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1 Introduction

Lazard Asset Management (LAM) has over 50 years’ experience with investment offices all over the world and with expertise in equity, fixed income, currencies and commodities. It has over 250 investment professionals, including a global network of more than 100 analysts and sector specialists who generate proprietary research and analysis for our investment strategies. Lazard provides investment management services to institutional and individual investors globally. As a fiduciary to our clients, Lazard seeks to act in our clients’ best interests and treat each client fairly. This principle underlies all aspects of Lazard’s investment processes, including our approach to ESG and Sustainability.

This policy describes the key elements of our approach to incorporating ESG and sustainability matters into our relevant investment processes.

2 Philosophy, Approach & Implementation

Philosophy

As a global asset manager, 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 current 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, influence 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.

As an active manager with a strong focus on fundamental research, our investment professionals have therefore 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. Each portfolio management team is responsible for determining the ESG issues that are most relevant to its asset class, investment objective and investment process. And we believe that a more holistic approach within our investment decision making process helps us to mitigate risks and identify opportunities. It also plays a key role in our ability to provide innovative solutions to our clients’ investment challenges.

Proprietary Research – Taking a Holistic Approach

The notion that sustainable investing comes with a financial trade-off is outdated. Lazard’s investment processes draw on the proprietary research and financial analysis conducted by our team of 250 investment professionals including 100 analysts. Investment professionals conduct research to analyze and understand a company’s business fundamentals and we see ESG considerations as an integral part of this. The assessment and compensation of our US and International equity analysts is explicitly linked 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 to 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 Corporate Social Responsibility and Sustainability reports, details of consumption and emissions, and science-based targets for the future. A subject that used to be sparse and adjective-rich is now becoming populated with numbers.

Our assessment may differ from external providers, possibly because of their data errors, or because we are able to generate differentiated insight by taking a dynamic, proprietary and prospective approach rather than using static, backward looking data. Inevitably, assessment of some types of issue are subjective, but by focusing on quantifying financial impact, we believe we can identify the right issues to discuss with management when we meet issuers.

Implementation – Materiality Mapping and Sustainability Scorecards

ESG issues are highly contextual in nature and what is relevant for one sector, industry or geography may not be as relevant to another. To ensure a systematic and firm-wide approach to ESG research, Lazard has built its own 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 for their assessment and quantification 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. Originally designed for our Sustainable Equity Strategies, this is now an integrated part of many portfolio management team’s investment process, as a way to systematically assess the material issues related to a company’s human and natural capital and governance. Over time, we plan to publish scorecards across our fundamental-driven (global, international, US and EM) equities platforms so that they are available to all investment professionals through our research portal. In addition to this, the Quantitative Equity team has developed its separate scoring methodology to inform its investment decision making by capturing information across different ESG datasets. The quantitative scorecards are specifically designed for the Sustainable Advantage Equity Strategies.
By marryng 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 evolve these tools as new data becomes available, and to identify new issues as they emerge.

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.

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As of 28 February 2021 and a point-in-time reflection of the assessed material issues.

*© 2021. Reprinted with permission from The SASB Foundation. All rights reserved. LAM’s proprietary sector-based approach to ESG integration is based on elements of SASB’s Materiality Map™.

Lazard Asset Management Research (LAMR)

LAMR is Lazard’s proprietary, web-based, global research database. LAMR enables LAM’s investment professionals to share analysis and investment recommendations in real-time with colleagues around the world through simultaneous distribution via email and availability through mobile and desktop applications. The research database also holds LAM’s 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, Lazard 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 as a sanity check on our process, and to expose the risks that may be embedded in portfolios. On a quarterly basis, Lazard’s Global Risk Management team generates and distributes a report to our investment professionals containing environmental, social, and corporate governance ratings. These ratings are provided by Trucost, Sustainalytics, and MSCI. The companies with the lowest* environmental, social, or corporate governance performance are “flagged” to the investment professionals who cover those companies. 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’s natural capital valuation techniques and compare that to an issuer’s 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. The Watchlists are utilized by both equity and fixed income investment professionals to help identify potential ESG risk in the companies in their investment universe. Investment professionals conduct research on these companies to determine the reasons for the low rating and formally document their findings internally on LAMR.

*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

Lazard’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. Lazard 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 Lazard has a proprietary country risk assessment (CRA) model which incorporates select metrics and proprietary weightings to derive a comparative scoring system for country analysis. The indicators include economic risks, external metrics, and ESG factors. The ESG considerations within the CRA are important to the Fixed Income 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 list 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. Lazard subscribes to MSCI data feeds to ensure compliance with screens based on sector, activity and global norms. Furthermore, Lazard has an exclusion policy in place for Controversial Weapons across its UCITs fund range.

This is in line with our view of financial materiality for which we evaluate each individual stock in our bottom-up selection process and may choose not to own a particular company due to an ESG issue, or we may adjust our position size or target price to reflect the ESG risk or opportunity. ESG issues are incorporated into our investment analysis and decision-making process which is designed to factor in any potential material impact on a company’s valuation and financial performance.

3 Governance and Oversight

Our governance structure helps to ensure that Lazard’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. Among other responsibilities, these individuals conduct ESG training, educate investment professionals on relevant ESG issues, facilitate client reporting, and help oversee overall implementation of our ESG Policy.

Stewardship Committee

Lazard’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 formed by 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

Lazard’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 Lazard Investment Council is designed to ensure the effectiveness of Lazard’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.

Lazard Oversight Committee

The Lazard Oversight Committee is the management body for our investment platform. The Committee oversees Lazard’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 on ESG matters to the Committee.

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 regularly 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 companies and sovereigns, we believe that Lazard’s investment professionals 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 like droughts and also changing weather patterns. These physical 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.

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 the 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 fundamental part of our investment process. Our investment professionals 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.

   We believe that it is important to engage with policy makers and the investment industry as a whole to further 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 the 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 Carbon 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.
We recognize that 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.

## 5 Stewardship & Engagement

LAM is committed to understanding the companies and securities in client portfolios over the long-term. We seek to build constructive relationships with senior management representatives, to share our views when given the opportunity, and to support companies undertaking positive changes. As 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 philosophy towards Stewardship is based on four principles:

1. **Fiduciary duty**: We believe that stewardship is part of our fiduciary duty. We act on behalf of others—our clients and the ultimate beneficiaries of the assets that they manage. Protecting and serving their long-term financial interests is our foremost priority.

2. **Responsibility**: We believe a client has the right to expect stewardship from its fiduciary asset manager, especially where the manager has discretion to vote proxies. We undertake stewardship activities thoughtfully and purposefully, knowing that we would not have the ability to impact corporate thinking if our clients had not entrusted their assets to Lazard.

3. **Collaboration**: 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 a chain of 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 Lazard’s investment process and we typically have around 4,000 company meetings per year. Investment professionals conduct meetings with company management as a regular part of the research process and in order to understand how companies are using their capital and conducting their business. During meetings with companies, investment professionals may engage with company management on a variety of issues, including ESG matters. Our engagements on ESG issues with companies is predominately informed by our proprietary materiality mapping framework and company level assessments. This helps analysts and portfolio managers focus upon the governance, human and natural capital issues that are most material and relevant to the long-term financial success of a company. This includes both how a company invests in its human capital – including 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.

**Engagement is Core to Our Investment Philosophy**

*Gathering Information*

Our Objective: Information-gathering in order to make fully informed investment decisions.

*Influencing Change*

Our Objective: Influencing change to protect & unlock shareholder value.

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**Types of Engagement - Ongoing Dialog by Investment Professionals**

We believe our portfolio manager/analysts and analysts are in the ultimate 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 and are fully integrated into our processes, rather than 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 information that arises from the dialogues.

For equities, engagement is led by the portfolio manager/analysts 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 Lazard’s clients.

Lazard’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 Lazard’s global 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, 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 dialog 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 it is in the best interests of our clients to do so.

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

Lazard produces engagement case studies, which provide examples of ESG engagement activities of our investment professionals 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.

Furthermore, 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

Lazard Asset Management (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 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. 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 relevant to the company’s activities, disclosed to stakeholders and, when practicable, further cognitive diversity. Nominations processes should be transparent. 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 a fiduciary, Lazard is obligated to vote proxies in the best interests of its clients over the long-term. Lazard 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 Lazard, Lazard’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 amended to reflect the types of ESG agenda items that Lazard would normally expect to support.

Our approach to proxy voting is based on the view that Lazard, 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

Lazard 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.

Lazard’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 Lazard’s 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 Lazard’s investment professionals based on their research of the company and evaluation of the specific proposal.

Proxy Operations

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

Lazard currently utilizes Institutional Shareholder Services, Inc. (ISS) as its proxy facilitator. On Lazard’s behalf, ISS receives all proxy information sent by custodians that hold securities of Lazard’s clients. ISS posts the relevant information regarding the meeting on its password-protected website for Lazard 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 Lazard’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. 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, Lazard 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, Lazard’s policy is to vote the proxy item according to the majority recommendation of the independent proxy services to which we subscribe. This allows Lazard to 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 Lazard, 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 Lazard 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, Lazard 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 Lazard’s full voting activities are published annually on our website.

Please refer to Lazard’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 ESG characteristics that those funds may promote (Article 8) and ESG 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 affiliate in Japan has adopted the Japan Stewardship Code and likewise has 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.

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 has been a signatory to the PRI since 2014.
- International Accounting Standards Board (IASB) Investors in Financial Reporting programme – Lazard has been a member since 2016 and regularly participates in investor outreach initiatives.
- Chief Executives for Corporate Purpose (CECP) – Lazard 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) – Lazard has been a member since 2019.

Stewardship and Governance:

- International Corporate Governance Network (ICGN) – Several Lazard 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) has been a signatory to the UK Stewardship Code since 2010. In 2016, Lazard’s response to the UK Stewardship Code was rated Tier 1.
- 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 – Lazard became a member in 2020.

Climate Change:

- Institutional Investors Group for Climate Change (IIGCC) – Lazard has been a member of the Institutional Investors Group for Climate Change since 2019.
- Task Force on Climate-Related Financial Disclosures (TCFD) – Lazard 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, Lazard was part of the campaign calling on companies to set a 1.5°C science based target.

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.

Important Information

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