

• SUSTAINABILITY FOCUS REPORT 2025

# Lazard US Sustainable Equity Diversified

LAZARD  
ASSET MANAGEMENT

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# A Message from the Team



**Janice Davies**

Managing Director,  
Co-Lead Portfolio Manager  
of US Equity



**Ross Seiden**

Managing Director,  
Co-Lead Portfolio Manager  
of US Equity



**Shanu Mathew**

Senior Vice President,  
Portfolio Manager/Analyst

## 2026 Letter from the Portfolio Management Team

Our team continues to integrate sustainability risks and opportunities into fundamental analysis. When environmental, social, or governance factors affect revenues, expenses, balance-sheet risk, or cost of capital, we incorporate them into our assessment of competitive advantages and business resilience.

**Materiality from sustainability concerns is rising. Not fading.** Climate-related losses hit \$800 billion in the US in 2025, roughly 2.6% of GDP.<sup>1</sup> Global data-center power consumption is projected to more than double between 2024 and 2030.<sup>2</sup> Total US grid capex is expected to reach \$115 billion this year, and wholesale electricity prices are already up 41% year to date.<sup>3,4</sup> Permitting backlogs, interconnection queues, long equipment lead times, and a shortage of roughly 350,000 skilled workers<sup>5</sup> are both extending project timelines and increasing the cost of power for every company that needs new physical infrastructure. These pressures are already visible in project economics, and they are accelerating.

**We look for companies that are turning these constraints into operating advantages:** resource efficiency that lowers cost; human capital and safety practices that keep projects on schedule; supply chains that reduce disruption; governance and capital discipline that seek to mitigate tail risks allocate capital effectively. When done well, these attributes generally appear as higher financial productivity, lower operating volatility, more durable revenues, and stronger shareholder returns over time.

**Meanwhile, the information gap is widening.** ~80% of US corporations are reworking their sustainability strategies due to political pressure, and many are reducing disclosures.<sup>6</sup> But the operational exposures those disclosures tracked have diminished. Third-party ESG ratings still only update annually, and the gap between what companies report and what matters to fundamentals continues to grow—raising the risk of stale underwriting in passive and index-based approaches. Our investment process is designed to close that gap through bottom-up research, direct management engagement, and ongoing monitoring of operational indicators that drive valuation.

**Capital continues to flow.** US transition-related investment reached ~\$378 billion last year, up 3.5%.<sup>7</sup> Corporate clean-power procurement hit a record 29.5 GW.<sup>8</sup> More than 90% of near-term US electricity capacity additions are expected to be low-carbon.<sup>9</sup> The US—representing more than 60% of global equity market capitalization<sup>10</sup>—remains the most important market for active ownership.

The pages that follow summarize our portfolio's sustainability profile, investments, and engagement outcomes, highlighting where these dynamics support measurable fundamental improvement. We continue to monitor evolving market and sustainability trends, poised to invest selectively at key inflection points.

# Investment Philosophy

Sustainability issues encompass some of the greatest challenges the world faces today. In our view, addressing challenges such as health, social inequality, climate change, pollution, and biodiversity loss is essential and can create compelling investment opportunities.

Propelled by potential tailwinds such as changing consumer behavior, increased extreme weather events, and government regulation, we believe companies can enable solutions to these challenges through the provision of sustainable products and services. We believe these companies can provide value for shareholders while delivering meaningful sustainable outcomes for society.

## Lazard US Sustainable Equity Diversified Strategy

We seek to invest in attractively valued companies with high or improving financial productivity, whose products and services align with a greener, healthier, safer, or fairer world, and conduct operations responsibly. By targeting enterprises that we believe deliver sustainable solutions and benefit from long-term secular trends, we aim to support the transition to a more sustainable future while seeking attractive investment returns.

In our view, sustainable investment is compatible with competitive returns. When companies identify and capitalize on sustainability-related opportunities, we believe they can strengthen their financial resilience and productivity. This, in turn, has the potential to drive lasting value creation.

Our approach has three key pillars to help clients pursue both sustainability and attractive risk-adjusted returns. As such, each portfolio company must meet the following criteria:

<b>1</b> Sustainable Products and Services	<b>2</b> Financial Productivity	<b>3</b> Responsible Operations
Companies' products and services provide solutions to the world's sustainability challenges, helping to make the world greener, healthier, safer, or fairer.	Companies have high or improving financial productivity; measured by CFROI and driven by its sustainable products and services.	Companies must be managed sustainably from a human capital, natural capital, and governance perspective.

We believe that our strategy is differentiated for four reasons:

- 1** Our investment approach is empirically backed by research covering 25 years of market data
- 2** We invest in both Sustainability Leaders and Reformers, which allows for a more diverse set of investment opportunities
- 3** We leverage a dedicated team of over 20 US analysts who fully integrate sustainability considerations into their fundamental research<sup>11</sup>
- 4** Active ownership led by investment professionals directly influences investment decisions, aiming to enhance long-term returns for clients

### Investment Philosophy

A company's sustainable strategy (products, ops, governance) ...	... should contribute to one of these fundamental outputs ...	... thus supporting financial productivity
Greener	Increased total addressable market	<b>Compounders:</b> Consistently high financial productivity
Healthier	Scope for market share gains	
Safer	Opportunity for pricing power and increasing margins	
Fairer	Reinforcement of existing competitive advantages	
	Creation of attractive reinvestment opportunities	<b>Improvers:</b> Improving financial productivity

For illustrative purposes only. Source: Lazard

# Investment Framework

We have long focused on fundamental analysis that assesses the relationship between a company's financial productivity and its valuation. Our proprietary research into financial productivity has identified two potential sources of alpha: Compounders (historically high financial productivity) and Improvers (improving financial productivity).<sup>12</sup>

We believe that these two sources of potential alpha are key to seeking long-term outperformance. As such, each company in the portfolio must qualify as either a Compounder or an Improver. Given the risk/reward profile, the portfolio is predominantly composed of Compounders. Deep fundamental research grounds a robust discussion and debate about every investment decision we make, and we believe our research underpins our competitive advantage.

## Sustainability Scorecards

Sustainability Scorecards are our proprietary framework for holistically assessing and quantifying the sustainability profile of companies. Scorecards enable us to assess how a company interacts with all stakeholders including its employees, customers, supply chain, community, and the environment. They focus on three components of a company's business: Products and Services, Operations, and Governance.

Within these three elements, Lazard Asset Management's (LAM) dynamic Materiality Mapping process helps analysts to contextualize idiosyncratic factors across global sectors and home in on material issues when undertaking scorecard research. Companies are assigned a score from -5 to +5 across each sustainability factor within the three components to produce an overall score for each. While we set strict minimum thresholds that a company must meet to be eligible for investment based on the scores, we importantly allow for companies that may have lower overall sustainability scores today but are demonstrating strong momentum in areas such as reducing carbon footprint, improving labor practices, or enhancing governance structures. Our overall approach creates a portfolio of Sustainability Leaders and Transitioners, which we believe creates a more fulsome opportunity set.

Importantly, each company's Scorecard is created by our relevant fundamental sector analyst. We believe this is critical: Our approach is built on granular, in-depth knowledge of a company and its operating environment, and with insight into how its activities intersect with society, all in the context of the shift toward a sustainable world.

### Sustainability Scorecard

Criteria	Materiality (%)	LAM Assessment
<b>Products/Services</b>	<b>60</b>	<b>3</b>
<b>Operations</b>	<b>40</b>	<b>2</b>
<b>Human Capital</b>	80	
Employees	40	4
Community	10	3
Supply Chain	30	2
Customers	20	0
<b>Natural Capital</b>	20	
Resource Dependency	40	2
Resource Management	60	3
<b>Total Score</b>		<b>3</b>

For illustrative purposes only. Source: Lazard

## Bespoke Capabilities

Our team recently evaluated 100+ evidence-based fields determined by a client for their bespoke portfolio. It involved a full company profile, detailed operational and governance assessment, product and outcome evaluation, and engagement. We are pleased to offer such capabilities to other clients as our fundamental investment experience, combined with cutting-edge data sources allows us to help design and execute tailored investment solutions.

Select Subcategories		Relevant Data Field(s) to Evaluate	Source(s)	+ Leverage Analyst Expertise
Environment	Energy Transition	Science-Based Target	SBTi	<ul style="list-style-type: none"> <li>Analysts will evaluate disclosure (e.g., yes/no), the comprehensiveness of targets (e.g., Scopes 1–3), overall ambition (e.g., near-term vs. long-term targets), and depth of disclosures.</li> <li>Compare/contrast ambitions across coverage and sectors.</li> </ul>
		Company-Created Target	Company Materials	
		CDP Climate Score	CDP	
	Water Scarcity	Water Stress	World Resources Institute	
		Water Intensity	Bloomberg	
		CDP Water Score	CDP	
Social	Occupational Health & Safety	Health & Safety Percentile	Sustainalytics	<ul style="list-style-type: none"> <li>Analysts can also scour company materials to identify additional datapoints like employee engagement survey results, turnover/attrition (voluntary and involuntary), and highlight any historical controversies related to employment matters.</li> </ul>
		Lost Time Incident Rate (LTIR)	OSHA, Bloomberg	
		Training Spend per Employee	Company Materials	
	Equality	Percent of Female Executives	Proxy Filing	
		Equal Opportunity Policy	Company Materials	
		Percent of Workforce Minorities	Bloomberg	
Governance	Board Composition	Percent Independent	Sustainalytics	<ul style="list-style-type: none"> <li>Analysts can engage management/IR/corp. governance teams regarding items like compensation (e.g., composition of CEO pay, and CEO pay ratio), governance policies, etc.</li> <li>Use firm proxy voting to advocate for change.</li> </ul>
		Board Average Tenure	Bloomberg	
		Board Age Range	Proxy Filing	
	Ownership Structure and Shareholder Rights	Shareholder Score	ISS	
		Shareholder Rights Theme	Bloomberg ESG	
		Stakeholder Governance Percentile	Sustainalytics	

For illustrative purposes only. Source: Lazard

# Investment Case Study

## Procter & Gamble Home and Personal Care Products

Societal contribution:



Greener

Potential source of alpha:

Compounder Thesis

50%

Lower resource intensity in P&G eco-efficient products

Climate Alignment



ALIGNED

8

Direct company interactions in 2025

## Linking Our Investment Thesis to Sustainable Outcomes

### 1 Societal Challenge

Home and personal care products play an essential role in daily hygiene and well-being, yet their production and use place meaningful pressure on environmental resources. Manufacturing tissues, soaps, plastics, and related items is often energy-intensive, while many hygiene and cosmetic routines rely on processes that consume significant water and generate persistent waste. As these resource demands grow alongside rising global consumption, they underscore the need for more efficient, lower-impact product alternatives.

### 2 Company Solution

Procter & Gamble addresses these resource pressures by embedding sustainability into its largest home and personal care brands, helping consumers lower energy, water, and material use in daily routines. Tide's "Cold Wash" platform of cold-water-compatible laundry detergent reduces energy per load by up to 90%, while packaging and formula innovations—such as Mr. Clean refills that cut plastic use by up to 50%, Head & Shoulders Bare that reduces plastic by 45% per mL, and Tide evo that eliminates plastic bottles and lowers resource impacts by over 50%—shrink waste across high-penetration categories. Through these scaled, market-leading brands, P&G is making resource-efficient choices easy for consumers and reducing the environmental footprint of everyday hygiene and cleaning.

### 3 Financial Productivity

Procter & Gamble's "back to basics" strategy emphasizes superiority in product performance, packaging, communication, retail execution, and value—reinforcing its leadership position in the home and personal care industry. This foundation is strengthened by advertising investments that significantly exceed those of peers, helping to deepen brand moats and sustain high household penetration. The shift toward e-commerce has further amplified these advantages, as digital shelves tend to favor established brands and feature fewer private label alternatives. Attractive returns should continue to incentivize the company to reinvest, delivering new products which further support a more resource-efficient society.

### 4 Sustainable Outcomes

**Outcome to Shareholders:** Has delivered attractive returns to shareholders, supported by a top decile CFROI performance over 10 years, our measure of financial productivity.

**Outcome to Society:** Contributing to a more resource-efficient world by increasing access to sustainable home and personal care products. Consumer initiatives like Tide Cold Wash, Crest water-saving, Cascade dishwasher efficiency, and packaging innovations such as Tide evo and Olay Melts are reducing water, energy, and packaging impacts by over 50%, while making sustainable choices more accessible.

## Responsible Operations

Procter & Gamble has established clear targets to reduce the resource intensity of its operations and to support the broader energy transition, including continued cuts to manufacturing emissions, waste, and water use. The company has already achieved a 60% reduction in Scope 1 and 2 greenhouse gas emissions since 2010 and now sources renewable electricity for 99% of its global manufacturing footprint. It has also reached near-zero manufacturing waste going to landfill across most facilities. Within its supply chain, Procter & Gamble is strengthening responsible sourcing through mandatory supplier guidelines, deeper traceability efforts, and verification of key materials such as palm oil and paper inputs. The company has increased expectations for water stewardship and labor-rights compliance across high-risk sourcing regions and continues to invest in supplier capability-building to improve environmental performance upstream.

## Active Ownership

Recent engagement topics with Procter & Gamble have included:

- Sustainable Opportunities for its products and services.
- Circular product design as it relates to their approach to product waste.
- Employee diversity and inclusion related to the company's updated approach to human capital management.

# Investment Case Study

## Danaher Diagnostics, Life-Science, and Bioprocessing

Societal contribution:



Healthier

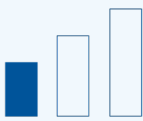
Potential source of alpha:

### Compounder Foundation

# 12bn<sup>+</sup>

Diagnostics tests  
enabled annually

Climate Alignment:



COMMITTED

# 7

Direct company  
interactions in 2025

## Linking Our Investment Thesis to Sustainable Outcomes

### 1 Societal Challenge

Health systems worldwide remain under pressure from infectious diseases, chronic conditions, and limited access to high-quality diagnostics. Broader challenges in early detection, antimicrobial resistance, and oncology highlight structural gaps in global testing capabilities. Hepatitis C exemplifies this: 50–58 million people are currently infected globally, and nearly 242,000–290,000 die each year. With no vaccine available, diagnostic bottlenecks delay treatment, causing preventable disease progression and unnecessary Hepatitis C–related deaths.

### 2 Company Solution

Danaher helps address global health gaps by providing diagnostic, life-science, and bioprocessing tools that underpin modern public-health and therapeutic systems. Its platforms enable earlier and more accurate disease detection—enabling more than 1.6 million cancer tests each week and over 1.2 billion diagnostic tests annually. Danaher also expands access to critical infectious-disease diagnostics through innovations like Cepheid’s Xpert HCV test, the first US point-of-care assay for Hepatitis C, delivering results within one hour and improving real-world screening and linkage-to-care. Across its global portfolio, Danaher’s continuous-improvement operating model enhances product reliability and quality, supporting more resilient healthcare systems and helping close diagnostic and treatment gaps.

### 3 Financial Productivity

Danaher’s significant scale and product offerings provide end-to-end solutions across bioprocessing, life-science research, and diagnostics. The company’s full-suite solutions boost productivity for biopharma, research, and diagnostic customers, driving share gains over peers with one-off products. Adding to this, its exposure to fast-growing bioprocessing markets positions the company to outgrow its end markets mid- and long-term. Critically, Danaher operates within customers’ core, regulated workflows, making its products indispensable and driving a highly recurring revenue model, with roughly 80% of revenue coming from repeat use. Attractive returns should continue to incentivize the company to reinvest, delivering new products which further supports a healthier society.

### 4 Sustainable Outcomes

**Outcome to Shareholders:** Has delivered attractive returns to shareholders, supported by a consistently top-decile CFROI performance over 10 years, our measure of financial productivity.

**Outcome to Society:** Contributing to a healthier world by expanding access to diagnostic testing. More than 1 million diagnostic tests are performed every hour around the world, impacting 1.2 billion patients.

## Responsible Operations

Danaher’s greatest sustainability risk stems from its heavy reliance on single-use consumables across diagnostics and bioprocessing—such as PCR cartridges, pipette tips, filtration media, and disposable bioreactor bags—which generate significant plastic waste and have limited end-of-use recovery options. The company has made meaningful progress addressing this issue, reducing non-hazardous, nonregulated waste sent to landfill by 37% versus 2019, surpassing its 2024 reduction target of 15%. Key areas for future engagement include how circularity principles are incorporated into manufacturing and product design, the potential for reuse or disassembly strategies to reduce costs and waste handling liabilities, and the scale and feasibility of reclaiming or recycling plastics and electronic components.

## Active Ownership

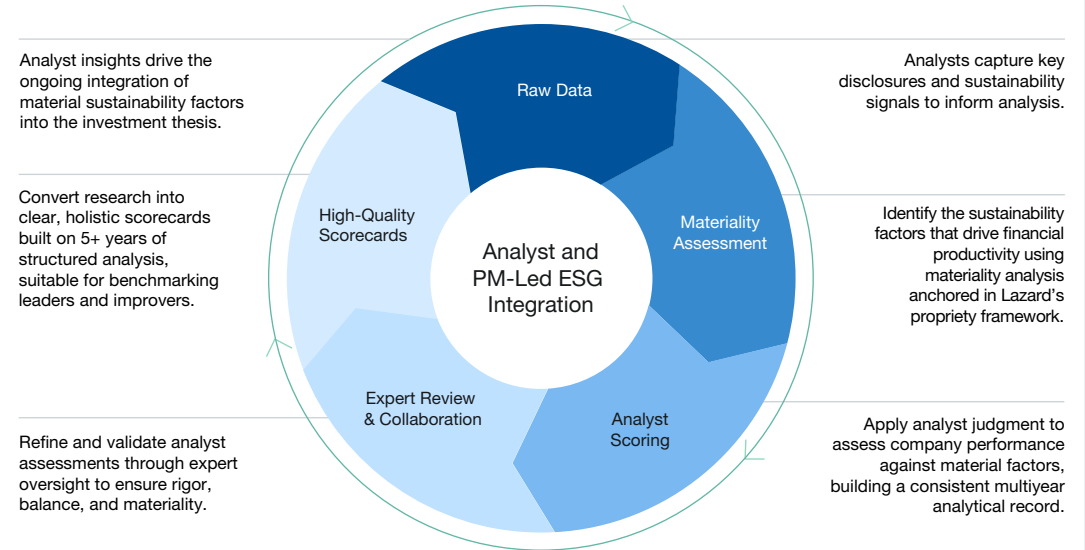
Recent engagement topics with Danaher included:

- Integration of environmental considerations into corporate governance.
- Board independence related to directors that are long tenured.
- Human capital progress in their diversity and inclusion initiatives.

# Integrating Research and Active Ownership into the Investment Process

## A Continuous Feedback Loop

Sustainable investment research and active ownership are fully embedded into the strategy's investment process, creating a continuous feedback loop that enhances our ability to identify and assess material risks and opportunities. This integrated approach is designed to support more robust investment decisions and long-term value for our clients.



## Our Proprietary Data Engine: LAMR

LAMR is our proprietary research database that centralizes company-specific, sector, and thematic insights, along with detailed records of engagements captured using the same framework as used for our Materiality Mapping. Engagement findings can feed directly into research updates, proxy voting analysis, and portfolio positioning. As proxy vote analysis transitions into LAMR by 2026, the system will further strengthen decision-making consistency and efficiency. This integration ensures that research, thematic frameworks, scorecards, engagements, and voting decisions remain fully aligned, evidence based, and continually updated as issues evolve.

## Our Materiality Map

- Sector-level view of the sustainability factors most tied to long-term financial relevance.
- Based on SASB (Sustainability Accounting Standards Board) standards and updated as issues evolve by live engagement data.
- Guides research, scorecards, and engagement priorities for consistent, comparable analysis.

## Integration in Action at Lazard Asset Management

**3,000+**

company meetings analyzed in 2025

**1,000+**

unique company scorecards since 2020

**5**

years of materiality map updates

# Engagement

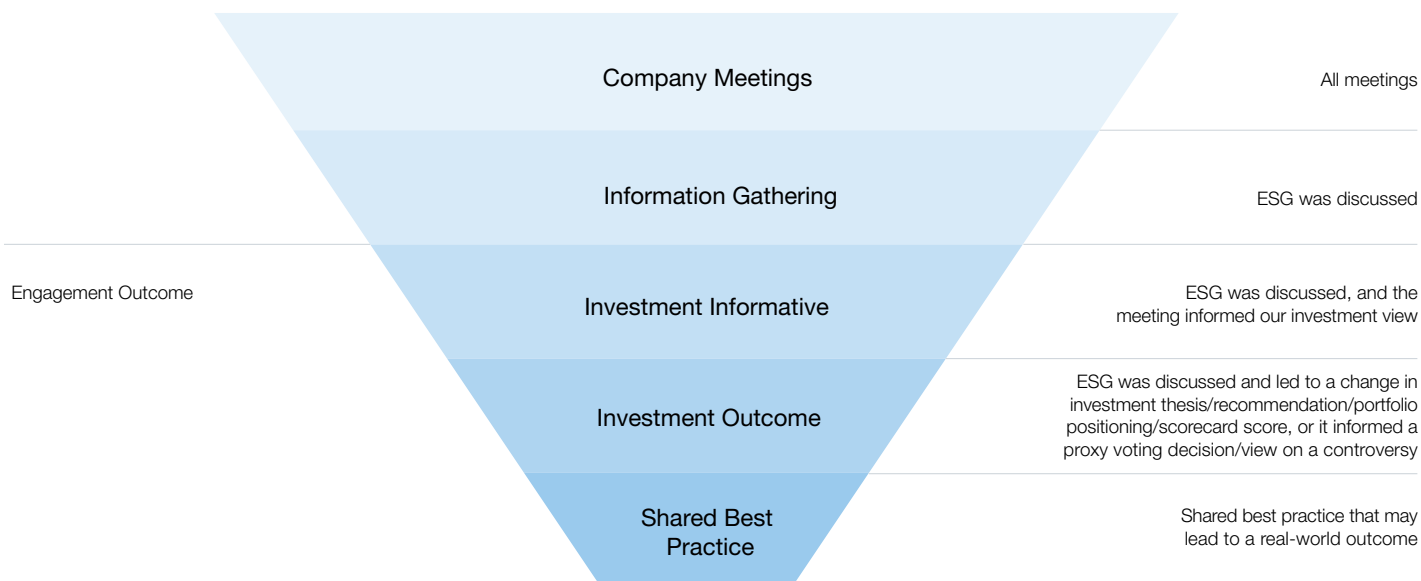
Engagement is an integral part of our investment process, enabling our investment professionals to gain deeper insights into the financial implications of sustainability-related opportunities and risks. Drawing on long-standing company relationships, our investment teams, supported by Investment Stewardship experts when needed, conduct targeted, research-driven discussions with well-defined objectives. Insightful, tailored questions foster meaningful conversations, with company management frequently seeking out and appreciating our investment professionals' views. We believe this direct access to key decisionmakers enhances both the quality and the impact of our engagements.

## Defining Engagements

As a firm we continually seek to enhance how we report and communicate the value-add of active engagement and its feedback into the investment process. In 2025, we updated our engagement categorizations to better highlight the importance of engagements that inform our investment view. In practice, this means that we will be able to identify if an engagement positively, negatively, or neutrally influenced our investment view. This builds on our previous approach that identifies investment outcomes, such as a change in recommendation or proxy voting decision, linked to a specific engagement.

We recognize that it is inherently difficult to attribute changes in company practices to any single investor engagement, as investors rarely have full visibility into the many stakeholders a company may be interacting with at any given time. However, we believe that investors can credibly evidence how an engagement has influenced their own investment process, or measure whether a requested change has occurred, regardless of how many other stakeholders may have been requesting the same change.

Our engagement definitions are illustrated by the graphic below, with corresponding reporting starting from 2026.



## Global Active Ownership Committee

The Global Active Ownership Committee oversees the alignment of proxy voting and engagement, recognizing that they are interlinked and integral to the effective stewardship of our clients' capital. It is responsible for Lazard Asset Management's Global Proxy and Stewardship Policy, as well as considering the reputational and business risk related to stewardship activities.

The committee brings together leaders from across the organization, sets policy, ensures transparency, and addresses conflicts of interest. In doing so, it makes decisions that serve clients' best interests while meeting stakeholder expectations and upholding fiduciary responsibilities.

This year, our portfolio management team continued its active ownership strategy, identifying proactive engagement opportunities through:

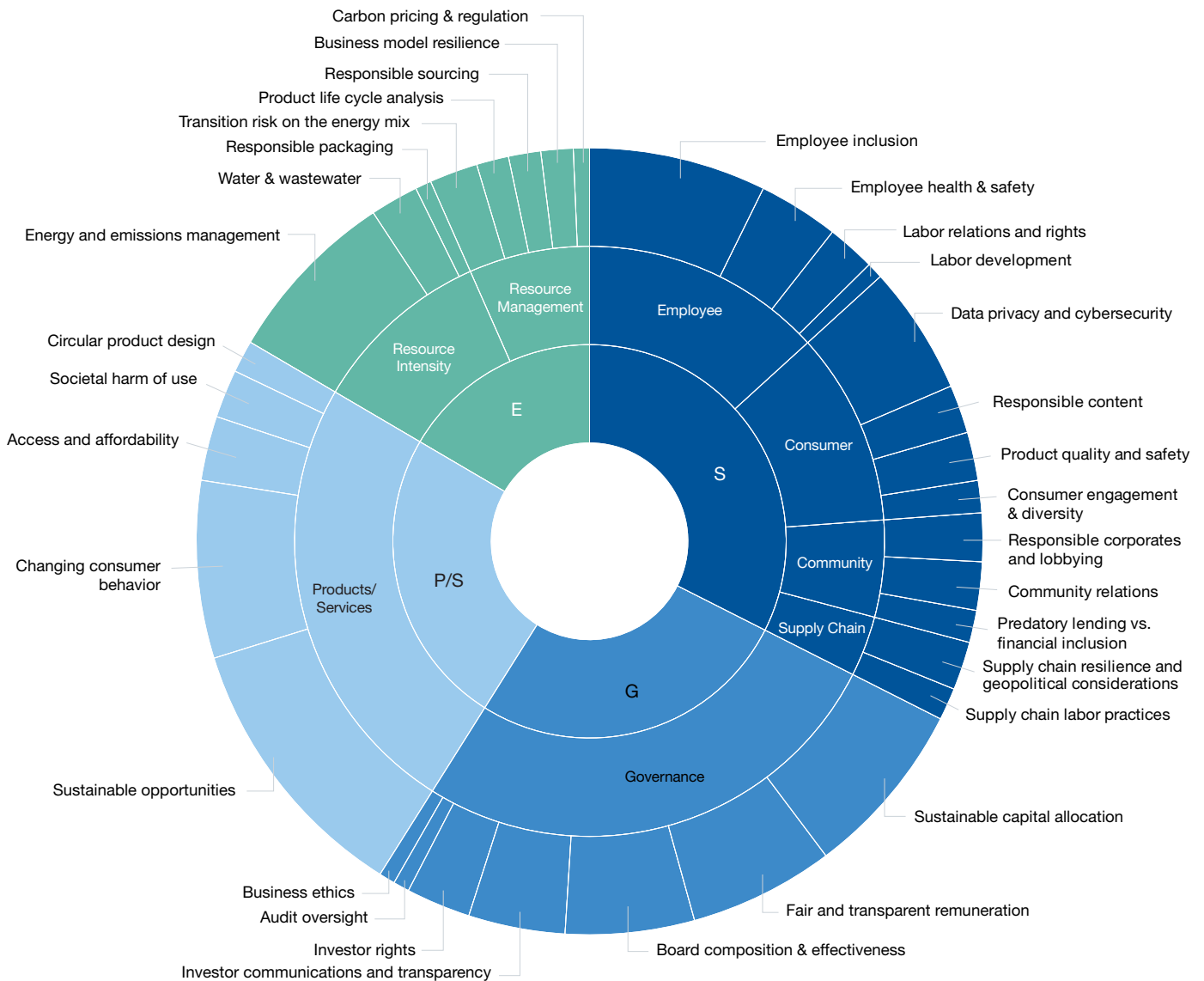
- Proprietary Sustainability Scorecards
- Thematic Research
- Climate Alignment Assessment
- Company meetings, particularly annual general meetings (AGMs)

## 2025 Engagements

	Total
<b>Total</b>	<b>56</b>
Investment Outcome	8
Shared Best Practice	8

The mid-2025 update to our engagement definitions and data capture methodology prevents producing a consistent and comparable metric for the number of Investment Informative engagements over this period. Reporting on Investment Informative engagements will begin in 2026.

## 2025 Engagement Topics



# Engagement Case Study

## Eli Lilly

Global Pharma Manufacturer

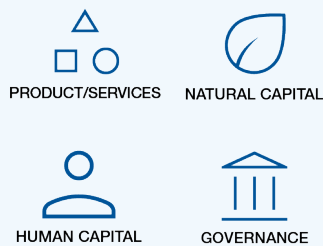
### Company Attendees:

Sustainability Lead + Team  
SVP of Inclusion and Talent  
Asst. General Counsel, Cyber  
and AI  
Investor Relations

### Lazard Attendees:

Investment Stewardship Analyst

### Engagement Topics:



### Lazard Classification:



## Objectives

Gain insight into how Eli Lilly's approach to various topics including data governance, clinical trial diversity, manufacturing cybersecurity, political engagement, climate strategy, and human capital management disclosure changes.

## Company Actions

- **Clinical Trials Diversity Targets:** Eli Lilly introduced simplified screening processes to broaden participant reach, enabling the recruitment of approximately 63,000 volunteers over 2.5 years—far above the usual 1,000–3,500—greatly enhancing the probability of identifying qualified Alzheimer's prevention candidates. The company remains committed to ensuring ethical practices by adhering to internationally recognized ethics principles and is subject to industry-wide oversight.
- **Data Governance:** The company implemented technical controls to support responsible patient data analysis.
- **Workforce Inclusion & Retention:** Eli Lilly does not plan to reinstate previously disclosed representation metrics and currently provides limited turnover statistics. A shift toward more frequent, smaller pulse engagement surveys, as well as new questions, also resulted in engagement score revisions that impacted comparability.
- **Environmental Management:** The company continues to refine its Scope 3 strategy and remains on track with Scope 1 and 2 emission-reduction goals. It does not plan to disclose plant-level emissions data or reduction goals.

## Lazard Analysis

- While Eli Lilly did not commit to disclosure changes around turnover, they were receptive to feedback and agreed to revisit the topic over the next reporting cycle. We believe greater transparency in this area will enhance our ability to assess execution risk, particularly in the context of the company's rapid workforce expansion.
- Given the scale of the manufacturing build-out and the importance of biologics to long-term growth, greater clarity on climate strategy is essential for evaluating execution risks and future cost structure.
- Governance practices indicate positive momentum. Although sustainability-themed performance metrics are not included in formulaic compensation, qualitative expectations around inclusion, environmental objectives, and waste reduction are embedded across multiple leadership levels.

## Outcome

**Investment Informative:** Eli Lilly's comments on clinical trial design and treatment delivery methods are positive indicators of the company addressing a broader market opportunity over time, supportive of our long-term investment thesis.

**Shared Best Practice:** We shared that companies maintaining only limited DEI disclosure should still provide foundational indicators such as turnover, engagement, and training metrics to help investors evaluate execution risk.

## Next Steps

1. Review 2026 reporting for evidence of shared best practice implementation.
2. Assess progress in Scope 3 disclosure.
3. Monitor regulatory standards addressing clinical trial oversight.

Engagement Period: Q4 2025. Source: Lazard

Sector analyst was unable to attend due to travel commitments. All opinions expressed herein are as of the published date. For illustrative purposes only. The securities mentioned are not necessarily held by Lazard for all client portfolios, and their mention should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will prove to be, profitable, or that the investment decisions we make in the future will be profitable or equal to the investment performance of securities referenced herein. There is no assurance that any securities referenced herein are currently held in the portfolio or that securities sold have not been repurchased. The securities mentioned may not represent the entire portfolio.

# Engagement Case Study

## United Rentals

Industrial & Construction  
Equipment Rentals

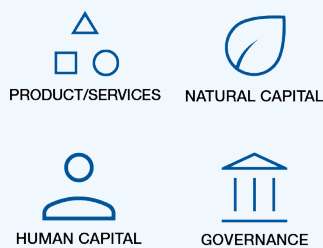
### Company Attendees:

Investor Relations

### Lazard Attendees:

Investment Stewardship Team

### Engagement Topics:



### Lazard Classification:



## Objectives

1. Understand United Rentals' low-carbon fleet road map and growth outlook for its Specialty business.
2. Discuss the company's emissions-reduction targets and reporting practices, the alignment of incentive compensation with sustainability goals, and capital allocation discipline.

## Company Actions

- **Electrification Road Map:** United Rentals confirmed that it does not have an internally mandated electrification road map for its rental fleet. It noted that while electric and hybrid options are available, adoption remains limited by cost, site-level infrastructure needs (such as charging), and technology constraints for heavy-duty equipment.
- **Specialty Business:** This business covers areas such as flood response, power generation, and waste management, and is seen as a structural growth driver. Management emphasized its success has been due to maintaining a fungible fleet that can be redeployed for disaster response rather than acquiring dedicated assets.
- **Emissions Reduction:** United Rentals reiterated confidence for achieving its 2030 emissions target. Progress on Scope 1 and 2 emissions-intensity has slowed due to acquisitions and the completion of efficiency improvements.
- **Compensation Governance:** Company benchmarks emissions target lagged and largely estimated data, resulting in its 2024 emissions target being set below levels already achieved in 2023.

## Lazard Analysis

- We recognize that United Rentals' strong competitive position is supported by its emphasis on customer needs and strict ROI discipline rather than early adoption of low-carbon technologies. However, this strategy may jeopardize progress toward its 2030 emissions-intensity targets.
- While the company's Specialty business is well-positioned competitively, the absence of financial and exposure metrics by subsegment limits our ability to fully evaluate the financial materiality of disaster-related demand.
- Given that compensation is a primary lever for aligning management with long-term goals, its use of inadequately benchmarked emissions intensity targets in executive pay is misaligned with investor expectations.

## Outcome

**Investment Informative:** Good management of sustainability-related risks and opportunities is supportive of the long-term investment thesis.

**Shared Best Practice:** We encouraged United Rentals to provide more granularity on Specialty growth drivers, particularly those tied to climate resilience.

## Next Steps

1. Monitor United Rentals' emissions trajectory, its ability to pilot and adopt emerging technologies, and future disclosures on capex sensitivities and ROI thresholds.
2. Monitor the company's progress toward strengthening both the data timeliness and ambition of its sustainability-linked pay structure.

Engagement Period: Q4 2025. Source: Lazard

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# Voting

Proxy voting decisions are guided by investment research, our active ownership philosophy, and our fiduciary duty to act in the best interests of clients. Our Governance Principles are founded on the belief that effective management of material financial, governance, and reputational risks and opportunities is supportive of better long-term financial returns. These principles underpin all of our proxy voting and engagement activities.

Voting decisions are based on our judgment of what will:

- Maximize sustainable shareholder value for the long term;
- Serve the best interests of clients; and
- Be carried out in good faith.

All proposals are assessed against our Governance Principles and related voting policy, followed by a review and final vote decision from the relevant analysts and executed via a representative account. Sustainable-related shareholder proposals receive additional research support from domain specialists within LAM's Investment Stewardship team.

## Lazard US Sustainable Equity Diversified

In 2025, we supported 26% of shareholder resolutions filed with companies held in the portfolio. This is lower than the firmwide average of c.50% support for sustainability-themed shareholder proposals, in part because the portfolio invests in Sustainability Leaders. Our in-house analysis often indicates companies in receipt of shareholders proposals have already undertaken the necessary actions to address environmental, social, and governance concerns being raised. We utilize our Shareholder Proposal Framework as a guide for determining proposal support.

### 2025 Voting Summary

	Total	(%)
Total number of meetings	51	100
Meetings voted	51	100
Meetings voted with one or more votes AGAINST management	21	41
Resolutions voted	731	100
With a vote AGAINST management	39	5
Management resolutions voted	650	100
With a vote AGAINST*	19	3
Shareholder resolutions voted	81	100
With a vote FOR	21	26

As of 31 December 2025.

\*Includes votes withheld but classified as AGAINST management.

Source: Lazard

# Considerations for Evaluating Shareholder Proposals

We are more likely to support a shareholder proposal based on:



## Materiality

Issues are deemed material to the company



## Progress

Where there is a lack of progress in managing an issue



## Transparency

Resolutions target increased transparency



## Asymmetric Knowledge

Resolution respects that management is best-placed to implement change



## Responsible Conduct

When there is an insufficient response to a controversy

# Voting Examples

Each shareholder proposal is evaluated in detail against our internal framework by relevant investment professionals, supported by insights from our Investment Stewardship specialists.

## Old Dominion Freight

### US Ground Transportation Company

**Shareholder Resolution:** Old Dominion Freight was asked to disclose how it plans to reduce its Scope 1 and 2 emissions in line with the Paris Agreement.

**Lazard Analysis:** We engaged with the company ahead of its annual meeting to discuss this proposal. Management noted that setting Paris-aligned interim or long-term targets is challenging because reliable zero-emission freight technology and supporting infrastructure are not yet sufficiently available. However, Old Dominion is continuing to test electric vehicles and evaluate additional low-emission options. Through our engagement, we acknowledged the company's decarbonization challenges and its forward-looking planning but noted that the company is still lagging peers on emissions targets. After weighing both the technological limitations and the need for continued progress, we voted **AGAINST** the shareholder proposal. We reiterated our expectation that the company continue evaluating pathways to set Scope 1 and 2 reduction targets, and we will monitor developments over the next 12 months. The shareholder proposal garnered 15% support.

**Vote Decision:** Based on the above analysis, we voted **AGAINST** the resolution.

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## Cadence Design Systems

### US Application Software Company

**Management Resolution:** To reappoint the chair of the compensation committee to the board.

**Lazard Analysis:** The chair of the compensation committee holds more than five public company directorships. We note that directors' responsibilities are complex and time consuming. Therefore, when assessing whether a director may be overcommitted ("overboarded"), we account for the complexity of roles; double-counting chair positions and quadruple-counting executive roles.

**Vote Decision:** As a result, we voted **AGAINST** the reelection of the chair of the compensation committee. The resolution received approximately 20% dissent and the director was reappointed. Lazard will continue engagement with the company to better understand how the director manages their time between these directorships accordingly.

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## Thermo Fisher Scientific

### US Life Science Tools Provider

**Management Resolution:** To ratify the named executive officers' (NEO) compensation.

**Lazard Analysis:** Analysis of the executive-compensation ratification resolution indicated that STI performance targets had been lowered year over year without a corresponding adjustment to target bonus opportunities. This imbalance drives payouts above intended levels and creates a misalignment between pay and performance. In the long-term incentive (LTI) program, most awards continued to rely on single-year measurement periods and used a metric that overlapped with the STI program. In addition, for NEOs other than the CEO, most equity awards were based solely on time vesting. Executives also received a special grant; although structured as multiyear performance equity, part of the award could still be earned after only one year of results.

**Vote Decision:** As a result, Lazard voted **AGAINST** the resolution due to misalignment between performance and pay. The resolution received approximately 65% votes **AGAINST**.

# Active Ownership Over Time

**Starbucks**  
Specialty Coffee Retailer

# 19

meetings with Starbucks' C-suite and investor relations since November 2022

## Dialogue Over Time Strengthens Shareholder Trust

As long-term shareholders, we seek transparent, sustained engagement on material risks. For example, our dialogue with Starbucks since early 2022 has been shaped by the company's evolving response to unionization across its US stores. Through our repeated conversations with senior leadership, Investor Relations, and human resources executives, we have sought clarity on workforce concerns, bargaining dynamics, and long-term operational implications.

Engagement initially faced challenges. In 2022, despite early indications that union momentum would persist, Starbucks provided limited transparency on bargaining or internal assessments. This contributed to our support for the 2023 shareholder proposal requesting an independent review of the company's freedom-of-association (unionization) practices.

Our dialogue with Starbucks improved materially through 2023 and 2024. Starbucks additionally introduced incremental changes—such as digital tipping in union stores—and launched a public bargaining tracker, although negotiations progressed slowly and mediation resumed by late 2024. These discussions helped clarify the core economic divergence between the company and its associated union.

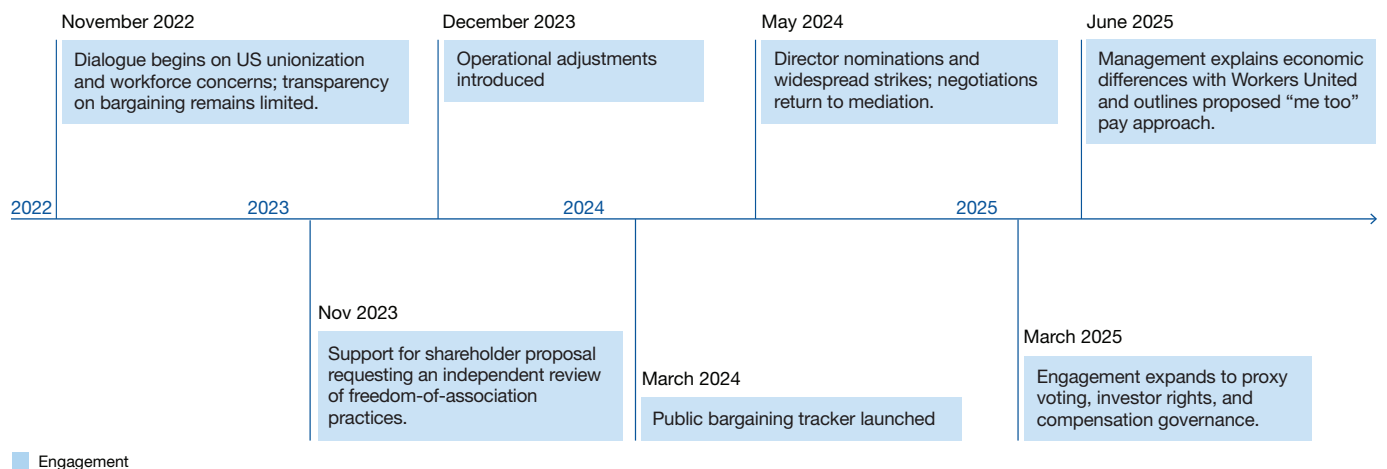
A notable shift occurred in June 2025, when management provided its clearest explanation of why the union's compensation and autonomy proposals would require a fundamental overhaul of the company's pay and benefits model. Starbucks also detailed its proposed solidarity approach designed to ensure union stores receive all wage increases and benefits offered elsewhere.

Key observations from our ongoing engagements include:

1. Starbucks has become more transparent over time.
2. Operational adjustments have been constructive but have not resolved core economic disagreements.
3. Escalations in 2024—including director nominations and widespread strikes—highlighted the ongoing significance of the issue.
4. Although only roughly 6% of US stores are unionized, the underlying economic concerns driving the effort remain unresolved and continue to remain structurally important.

Throughout 2025, engagement became increasingly productive. We provided feedback on disclosure clarity and bargaining transparency, and have appreciated the company's growing willingness to engage. More recently, the company's 2026 AGM decision to disband a key board committee attracted renewed investor scrutiny, reinforcing our view that engagement is rarely linear. Even as disclosure improves, governance questions can persist or re-emerge in new forms, and sustained dialogue remains an important means through which we seek to understand how companies manage complex, evolving stakeholder issues.

### Starbucks



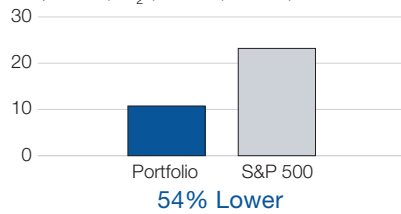
As of 31 December 2025. Source: Lazard

# Portfolio Sustainability Metrics

## Environmental Metrics

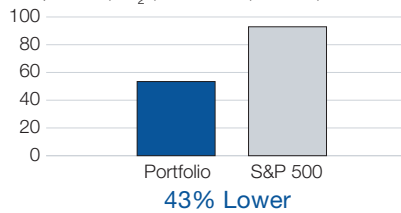
### Carbon Footprint

Scope 1+2 (CO<sub>2</sub>e) / EVIC (US\$ mn)



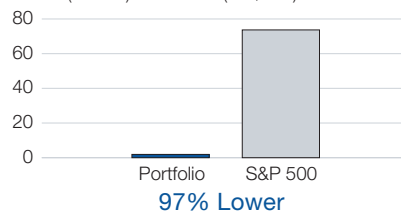
### Carbon Intensity

Scope 1+2 (CO<sub>2</sub>e) / Revenue (US\$ mn)



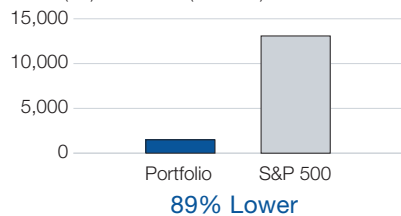
### Waste Intensity

Waste (tonnes) / Revenue (US\$ mn)



### Water Intensity

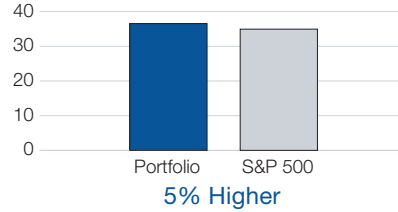
Water (m<sup>3</sup>) / Revenue (US\$ mn)



## Social and Governance Metrics

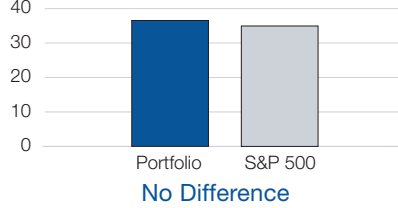
### Board Gender Diversity

(%)



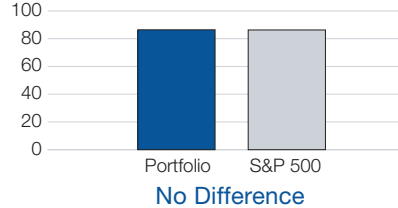
### Female CEO

(#)



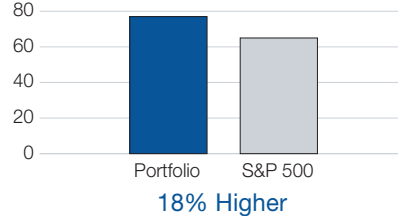
### Independent Directors

(%)



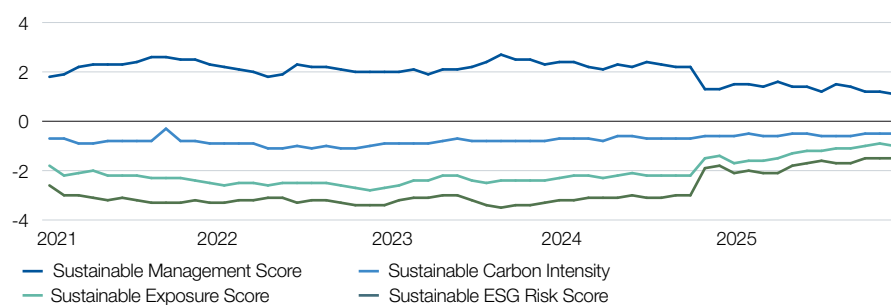
### Executive Comp Linked to Sustainability

(%)



## Style Tilt vs. S&P 500

Standard Deviation



As of 31 December 2025. Source: Lazard, Bloomberg, CDP, Sustainalytics.

**Carbon Footprint:** Negative tilt indicates lower carbon intensity versus the benchmark. **ESG Risk Rating:** The ESG Risk Rating measures the degree to which a company's economic value is at risk driven by ESG factors, as assessed through Sustainalytics' calculation of the company's unmanaged ESG risks. **ESG Risk Exposure:** Exposure considers a company's sensitivity or vulnerability to ESG risks. Lower exposure scores indicate that the constituent companies face less ESG risk. **ESG Risk Management** evaluates a company's performance on managing its exposure to ESG issues. Higher management scores indicate the constituent companies have stronger management of their exposure. Tilts between -0.5 and +0.5 likely insignificant. Tilts less than -0.5 or more than +0.5 indicate tilt but may be insignificant. Tilts less than -1 or more than +1 are significant, Tilts less than -2 or more than +2 are very significant.

## Climate Targets

Companies committed to setting Science-Based Targets

5%

Portfolio

4%

Index

Companies with validated Science-Based Targets

62%

Portfolio

56%

Index

Companies with Net Zero Goals

83%

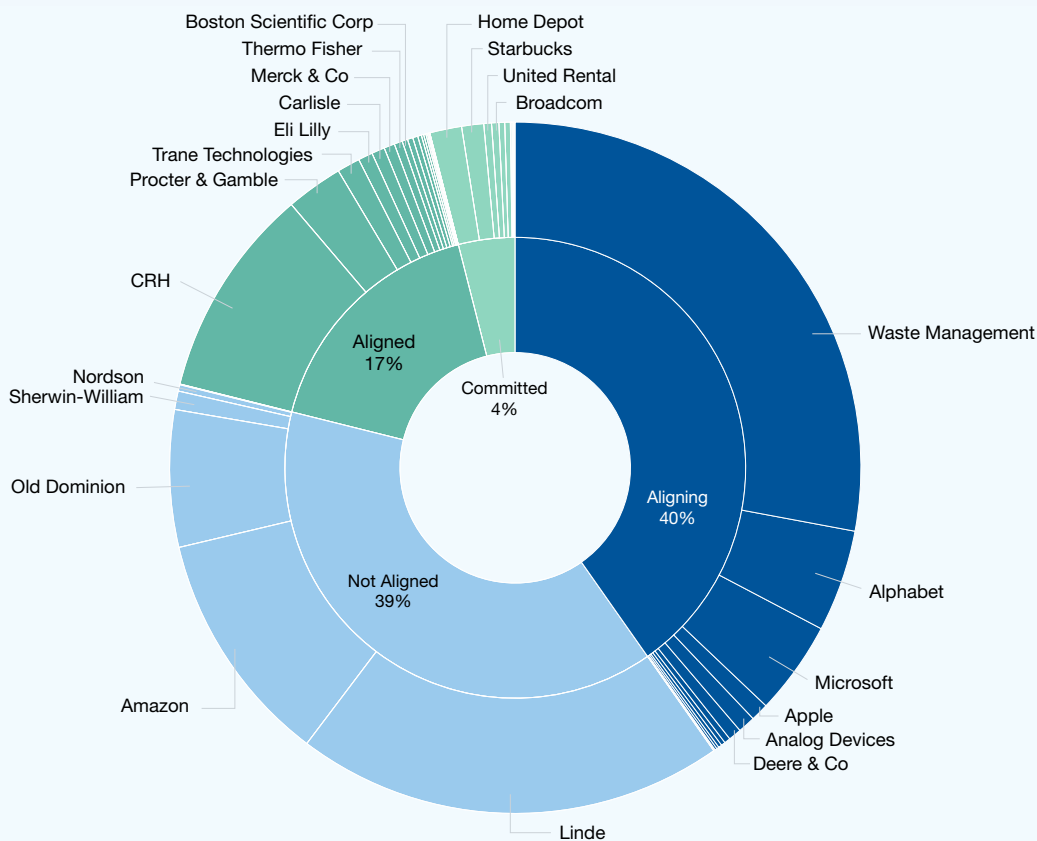
Portfolio

64%

Index

Our low turnover strategy has consistently scored better on ESG risk management, exposure, and carbon intensity since inception. Our analysis suggests that the recent decline is based on an improvement in the benchmark score, particularly large stocks such as Apple, Meta Platforms, and Amazon.com.

# Climate Alignment Assessment



## Our Model



**6**  
Core Pillars

**49**  
Distinctive Metrics

**6**  
Different Vendors/  
NGO Data Sets

### Ambition

5 factors/5 sources  
(Bloomberg, CA100+,  
CDP, NZT, SBTi)

### Targets

9 factors/6 sources  
(Bloomberg, CA100+,  
CDP, NZT, SBTi, TPI)

### Emissions Performance

19 factors/2 sources  
(Bloomberg, CDP)

### Disclosure

8 factors/3 sources  
(Bloomberg, CA100+, TPI)

### Strategy

6 factors/3 sources  
(Bloomberg, CA100+, TPI)

### Capital Allocation

2 factors/4 sources  
(Bloomberg, CA100+,  
CDP, TPI)

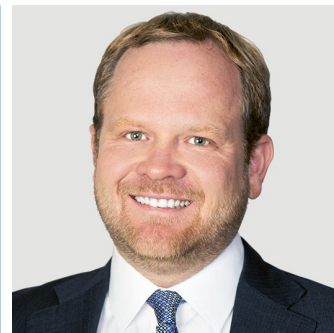
As of 31 December 2025. For illustrative purposes only.

# Portfolio Management Team



**Janice Davies**

Managing Director, Co-Lead  
Portfolio Manager of US Equity



**Ross Seiden**

Managing Director, Co-Lead  
Portfolio Manager of US Equity



**Shanu Mathew**

Senior Vice President,  
Portfolio Manager/Analyst



**Kevin Ssonko**

Vice President,  
Research Analyst



**Jessica Kittay**

Managing Director,  
Portfolio Manager/Analyst



**Jason Katz**

Senior Vice President,  
Portfolio Analyst

**18 Years**

Average in the Industry<sup>13</sup>

**10 Years**

Average at Lazard<sup>13</sup>

# Important Information

## Notes

- 1 Source: BloombergNEF. As of February 2026.
- 2 Source: [International Energy Agency \(IEA\)](#). As of April 2025.
- 3 Source: PJM
- 4 Source: BloombergNEF/Business Council for Sustainable Energy. As of February 2026.
- 5 Source: [Associated Builders and Contractors \(ABC\)](#). As of February 2026.
- 6 Source: [The Conference Board](#). As of May 2025.
- 7 Source: BloombergNEF/Business Council for Sustainable Energy. As of February 2026.
- 8 Source: Ibid
- 9 Source: [International Energy Agency \(IEA\)](#). As of February 2025.
- 10 Source: MSCI ACWI
- 11 As of 31 December 2025. Source: Lazard
- 12 As of 31 December 2022. All data measured from 1996 to 2022. Please see [Relative Value Investing](#), and its recent update [Quality Investing](#) for more details.
- 13 As of 31 December 2025. Source: Lazard

Published on 27 May 2026.

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