co-Heads of Sustainable Investment and ESG, our Directors of Research, and representatives from investment and marketing teams. Members of this group serve as internal leaders in the area of ESG to help frame our overall policy and serve as resources to our investment professionals globally.

Global Stewardship Committee
LAM’s Stewardship Committee 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 is responsible for setting policy, co-ordinating Stewardship activities across our global business and ensuring the chain of Stewardship in maintained between investments and ultimate asset owners. The Committee is Chaired by our Director of Stewardship and includes our Co-Heads of Sustainable Investment and ESG, Directors of Research, selected Portfolio Managers as well as representatives from Legal & Compliance and Business/ Clients & Marketing.

Proxy Voting Committee
LAM’s Proxy Voting Committee oversees the implementation of the firm’s global Proxy Voting Policy, including its ESG provisions. 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 Co-Heads of Sustainable Investment and ESG, representatives of our Legal, Compliance and Operations teams, and various investment professionals. The Proxy Voting Committee also reviews proxy voting recommendations that conflict with Lazard’s proxy voting guidelines.

Investment Council
The LAM Investment Council is designed to facilitate important dialogs across LAM’s research and investment platforms. This group, representing major investment platforms and regions, meets regularly to discuss matters relating to two central themes: 1) providing investment leadership and sharing investment insights on a wide variety of topics such as Sustainable Investment and ESG implementation, and 2) monitoring and improving communications and processes between different investment professionals, platforms, and offices around the world. The Investment Council meets weekly on investment related issues and reports directly to the Chief Executive Officer. Our Co-Heads of Sustainable Investment and ESG regularly report to the Investment Council about ESG matters.

Oversight Committee
The LAM Oversight Committee is the management body for our investment platform. The Committee oversees LAM’s strategies and establishes reporting lines for investment professionals on portfolio management teams. The Committee reviews and monitors strategies to ensure they remain consistent with stated goals and objectives. The Committee also plays a key role in new product development and other senior-level decisions. The Committee discusses issues on ESG implementation and Sustainable Investment. The Committee may delegate to other groups internally to review specific issues, as needed. The Oversight Committee currently consists of the Chief Executive Officer and senior representatives from our regional offices, portfolio management, marketing, and risk management. Our Co-Heads of Sustainable Investment and ESG regularly report to the Committee on ESG matters.
Global Management Committee

The Global Management Committee is charged with making senior-level business decisions for the firm and generally meets weekly to discuss matters relating to the overall business activities of the firm, including Sustainable Investment and ESG implementation. The Committee currently consists of 15 senior members, including our Chief Executive Officer, Chief Business Officer, General Counsel, Heads of our different Investment Platforms, Regional Office Heads, and other senior representatives of the firm. Our Co-Heads of Sustainable Investment and ESG periodically appear before the Management Committee to update them on strategy and key developments.

4 Climate Change Investment Policy

To accurately analyze the financial prospects of most issuers, we believe that LAM’s investment professionals responsible for ESG Integrated or Sustainability Focused portfolios need to assess a range of scientific projections about the potential impacts of climate change – including without limitation future sea-level rises, the frequency and severity of extreme weather events and the impact of the UN Paris Agreement. These risks have the potential, for example, to disrupt agriculture and other supply chains as well as raise insurance costs affecting a range of industries and sectors.

In our relevant strategies, we also should attempt to anticipate the amount and timing of the loss of cash flows related to climate change, as well as the nature and timing of policy makers’ response to these risks in the form of new regulations and fiscal policies. For example, our investment professionals need to assess the impact of the UN Paris Agreement on the financial performance of issuers, both corporate and sovereign, whose securities are owned in our clients’ portfolios. We also believe that the transition to a lower-carbon economy could present investment opportunities for our clients which our investment professionals are keen to identify.

In order to ensure that this is more fully embedded in our relevant investment strategies and processes, we have promulgated a Climate Change Investment Policy. The Policy’s three pillars – the incorporation of which will vary by investment strategy – are as follows:

1. **Climate-Integrated Research** – We are committed to integrating an assessment of climate risks and opportunities into our relevant investment research efforts. Based on the foundation of SASB (Sustainability Accounting Standards Board), LAM has developed and updates on a regular basis a proprietary framework to analyze the materiality of environmental, social and governance issues on an industry basis. Our proprietary framework highlights a range of climate-related factors such as water scarcity, energy management, physical and regulatory risks, etc. with the objective of assessing the financial impacts of these risks and opportunities on a company’s future revenues, costs, expenditures, assets and liabilities.

   We use third-party data sets to support our proprietary fundamental and quantitative research, including data to help quantify the cost of carbon and other emissions among other data items. The increasing availability of alternative data, combined with LAM’s data science techniques, can help us identify patterns of change and disruption, as well as an understanding of CO2 exposures of our investment strategies on an index-relative basis.

   By looking at emissions data, estimated or reported, beyond the current cost of carbon credits where they are acquired, we hope to better anticipate the impact of changing regulations (e.g., adoption of cap and trade policies in new geographies in the future), as well as identify companies offering energy efficiency and CO2-reducing technologies, or those that are perceived to be competitively advantaged by their resource efficiency.

   Elements of climate change related risk, specifically data points relating to carbon footprint and carbon footprint relative to the index based on independent data, are captured within our internal portfolio risk assessment of equity portfolios. This assessment is conducted by our firm’s Global Risk Management team and is made available to senior management and relevant portfolio managers.

2. **Climate-focused Engagement with Key Stakeholders** - Meeting with company management is a key part of our fundamentally driven investment processes. Our investment professionals in this area will engage with company executives and boards specifically on climate change issues, particularly where we believe that physical or transition risks could impact a company’s long-term financial performance and therefore the value of our clients’ investments. Our engagement efforts will continue to inform our proxy voting practices.

   Engagement with policy makers and the investment industry as a whole can help us better understand the transition to a low carbon economy. We are members of the Institutional Investors Group for Climate Change (IIGCC) which enables collaboration between business, policy makers and investors to mobilize capital for the low carbon transition and to ensure resilience to the impacts of a changing climate.

3. **Transparency, Disclosure & Reporting on Climate Issues** - LAM supports better disclosure of material climate related risks by companies and sovereigns and in particular seeks improved disclosure of data that could help investors to quantify the potential impact of climate change on financial performance. LAM is an investor signatory to the Climate Disclosure Project (CDP) and is a formal supporter of the Task Force on Climate-related Financial Disclosures (TCFD) which promotes standardized frameworks for companies (and investors) to report their financially material risks and opportunities.

   A significant portion of our clients require transparency about the exposures generated by their portfolios. We are committed to developing portfolio level carbon metrics in line with the TCFD’s guidelines.

   LAM foresees that developments in this area are likely to be frequent and hard to predict. Accordingly, LAM expects to review the Climate Change Investment Policy on an annual basis.
Net Zero Asset Managers Initiative

In March 2021, Lazard Asset Management joined the Net Zero Asset Managers (NZAM) initiative, a group of more than 250 asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. This is in alignment with global efforts as set out in the Paris Agreement on Climate Change to limit warming to 1.5 degrees Celsius.

Joining the NZAM initiative is a natural extension of our efforts to embed sustainability analysis into investment decisions consistent with our Climate Change Investment Policy, and will help LAM better meet its duties to investors that have adopted decarbonization goals. We will work closely with our participating clients to ensure that we continue to best serve their needs while upholding the commitment that we have made to NZAM initiative. To deliver on our commitment, we will manage participating client assets in line with the NZAM goals, following the Paris Aligned Investment Initiative’s Net Zero Investment Framework, based on the broad scrutiny it provides beyond initial target setting, across capital allocation, climate disclosures, and lobbying activities. More information about the firm’s Net Zero Framework can be found on our website.

5 Stewardship & Engagement

LAM seeks to understand the companies and securities in client portfolios over the long-term. Our investment personnel responsible for fundamental portfolios seek to build constructive business relationships with senior management representatives, to share our views when given the opportunity, and to support companies undertaking positive changes. As active managers, we endeavor to continuously incorporate the insights from our stewardship activities into investment decisions, and vice versa, in order to enhance long-term value for clients and their beneficiaries.

Our firmwide philosophy towards Stewardship is based on four principles:

1. **Fiduciary culture**: LAM manages client accounts with discretion and owes its investors fiduciary duties. We act on behalf of our clients and the ultimate beneficiaries of the assets that we manage. Protecting and serving their long-term financial interests is our foremost priority. That culture is engrained in our global approach to investing and positions the firm to undertake genuine and valuable stewardship activities.

2. **Responsibility**: Stewardship is our client’s right, especially where we invest in voting shares on their behalf, but it is also a responsibility. We commit to undertake stewardship thoughtfully and purposefully. We can escalate issues if and when we deem it appropriate and try to persuade stakeholders to adopt changes that will benefit our clients.

3. **Collaboration**: Boards of directors share the responsibility of stewardship with shareholders. Stewardship is collaborative and benefits from relationships built over time and on interactions that are constructive and ongoing. We believe that successful stewardship is through an unbroken chain of trust and understanding between corporates, asset managers, and asset owners.

4. **Transparency**: In addition to reporting directly to our clients, we will publicly report on our stewardship activities once a year. Where there are conflicts of interest resulting from the different time horizons and objectives of our various investment strategies, these will be reviewed by our Stewardship Committee. We will assess the interests of our clients based on the value of their investment in the relevant securities, not the fees that they pay to us or the totality of their assets under our management.

The illustration below provides a schematic overview of our Stewardship Process.
Engagement is an integral part of LAM’s fundamentally driven investment processes and we typically have around 4,500 company meetings per year. 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 prioritization of the engagement may reflect both the materiality of the issue and the significance of the security within a given portfolio.

During meetings with companies, investment professionals may engage with company management on a variety of issues, including ESG matters. ESG topics can include both how a company invests in its human capital – such as employees, suppliers, their customers and the community – as well as its approach to natural capital, including its dependency and use of natural resources and its approach to manage climate change risk. The illustration below demonstrates our approach based on information gathering for informed decision making to influence change and add value for our clients.

Once an engagement has been undertaken, either face-to-face, by conference call, letter, or email, the participating sector analysts and portfolio managers are expected to record this interaction and share it with other LAM investment professionals. Analysts are asked to flag whether the meetings covered an environmental, social, and/or governance related topic, and this research is available on the platform for all investment professionals to use. This helps to ensure all analysts and investment professionals can incorporate this information into their view on the company.

The two overarching engagement objectives pursued are either information gathering for informed decision-making or purposeful engagement with specific outcome requests where we may add value for our clients.

Types of Engagement - Ongoing Dialog by Investment Professionals

We believe our portfolio manager/analysts and analysts for ESG Integrated and Sustainability Focused portfolios are in the best position 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 their responsibility, as opposed to being delegated to stewardship specialists that conduct separate meetings. This is an important differentiator and we believe the most effective shareholder engagement is undertaken by analysts that can contextualize the company information that arises from the dialogues.

For equities strategies, engagement normally is led by the investment professionals that own the companies in their portfolios. As active managers we are able to fully incorporate the insights from our engagement into investment decisions, further enhancing long-term value for clients and beneficiaries. Many of these engagements are in the form of an ongoing dialogue with the company management through regular meetings, visits, and telephone calls during which Lazard discusses and poses questions on operational, strategic, and other management issues and, where appropriate, will offer its own opinions and comments, based on its duties to LAM’s clients.

LAM’s 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 fundamental equity investment professionals. Regular meetings with management enable investment professionals to further understand a company’s business models, financial projections, ESG issues, stress-case scenarios, use of proceeds from sustainability-labelled bonds, as well as stay current on economic and financial conditions.

**Types of Engagement - Purposeful Engagement**

LAM also undertakes a number of outcome-oriented engagement efforts. Although we do not engage in activist activities, we may conduct more purposeful engagements with company management and/or its board of directors when we believe objectives are in the best interests of our clients. Such engagements can involve letters sharing our research views with management, requests for a structured dialogue with the board chairperson, and other activities. Where such engagements do not result in meaningful changes, we may decide to disinvest from the company in question where we believe doing so is in the best interests of our clients.

LAM is also able to participate in collaborative engagements that may be coordinated with other shareholders and stakeholders, where they are in the best interests of our clients and approved by our compliance professionals.

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<tr>
<th>Escalation - Tools Available to Us When Engagement Fails</th>
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<tbody>
<tr>
<td><strong>1. FACT FINDING</strong></td>
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<tr>
<td><strong>Aim:</strong> Fact finding to get more disclosure on emissions performance and targets</td>
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<tr>
<td><strong>2. PURPOSEFUL ENGAGEMENT – IR/MANAGEMENT</strong></td>
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<td><strong>Aim:</strong> Influence companies to progress across the assessment categories</td>
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<td><strong>3. PURPOSEFUL ENGAGEMENT – BOARD LEVEL</strong></td>
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<td><strong>Aim:</strong> To escalate engagement, ask if previous interactions with management have not been successful</td>
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<td><strong>4. COLLABORATIVE ENGAGEMENT</strong></td>
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<td><strong>Aim:</strong> If suitable opportunities arise to engage with peers we will escalate through collective action</td>
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<td><strong>5. PROXY VOTING</strong></td>
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<td><strong>Aim:</strong> Vote against management where no progress has been made. Actively vote on climate-focused shareholder proposals</td>
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<td><strong>6. DIVEST</strong></td>
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<tr>
<td><strong>Aim:</strong> As a last resort, if no progress has been evidenced through engagement or voting we will consider divesting our holding</td>
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We may choose to accelerate this process in the case of a material controversy

**Digest or Engage?**

As an active manager we prefer to engage with our investee companies and will favor this option where possible as divesting is unlikely to achieve real world outcomes and we have no control over who we sell to or determine whether they will be responsible owners. However, when material risks identified negatively impact the investment thesis and engagement has failed, we will consider divestment as a last resort.

For illustrative purposes only
Source: Lazard

**Reporting on Engagement Activities**

LAM produces engagement case studies, which provide examples of ESG engagement activities with company management/board of directors. In addition, we provide reports on all voting activity undertaken on our client’s behalf on a quarterly, semi-annual or annual basis as directed by clients.

To provide transparency to our overall ESG-integration activities, we publish an annual Sustainable Investment Report which is a comprehensive document linking our firm wide philosophy, processes, initiatives and disclosure as it relates to our environmental, social, and governance research to our stewardship (engagements and proxy voting) track records.
6 Global Governance Principles

As noted above, LAM is a fiduciary that seeks to manage client portfolios in a way that delivers strong investment performance and maximizes long-term shareholder value. Among other things, we believe this entails, when possible, the assessment of value creation for multiple stakeholders (employees, customers, suppliers, communities and the environment).

Accordingly, consistent with our overall goal of maximizing shareholder return and understanding that every investment situation is unique, LAM has adopted the following broad governance principles. They provide a framework for stewardship, building on Lazard’s four cornerstones of stewardship: fiduciary culture, responsibility, collaboration, and transparency. These principles are founded on the belief that long-term shareholder value is enhanced through a more comprehensive assessment of stakeholder management. We will consider these principles when engaging with companies and voting proxies:

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 the 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 as well as management.

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. Nominations processes should be robust. Each board member should have sufficient time to fulfil 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 favored.

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 & Ethics**: Corporations should strive to instill integrity and impeccable standards of business ethics. We believe that companies with a healthy corporate culture at their core will be more successful in the long-term.

9. **Fair & Transparent Remuneration**: Remuneration of management and the board 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.

10. **Sustainable Capital Allocation**: In general, capital allocation decisions should prioritize the creation of long-term value. To the extent possible, these decisions should seek to minimize 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.

Although these principles are not designed to change the operation or objectives of any investment process at LAM, we believe that they will help focus our research and enhance our decision-making. We commit to reviewing these principles on a regular basis, and adapting them as appropriate to achieve the best outcomes for our clients.

7 Proxy Voting

Proxy Voting Philosophy & Approach

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. LAM manages assets for a variety of clients worldwide, including institutions, financial intermediaries, sovereign wealth funds, and private clients. To the extent that proxy voting authority is delegated to us, LAM’s general policy is to vote proxies on a given issue in the same manner for all of its clients in accordance with our global Proxy Voting Policy. The Policy was recently updated to reflect the types of ESG agenda items that LAM would normally expect to support.

Our approach to proxy voting is based on the view that LAM, in its role as investment adviser, must vote proxies based on what it believes

(i) will maximize sustainable shareholder value as a long-term investor;

(ii) is in the best interest of its clients 

(iii) the votes that it casts are intended in good faith to accomplish those objectives
Role of Third Parties and Lazard’s Investment Professionals

LAM currently subscribes to advisory and other proxy voting services provided by ISS and Glass Lewis. These proxy advisory services provide independent analysis and recommendations regarding various companies’ proxy proposals. This research serves to help improve our understanding of the issues surrounding a company’s proxy proposals. Typically, our investment professionals are responsible for providing the vote recommendation for a given proposal except during Conflicts of Interest as stated in our proxy voting policy.

LAM’s Proxy Voting Policy sets forth guidelines regarding common proxy proposals, the “Approved Guidelines,” which determine whether a specific agenda item should be voted ‘For,’ ‘Against,’ or is to be considered on a case-by-case basis. In instances where an investment professional seeks to vote contrary to the Approved Guidelines, which are rare, approval is required from our Proxy Committee, defined previously. The investment professional must provide a rationale for their recommendation, and the Proxy Committee will then determine whether or not that vote recommendation is to be accepted and applied to the specific meeting’s agenda. Case-by-case agenda items are evaluated by LAM’s investment professionals based on their research of the company and evaluation of the specific proposal.

Proxy Operations

LAM’s proxy voting process is administered by its Proxy Operations Department (ProxyOps), with oversight by LAM’s Legal and Compliance Department and the Proxy Voting Committee.

LAM currently utilizes Institutional Shareholder Services, Inc. (ISS) as its proxy facilitator. On LAM’s behalf, ISS receives all proxy information sent by custodians that hold securities of LAM’s clients. ISS posts the relevant information regarding the meeting on its password-protected website for LAM to review, including meeting dates, all agendas, and ISS’ analyses. ProxyOps reviews this information daily and regularly communicates with representatives of ISS to help ensure that ballots for holdings have been received and agendas have been voted according to LAM’s instructions.

Conflicts of Interest

The Proxy Voting Policy recognizes that there may be times when meeting agendas or proposals create a material conflict of interest or the appearance of a material conflict of interest for Lazard Ltd. A conflict could arise, for example, where an affiliated company is advising a target or bidder or company management in some way involving a corporate finance transaction. In such a case, LAM will typically seek to alleviate the conflict by voting in a manner consistent with the Approved Guidelines (to vote ‘For’ or ‘Against’), or, in situations where the pre-approved guideline is to vote case-by-case, LAM’s policy is to vote the proxy item according to the majority recommendation of the independent proxy services to which we subscribe. LAM may also decide to abstain. This process helps LAM ensure that a vote is not influenced by a material or perceived conflict of interest yet receives the benefit of thorough analysis and recommendation designed to further long-term shareholder value.

Reporting of Voting Activities

Where a client delegates responsibility for proxy voting to LAM, we provide reports on all voting activity undertaken on their behalf 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. We generally view our clients’ voting records as their property, rather than as our records to make public.

In general, LAM does not disclose detailed voting records publicly, except where we are required to do so by law, such as the annual N-PX filing required by the U.S. Securities and Exchange Commission, the UK Stewardship Code or as part of the EU Shareholder Rights Directive, where detailed voting records will be available on our website from 2021. However, aggregated global statistics of LAM’s full voting activities are published annually on our website.

Please refer to LAM’s Proxy Voting Policy and Procedures for further details regarding our proxy voting practices.

8 ESG Regulatory Compliance

Governments from around the globe have adopted laws and rules with ESG objectives that can impact the activities of asset managers. It is LAM’s policy to comply with such laws and rules when they apply to our business.

For example, LAM and its European affiliates will comply with the EU’s Sustainable Finance Disclosure Regulation, including the provisions requiring our investment personnel to incorporate Sustainability Risks into processes used to manage UCITS fund portfolios (Article 6) and to disclose properly the environmental and/or social characteristics that those funds may promote (Article 8) and the sustainable investment objectives those funds have adopted (Article 9).

Similarly, our UK affiliate is a signatory to the UK Stewardship Code, and that entity has adopted procedures designed to ensure compliance with the Code and its disclosure provisions. Our affiliates in Japan and Korea have adopted the Japan Stewardship Code and Korea Stewardship Code, respectively, and likewise have adopted procedures to help ensure Code compliance.
9 Collaborative Initiatives

We recognize that the field of Sustainable Investment is evolving very rapidly. To further advance our knowledge and influence emerging standards, we collaborate with organizations that promote Sustainable Investment and ESG integration. This helps us understand and set strategic priorities and look at further sustainability standards and disclosures that will broaden the adoption of sustainable investment and help advance our own thinking.

A collaborative engagement policy has been formalized 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, in-line with client expectations. We also note that collaborative engagement can also offer a type of escalation where direct engagement may not have resulted in the desired outcome.

We are a member or signatory to various organizations that promote sustainable investing. These are as follows:

General:

- United Nations-supported Principles for Responsible Investment (PRI) – Lazard Asset Management (LAM) has been a signatory to the PRI since 2014.
- International Accounting Standards Board (IASB) Investors in Financial Reporting programme – LAM has been a member since 2016 and regularly participates in investor outreach initiatives.
- Chief Executives for Corporate Purpose (CECP) – LAM has been a member of the advisory board of the CECP’s Strategic Investor Initiative since 2019.
- Pensions and Lifetime Savings Association (PLSA) – LAML has been a member of the PLSA since 2006.
- Sustainability Accounting Standards Board (SASB) – LAM has been a member since 2019.
- UN Global Compact - Lazard Ltd. became a participant in the UN Global Compact in 2021. Please see here our letter of commitment.
- Responsible Investment Association Canada – In early 2022, LAM became a member of RIA, which seeks to promote responsible investment in Canada.

Stewardship and Governance:

- International Corporate Governance Network (ICGN) – Several LAM professionals are members of the ICGN going back to 1999 and our investment professionals regularly attend their conferences.
- UK Stewardship Code – Lazard Asset Management Limited (LAML) was a signatory to the 2012 UK Stewardship Code. In 2016, Lazard’s response to the UK Stewardship Code was rated Tier 1. In light of the revised UK Stewardship Code 2020, we reviewed our policies to seek alignment with guidelines outlined under the revised code. We became a signatory of the revised UK Stewardship Code in 2022.
- Japan’s Stewardship Code – Lazard Japan Asset Management K.K. has been a signatory to Japan’s Stewardship Code since 2014.
- Korea 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.
- FAIRR (Farm Animal Investment Risk & Return) Initiative – LAM became a member in 2020.
- Board of Director Training Institute of Japan (BDTI) – In 2021, LAM became a supporter of BDTI, which aims to provide training to board members to improve corporate governance in Japan.

Environment:

- Institutional Investors Group for Climate Change (IIGCC) – LAM has been a member of the Institutional Investors Group for Climate Change since 2019.
- Task Force on Climate-Related Financial Disclosures (TCFD) – LAM has been a supporter since 2019.
- CDP (formerly, the Carbon Disclosure Project) – Lazard became a member in 2020.
- CDP Science-Based Targets Campaign – In October 2020, LAM was part of the campaign calling on companies to set a 1.5°C science based target.
- Net Zero Asset Managers Initiative (NZAMI) – LAM became one of the first US-based asset managers to join this initiative in March 2021.
- 2021 Global Investor Statement to Governments on the Climate Crisis – In the lead up to COP26 in Glasgow, LAM became a signatory to the one-time collaborative statement by investors calling for governments to be more ambitious with their carbon reduction targets,
incentivize private finance for net zero solutions, develop just transition plans for affected workers & communities, ensure COVID-19 recovery plans support the transition, and mandate climate risk disclosures.

- **Taskforce on Nature-Related Financial Disclosures (TNFD)** – In early 2022, LAM became a member of the TNFD Forum, which aims to aid in the development and delivery of a risk management and disclosure framework for organizations to report and act on evolving nature-related risks.

**Diversity & Inclusion:**

- **30% Club** - Lazard is a founding supporter and member of the 30% Club since 2015 and has rolled out its cross-company mentoring program both in the United States and the United Kingdom since 2016.

- **UK Women in Finance Charter** – LAML has been a signatory to the UK Women in Finance Charter since 2018.

- **CEO Action for Diversity & Inclusion Pledge** – Lazard’s CEO Ken Jacobs signed the pledge in December 2020 to build a stronger and more diverse workforce and expand mentorship and allyship in the workplace.