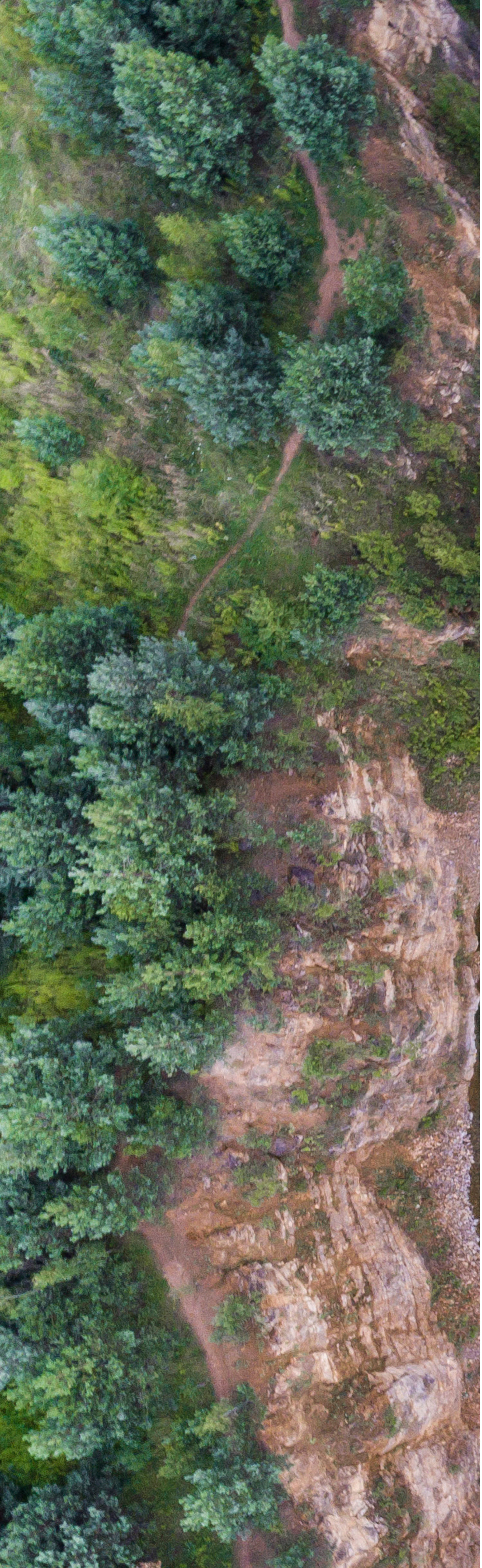

Task Force on Climate-Related Financial Disclosures (TCFD)–UK Entity Report 2023

LAZARD
ASSET MANAGEMENT

Contents

Message from our UK CEO

Jeremy Taylor
Managing Director,
Chief Executive Officer,
Lazard Asset Management Limited

Lazard Inc. is one of the world's premier global financial advisory firms and investment managers, with a 175-year history of providing trusted financial advice and solutions to our clients around the world.

Our clients rely on us to monitor and provide solutions that address the risks and opportunities facing their businesses and investments. Prominent among these risks and opportunities are those created by climate change. Preparing for the long-term impacts of climate change, both physical and the transition to a low-carbon economy, is a focus for our clients as well as our stakeholders.

Lazard Asset Management Limited (LAML) conducts independent fundamental analysis and collaborates at the highest levels of business, government, and academia to understand the evolution of climate change and evaluate its potential impacts on our business and those of our clients. Climate-related issues are also an important component of our stewardship responsibilities via engagements and proxy voting.

LAML evaluates its own operations and provides transparency to stakeholders, including from the perspective of:

1. A corporate entity with operations potentially impacted by climate-related risks and opportunities, and with procurement practices that may have direct and indirect impacts on the environment.
2. An asset manager with responsibility for investment performance, including the financially material effects of the global transition to net zero, within the bounds of our clients' guidelines and objectives and across relevant portfolios and strategies.

Task Force on Climate-Related Financial Disclosures

We are pleased to present LAML's first annual UK entity annual report in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Lazard Asset Management (LAM) has been a supporter of the TCFD since 2019. Supporting the TCFD aids financial markets by helping to standardise reporting and disclosures on climate across the market, addressing systemic risk, and promoting the markets' ability to price carbon risk.

We hope you find this report a useful summary of our climate-related investment policies and how we consider climate-related risks and opportunities when investing on behalf of our clients.

Introduction

LAML's TCFD Entity-Level Report has been prepared in accordance with the recommendations of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and the ESG Sourcebook in the Financial Conduct Authority (FCA) Handbook. This is an entity-level report, issued for and on behalf of our two UK entities. Lazard Asset Management Limited (LAML) and Lazard Fund Managers Limited (LFM).

LAML is a wholly owned subsidiary of Lazard Asset Management LLC (Lazard). Lazard is a Delaware limited liability company. It is a subsidiary of Lazard Frères & Co. LLC (LF&Co.), a New York limited liability company with one member, Lazard Group LLC, a Delaware limited liability company. Interests of Lazard Group LLC are held by Lazard, Inc., which is a Delaware corporation with shares that are publicly traded on the New York Stock Exchange under the symbol "LAZ". Interests in Lazard, Inc. are held by its employees and public stockholders.

LFM is a wholly owned subsidiary of LAML and the Authorised Corporate Director (ACD) of Lazard Investment Funds. LAML is the Investment Manager to the ACD, in respect of all the Sub-Funds. LAML is also authorised and regulated by the FCA as an MiFID Investment Firm, providing portfolio management and advisory services to institutional clients.

LAML's approach to the management of climate-related risk and opportunities remains consistent with the Group's approach to Climate-Related Financial Disclosures. Relevant information is leveraged from the group level Task Force on Climate-Related Financial Disclosures (TCFD) 2023 Report or cross-referenced where applicable. Deviations may exist, only to the extent that clients may invest in different asset classes, have different needs, and/or where jurisdictional law or regulation requires us to adapt our approach.

Please note that any reference to LAM indicates the approach LAM takes globally, to which LAML is also aligned.

The Report is broken down into four sections, as per the recommendations in the TCFD guidance:

1. **Governance**—covers our organisation's governance around climate-related risks and opportunities.
2. **Strategy**—covers how climate-related risks and opportunities are incorporated into our investment products as well as the potential impacts of climate-related risks and opportunities on our organisation's businesses, strategy, and financial planning.
3. **Risk Management**—covers the processes implemented by our organisation to identify, assess and manage climate-related risks.
4. **Metrics and Targets**—are used to assess and manage relevant climate-related risks and opportunities where such information is material.

Please note, all data in this report is as of 31 December 2023.

Governance

Lazard Inc. Board Oversight and Executive Management

Lazard's Board of Directors (Board) has oversight responsibility for our global sustainability efforts. Our Board reviews our Corporate Sustainability Report (CSR) and additional sustainability disclosures as needed. The Nominating and Governance Committee, periodically and as pertinent, reviews and discusses sustainability matters affecting the firm, including the firm's sustainability strategy, business objectives, climate-related risks and opportunities, and broader environmental and social topics that may be associated with climate change.

Lazard Asset Management Governance Structure

Our governance structure helps ensure that LAM's commitment to sustainable investment is reflected in relevant policies and processes. Following is a summary of our key oversight bodies.

Executive Leadership Team

LAM's Executive Leadership Team is responsible for oversight of the business and setting strategy, while facilitating coordination across LAM's dedicated management groups, which are responsible for oversight of our key business areas, including Investment Management, Sales & Marketing Management, Infrastructure Management, and Strategic Growth. The Executive Leadership Team is a dynamic group of senior leaders with a broad range of investment, distribution and business skills, including our CEO, COO, and senior investment and distribution professionals.

Our Executive Leadership Team, working with the relevant Management Groups, is responsible for oversight of the firm's Sustainable Investment and ESG strategy and objectives, including its climate strategy. The Executive Leadership Team also reviews firmwide Sustainable Investment and ESG policies and reports, including LAM's Climate Change Investment Policy, and oversees LAM's Net Zero Asset Managers Initiative commitment, among other areas and initiatives related to sustainable investment.

Investment Management Groups

LAM's investment organisation is overseen by its three Investment Management Groups, which are organised by investment specialty, including Fundamental Equity, Fixed Income and Quantitative / Multi-Asset / Alternatives (QMA). These groups are responsible for the oversight, day-to-day management and coordination of our investment teams, including regular review of investment strategies, investment processes and risk controls, and seek to help ensure effectiveness of our research, sustainable investment and trading capabilities. Investment talent retention, growth and development is also a key area of focus. The groups may delegate to other management groups or departments to review specific issues, as needed. The Investment Management groups include senior professionals from across LAM's investment organisation, including portfolio management, research and sustainable investment functions.

Global Stewardship Committee

LAM's Global Stewardship Committee is responsible for coordinating and establishing policy related to the ways in which the firm practises 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 overseeing and making decisions on how the firm's policy is implemented. The Committee will also consider the reputational and business risk related to stewardship activities, not only through activities that we engage in or support but also those where we do not engage or support.

The Global Stewardship Committee has identified climate change as a priority area for engagements and reviews policies and procedures on an ongoing basis.

Proxy Voting Committee

LAM's Proxy Voting Committee oversees the implementation of the firm's global Proxy Voting Policy, including its human capital, natural capital and governance 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. The Proxy Voting Committee also reviews proxy voting recommendations that conflict with Lazard proxy voting guidelines.

Active Ownership Committee

In December 2023, the firm merged the Global Proxy Committee and Stewardship Committee to become the firm's Active Ownership Committee. This Committee is designed to align proxy voting and engagement. These are interlinked and integral to the effective stewardship of our clients' capital. By having one Committee lead the effort, we feel collaboration is further enhanced and our approach to active ownership is simplified.

Sustainable Investment Team

LAM's Sustainable Investment and ESG team is responsible for setting the firm's sustainable investment goals and helps to oversee overall development and implementation of our Sustainable Investment policies, including those related to climate change. Within the Sustainable Investment Team, Jennifer Anderson serves as the Global Head of Sustainable Investment and ESG.

Climate Change Investment Policy

We recognise climate change is a global structural trend that presents risks and opportunities to many businesses and economies. Our Climate Change Investment Policy seeks to incorporate considerations related to climate change into relevant investment research and decision-making. This policy governs our approach based on three pillars:

1. Climate-integrated research.
2. Climate-focused engagement.
3. Transparency, disclosure, and reporting on climate issues.

For further details, please refer to our Climate Change Investment Policy.

Strategy

Lazard Inc. Strategy

Please refer to the "Strategy" section of Lazard's Task Force on Climate-Related Financial Disclosures (TCFD) 2023 Report for additional information regarding climate-related risks and opportunities, scenario analysis insights, impact to Lazard's businesses, strategy, and financial planning and resilience of strategy with respect to Lazard's business more broadly.

Climate-Related Risks and Opportunities

We believe that we are identifying and seeking to address climate-related risks, which are potentially impactful to Lazard's business, and we continue to evaluate our exposures to physical and transitional climate risks from a corporate perspective. The effects of climate change also present strategic investment opportunities for our businesses. In asset management, our sustainability-focused strategies are designed to meet our clients' demand for products that clearly address structural shifts in the global economy.

With respect to our UK asset management business and our investments, we view the following risks and opportunities as the most relevant:

Risk	Time Horizon	Description
Transition – Reputational	Long-Term	Reputational risk from stakeholder perceptions of our business and its role in making investment decisions based on climate-related changes in market factors, such as commodity prices, cost of capital, and valuation of assets and liabilities.
Transition – Regulatory Pressure/Policy	Short-Medium Term	Regulatory and legal risks resulting from more stringent climate reporting and disclosure requirements which differ across regulatory bodies and countries.
Transition – Market and Customers	Short-Medium Term	Portfolio investment risk resulting from changes in financial market sentiment or actual performance results stemming from changing market demand, regulatory requirements, or cost of capital and investment.
Transition – Market and Customers	Short-Medium Term	Risks impacting assets under management, and therefore asset management business revenues, due to fluctuation in portfolio market value stemming from materialised portfolio investment risks and opportunities, and/or asset flows stemming from changing consumer preferences.
Transition – Market and Customers	Long-Term	Management of climate-related risks and opportunities, including the achievement of climate-related targets and initiatives across our business strategies, investment processes, and operations.
Transition – Market and Customers	Long-Term	Delivering on our commitment to the Net Zero Asset Manager's initiative which aims to achieve a goal of net zero emissions by 2050 by: (1) engaging with companies transitioning and reducing climate impact to drive organic decarbonisation, and (2) investment in companies providing technology solutions that facilitate the energy transition.
Physical - Acute	Short-Medium Term	Physical risk from extreme weather events, including intensified storms, which may impact the buildings in which Lazard operates and, as a result, could disrupt our business.
Physical - Chronic	Long-Term	Risk of increased insurance premiums and operational costs due to a higher likelihood of building damage from storms, flooding, or other natural disasters.

Please refer to the "Climate-Related Risks and Opportunities" sub-section, within the "Strategy" section of Lazard's Task Force on Climate-Related Financial Disclosures (TCFD) 2023 Report for an outline of the potential short-medium term and long-term climate-related risks and opportunities that have been identified across Lazard's business and operations.

We seek to leverage our capabilities across the firm to facilitate our environmental and climate-related initiatives, support our clients in their transition and resiliency planning, and strengthen industry and market dialogue more broadly about the pace of change related to climate change.

Operations

In our own operations, we evaluate sustainable practices in our procurement and business activities. We incorporate environmental sustainability and energy preservation considerations in our office building design, renovation, and choice of location. We are conscientious of our environmental footprint as it relates to physical assets, business continuity planning, and remote-access infrastructure. We have invested in video conferencing technology, which helps to reduce our travel-related emissions, and we partner with vendors that are able to track and report on our travel emissions.

As an asset management firm the climate risk of our business predominately sits within our investment portfolios.

Investments

Sustainable Investment Principles

LAM applies a rigorous, active approach to investing that aligns with our core principles set out below. Our mission is to drive investment returns and improve client outcomes by integrating financially material human capital, natural capital, and governance considerations into our research and portfolio management of our ESG-integrated and sustainability-focused portfolios.

Principle 1: Fiduciary

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

Principle 2: Holistic Research

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

Principle 3: Active Owners

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

Principle 4: Transparency

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

Investment Process and Research

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

We are an active manager, and our relevant investment professionals incorporate an assessment of material human and natural capital, and governance considerations within their research, diligence process, as well as within ongoing analysis of owned securities. LAM has built a dynamic proprietary process called Materiality Mapping, which is applied to particular sectors and industries. The maps we have created aggregate the sustainability issues our relevant investment professionals believe to be the most material for the sectors they cover, including a range of climate-related risks and opportunities such as water scarcity, energy management, physical, and regulatory risks.

Active Ownership

Climate change has been identified as one of our top-down firm-level engagement priorities. Our relevant investment professionals engage with companies on financially material climate-related issues, focusing on areas where physical or transition risks could impact long-term financial performance.

Our engagement efforts inform our proxy voting practices. With regards to proxy voting, LAM generally supports the notion that corporations should be expected to act as good citizens. LAM generally votes on environmental, social, and corporate governance proposals in a way that it believes will most increase long-term shareholder value.

On a selective basis we also engage with sovereign issuers on national climate policy via discussions with relevant governmental bodies and departments as well as green bond frameworks and issuances.

We believe that it is also important to engage with both policymakers and the wider investment industry to standardise approaches to assessing and quantifying climate risk from an investment perspective. In some cases, collaborative engagement alongside other investors can be effective. We are active members of the Institutional Investors Group for Climate Change (IIGCC), which enables dialogue between businesses, policymakers, and investors.

Assessing the Climate Risk of Portfolios

LAM's approach to assessing portfolios for climate risk and opportunity is through our Climate Alignment Assessment (CAA). Our CAA evaluates how relevant portfolio assets are positioned today and over the long term for the low carbon transition. The CAA is a proprietary tool designed to assess portfolio holdings', transition plans, and progress towards net zero across six categories defined by the IIGCC's Net Zero Investment Framework: ambition, targets, emissions performance, disclosure, decarbonisation strategy, and capital allocation. We use multiple data sources (e.g. CDP, SBTi, CA100+, Net Zero Tracker, TPI, Bloomberg) to evaluate the strength of portfolio companies' net zero commitment and strategy for implementation.

The CAA aids our relevant investment professionals and clients in systematically analysing portfolio assets while staying up to date with evolving disclosure environments and regional implications.

As active managers, we seek to engage with companies to support real-world emissions reductions, and the CAA helps to inform our engagement and proxy voting activities. For ESG-integrated portfolios and strategies we target engagement with companies that we identify as having the most material risks related to climate change, are the highest emitters, or have poor practices related to disclosure and transparency. Our relevant investment professionals engage with companies on financially material climate-related issues, focusing on areas where physical or transition risks could impact long-term financial performance.

Broadly, our Sustainable Investment and ESG team seeks to provide tools, training, and resources to our relevant investment professionals to allow them to consider financially material sustainability risks and opportunities, including those that relate to climate, for the issuers they cover.

Scenario Analysis

Although we are able to conduct various scenario analyses at an investment or company-specific level, we are still exploring the best methodologies, models, and targets to use to assess overall resilience across differing warming scenarios. Academics have raised questions on the validity of using climate model information to appropriately inform financial risk, impact, and corresponding resilience over long time scales. Despite these challenges, we continue to develop tools and analyses to monitor the resilience of our strategy in the face of numerous potential climate scenarios and expect this area of analysis and calculation to evolve over time.

Specifically for climate scenario analysis, whilst we believe the tools currently offered in the market have various shortcomings, we recognise that this analysis is necessary to meet regulatory requirements and client expectations in certain jurisdictions. We have begun to leverage a third-party climate risk platform to conduct climate scenario analysis for in-scope portfolios, but, at this time, such analysis is used only for reporting purposes and is not incorporated into investment analysis or decision-making. We continue to review third-party offerings as necessary and appropriate.

LAM's Net Zero Commitment

In 2021, Lazard Asset Management joined the Net Zero Asset Managers (NZAM) initiative, a group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by or before 2050. Joining NZAM was designed to help us meet our duties to participating clients. More information about our commitment can be found in the NZAM Initial Target Disclosure Report and further details about our framework can be found in Lazard Asset Management's Approach to Net Zero Portfolios.

Risk Management

Lazard Inc. Risk Management

Please refer to the "Strategy" section of Lazard's Task Force on Climate-Related Financial Disclosures (TCFD) 2023 Report for additional information on the identification and management of risks with respect to Lazard's business more broadly.

Investments

Identifying Climate-Related Risks in Our Relevant Products

In asset management, financially material climate-integrated research conducted by our relevant investment professionals provides the first layer of assessment for transition, physical impact, and geopolitical regulatory risks. Our proprietary framework for financially material human capital, natural capital, and governance considerations aggregates the sustainability issues our relevant investment professionals believe to be the most material for the sectors they cover, including a range of climate-related risks and opportunities such as water scarcity, energy management, physical, and regulatory risks. Our investment professionals, where relevant, also incorporate external data and analytics to identify risks and opportunities.

We believe our proprietary analysis of climate-change considerations that are financially material to particular industries, like the work described below, enhances our bottom-up stock selection process.

CASE STUDY: The Impact of EU Carbon Pricing on Airlines

In December 2022, the European Union updated its emissions trading scheme (ETS). Historically, the scheme had allowed for a certain number of free emissions allowances to safeguard industries' competitiveness and avoid carbon leakage, but these are now being gradually phased out. For the aviation industry, these free emissions allowances are expected to be 100% phased out by 2026.

Analysts on LAM's fundamental research platform covering the aviation industry to analysed the effects of this phase out on compliance costs for intra-EU flights and the evolution of emissions allowances for European airlines. In addition, they analysed how these two dynamics will impact competitive advantages in the space going forward. The model calculated the additional cost per passenger, as a percentage of current ticket prices, considering factors like fleet age, efficiency, and existing emissions payments when free allowances are removed. From this research, the analysts expect the relative cost advantage of industry leaders to widen as a result of the changes to the ETS.

Managing Climate-Related Risks in Our Relevant Products

Climate-related issues are a component of our research analytics and long-term investment thesis across relevant strategies and products. Our stewardship approach seeks to align engagement and proxy voting, with investment decision-making at the heart of these interactions. Our 2023 data shows that human capital, natural capital, and governance topics were discussed in 29% of all company meetings, with natural capital-related topics discussed in 47% of these meetings. As an active manager, we seek regular dialogue with company management as an integral part of our fundamental research process. This can include meetings with company management that allow us to gain a better understanding of a company's approach to managing natural and human capital-related risks and opportunities and, in certain cases, these meetings can result in tangible investment outcomes or observable changes in company or issuer practices that support real-world outcomes.

Our relevant investment professionals actively assess financially material climate-related risks on a contextual basis, and from both bottom-up and top-down perspectives across relevant strategies and products. From a geopolitical perspective, our analysis of sovereign bonds has long incorporated financially material human capital, natural capital, and governance considerations including the dynamics with respect to climate change that could have significant impacts on the creditworthiness of countries. At the relevant portfolio level, portfolio managers regularly monitor and report on investee company emissions, as appropriate.

LAM's Global Risk Management team provides risk reports to relevant portfolio managers. These reports may include relevant sustainability-related metrics from third-party providers.

Additionally, we provide an ESG Watchlist to our investment professionals concerning companies in our relevant client portfolios. On a monthly basis, LAM's Global Risk Management Team generates a report containing ESG Risk Ratings and Controversy Scores sourced from Sustainalytics which incorporate human capital, natural capital, and governance considerations. The report also flags companies in breach of the United Nations Global Compact Principles as provided by MSCI. Investment professionals are encouraged to conduct further research on any watchlist companies held in relevant portfolios to determine the reasons for higher risk.

Metrics and Targets

Operational Emissions

The scope of our operational greenhouse gas (GHG) emissions principally derives from three main sources: energy usage in our offices, business-related employee travel, and investments. We have estimated our GHG emissions from our leased office space (S1 and S2), and business travel (S3a) where information is available from third-party business partners.

At the group level, we engaged an independent firm to assess and verify the 2023 GHG emissions for Scope 1, 2, and 3a operational emissions.

Please refer to the "Operational Scope 1, 2, and 3 GHG Emissions" section of Lazard's Task Force on Climate-Related Financial Disclosures (TCFD) 2023 Report for additional information group operational emissions.

The table below outlines emissions for Lazard Asset Management's London operations in 2023.

Measured in metrics tons of CO_2 equivalent ($MtCO_2e$)	2023
Scope 1 (S1)[a]	24
Scope 2 (S2) [b]	100
Scope 3 (S3a)[c] – business travel	737
Total operational emissions	861

Click here to view the GHG verification statement for Lazard, Inc. total operational emissions.

a Source: Scope 1 (S1) emissions estimated from building equipment using fossil fuels to provide ventilation, heating, and air conditioning based on square footage of leased properties.

b Source: Scope 2 (S2) emissions of purchased electricity estimated based on square footage of leased properties.

c Source: Scope 3 (S3a) indirect emissions resulting from business travel. Data reflects global travel programme. LAM UK approximation derived as a proportion of total Lazard, Inc. indirect emissions resulting from business travel.

Investment Portfolio Metrics

Beyond our operational footprint, we have estimated various metrics based on our assets under management (AUM). As the risks endemic to the global transition to a low-carbon economy are more broadly understood, asset management clients are increasingly requiring asset managers to reduce climate risk exposure in their managed portfolios by decoupling their capital from high-emission investment risk. LAM's approach to financed emissions begins with analysing AUM climate risk, steering its relevant portfolios towards Paris-aligned investments, and providing climate performance and disclosure.

Emissions Metrics

Emissions metrics, although considered backward-looking, provide information about an entity's exposure to emissions and can help investors understand an entity's position with regards to the transition towards a low-carbon economy.

Financed emissions are the portion of the company's emissions that an entity "owns", based on the percentage of the company that the entity owns. The sum of these financed emissions across all of the entity's holdings, divided by the total entity market value (in $M) is the carbon footprint of the entity.

Carbon intensity, on the other hand, refers to a company's total carbon emissions divided by the company's revenues (in $M), thereby showing how efficient the company is (in terms of carbon emissions) per unit of revenue. At an entity level, carbon intensity reflects a weighted average of the carbon intensities of the individual holdings, thereby reflecting how efficient (in terms of carbon emissions) the entity's investments are and how much exposure the entity has to carbon-intensive companies.

For each of these three metrics, lower values should be interpreted as better.

LAML

			LAML				MSCI ACWI			
Metric	Scope	Source	Value ($M)	Total Coverage	% Reported	% Estimated	Value ($M)	Total Coverage	% Reported	% Estimated
Financed Emissions[a]	1 + 2	Sustainalytics	2,540,000	90%	81%	10%	2,092,000	94%	68%	26%
	3		23,363,000	90%	70%	20%	20,574,000	94%	59%	35%
Carbon Footprint	1 + 2	Sustainalytics	53	90%	81%	10%	54	94%	68%	26%
	3		492	90%	70%	20%	385	94%	59%	35%
Weighted Average Carbon Intensity (WACI)	1 + 2	Sustainalytics	174	90%	80%	10%	148	94%	68%	26%
	3		912	90%	70%	20%	789	94%	59%	35%

a MSCI ACWI financed emissions assume the same market value as the Entity.

LFM

			LFM				MSCI ACWI			
Metric	Scope	Source	Value ($M)	Total Coverage	% Reported	% Estimated	Value ($M)	Total Coverage	% Reported	% Estimated
Financed Emissions[a]	1 + 2	Sustainalytics	158,000	94%	82%	12%	65,000	94%	68%	26%
	3		887,000	94%	65%	29%	636,000	94%	59%	35%
Carbon Footprint	1 + 2	Sustainalytics	107	94%	82%	12%	54	94%	68%	26%
	3		604	94%	65%	29%	385	94%	59%	35%
Weighted Average Carbon Intensity (WACI)	1 + 2	Sustainalytics	163	93%	81%	12%	148	94%	68%	26%
	3		764	94%	65%	29%	789	94%	59%	35%

a MSCI ACWI financed emissions assume the same market value as the Entity.

Exposure Metrics

Entity exposure to areas such as fossil fuels is a backward-looking reflection of entity investment in companies that may face varying levels of risks and opportunities as governments and policymakers seek to mitigate the impact of climate change and reduce global emissions.

Science-based and net zero targets can reflect companies' intentions to align with changing stakeholder expectations and global policies to address climate change. These targets can take the form of self-disclosed commitments or targets validated by the Science Based Targets initiative (SBTi) and may help to support the decarbonisation of investment portfolios. For these metrics, higher exposure at the entity level is viewed as positive.

Exposure to companies with involvement in fossil fuels can reflect exposure to potential risks as governments set clear incentives for decarbonisation of our economies. For these metrics, higher exposure at the entity level can be viewed as negative.

LAML

		LAML		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Fossil Fuel Exposure	Sustainalytics	8%	91%	10%	99%
Exposure to Companies with Science-Based Target[a]	Bloomberg	65%	86%	65%	90%
Exposure to Companies with Net Zero Target	Bloomberg	76%	89%	72%	91%

a Using SBTi we can confirm that at least 45% of our exposure has an SBTi validated target. Using SBTi as a reference source can be challenging (e.g. identifier mapping), therefore we prefer to use a third-party vendor for this type of analytics.

LFM

		LFM		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Fossil Fuel Exposure	Sustainalytics	12%	94%	10%	99%
Exposure to Companies with Science-Based Target[a]	Bloomberg	47%	90%	65%	90%
Exposure to Companies with Net Zero Target	Bloomberg	64%	91%	72%	91%

a Using SBTi we can confirm that at least 23% of our exposure has an SBTi validated target. Using SBTi as a reference source can be challenging (e.g. identifier mapping), therefore we prefer to use a third-party vendor for this type of analytics.

Implied Temperature Rise

The Implied Temperature Rise (ITR) is an aggregated, forward-looking indication of an entity's alignment with emissions reductions needed to meet a 1.5-degree scenario. The primary output of the rating, in degrees Celsius, answers the question: "to what degree would the world be expected to warm, if the global economy differed from its budgeted emissions to the same degree as the entity's owned holdings?"

An ITR below 1.5 indicates an entity that is aligned, between 1.5 and 2.0 an entity that is moderately misaligned, between 2.0 and 3.0 an entity that is significantly misaligned, between 3.0 and 4.0 an entity that is highly misaligned, and above 4.0 an entity that is severely misaligned.

LAML

		LAML		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Implied Temperature Rise (ITR)	Sustainalytics	2.97	90%	3.02	96%

LFM

		LFM		MSCI ACWI	
Metric	Source	Value	Coverage	Value	Coverage
Implied Temperature Rise (ITR)	Sustainalytics	2.84	91%	3.02	96%

Investment Portfolio Targets

At a strategy level, some clients have set decarbonisation commitments in their Investment Management Agreements, which may include a reduction of carbon against a benchmark. However, there are various approaches to implementing these commitments, such as customised solutions that align with clients' specific goals and objectives. Regardless of the chosen method, we have the ability to assess and report across a wide variety of climate metrics and key performance indicators, including engagement.

LAM has designed a climate analytics dashboard, which has been integrated into internal portfolio management systems used by our investment professionals. This dashboard helps to support our relevant investment professionals in assessing climate-related risks and opportunities and includes security-level and portfolio-level climate metrics that are required for net zero portfolio management and client reporting. Key metrics include carbon footprint, security-level intensity metrics, financed emissions, and weighted average portfolio trajectory along determined net zero pathways.

As part of LAM's commitment to NZAM, we have worked with our portfolio managers and clients to analyse relevant portfolios against our proprietary Net Zero Framework. LAM's commitment includes interim targets covering the proportion of assets to be managed in line with net zero, with a baseline of 2019 as default but with certain strategy-specific variation. For the strategy assets that are a part of our commitment, LAM has established three preferred portfolio alignment methodologies: LAM's proprietary CAA, Science-Based Target (SBTi) Validated Commitments, and Weighted Average Carbon Intensity (WACI) Initiative. We are engaging with portfolio companies to better understand their emissions profile relative to net zero trajectories, and how their decarbonisation plans can link to long-term financial performance.

Investment Portfolio Metrics–Definitions

Financed Emissions: Total of carbon emissions for an entity (based on the % of the company owned), expressed in tons CO_2e. MSCI ACWI financed emissions assume the same market value as the entity.

Formula	$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer\ EVIC_i} * issuer's\ GHG\ emissions_i \right)$

Carbon Footprint: Total carbon emissions for an entity (based on the % of the company owned) normalised by the market value of the entity, expressed in tons CO_2e/$M invested.

Formula	$\frac{\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer\ EVIC_i} * issuer's\ GHG\ emissions_i \right)}{current\ portfolio\ value}$

Weighted Average Carbon Intensity (WACI): Entity's exposure (weighted average) to carbon-intensive companies, expressed in metric tonnes CO_2e/$M revenue.

Formula	$\sum_i^n \left(\frac{value\ of\ investment_i}{total\ value\ of\ covered\ portfolio\ holdings} * \frac{issuer\ GHG\ Emissions_i}{issuer\ revenue\ (\$M)_i} \right)$

Fossil Fuel Exposure: percentage of entity holdings (by weight) with exposure to revenues from fossil fuels (Involvement in Fossil Fuel - Thermal Coal Extraction, Thermal Coal Power Generation, Oil & Gas Generation, Oil & Gas Production and Oil & Gas Product and Services, Arctic Oil & Gas, Oil Sands; does not include Shale Energy).

Exposure to Companies with Science-Based Targets: percentage of entity holdings (by weight) for which the company has explicitly disclosed that it has either committed to setting or has set science-based targets, which are defined as aligning with the goals of the Paris Climate Agreement to limit warming to well below 2 degrees Celsius above pre-industrial levels.

Exposure to Companies with Net Zero Targets: percentage of entity holdings (by weight) for which the company has disclosed its ambition and engagement related to achieving Net Zero greenhouse gas (GHG) emissions.

Implied Temperature Rise: An implied temperature alignment that specifies by what degree would the world warm if all companies' projected emissions differed from their net zero budgeted emissions to the same degree as this company for this scope.

Relevant formulas from the Recommendations of the Task Force on Climate-related Financial Disclosures:

Weighted Average Carbon Intensity:

Formula	$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} * \frac{issuer's\ Scope\ 1\ and\ Scope\ 2\ GHG\ Emissions_i}{issuer's\ \$M\ revenue_i} \right)$

Total Carbon Emissions:

Formula	$\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer'smarket\ capitalization_i} * issuer's\ Scope\ 1 + Scope\ 2\ GHG\ emissions_i \right)$

Carbon Footprint:

Formula	$\frac{\sum_i^n \left(\frac{current\ value\ of\ investment_i}{issuer'smarket\ capitalization_i} * issuer's\ Scope\ 1 + Scope\ 2\ GHG\ emissions_i \right)}{current\ portfolio\ value\ (\$M)}$

Data Gaps, Limitations, and Assumptions

Our investment process relies on long-term company valuations, incorporating bottom-up analysis that considers all material factors, including climate-related risks. Climate risks and opportunities vary by sector, geography, and company, with certain factors being more relevant to specific industries or operations. For example, drought is pertinent to companies heavily dependent on water resources, while policy and carbon pricing impacts may affect those with significant non-renewable energy usage.

Other important points regarding the climate risk analysis report:

1. This report applies to listed corporate (equity and credit) exposure only. The coverage figures are based on the “Total public investments (credit and listed equity) versus the total NAV” field above, which is normalised to 100%.
2. Data Source Vendors: We explicitly acknowledge the vendors of our data sources, as we have observed significant discrepancies in reporting lag, estimation methodologies, data quality, and other factors when comparing different vendors. These disparities could potentially lead to divergent results.
3. Backward-Looking: It is important to note that the various metrics derived from our respective vendors are typically considered slow-moving data. This means they are updated infrequently and are often based on earlier company reporting. For example, the Sustainalytics’ GHG emissions data used in this report pertain to the fiscal year 2022. This report should not be seen as a guide for how our funds may score in the future.
4. Estimations and Coverage Rates: Due to the high level of estimations involved in the different metrics, we have provided a breakdown of our coverage rates for GHG emissions into “as reported” and “estimates” categories. It is worth noting that the level of “as reported” data has significantly increased in recent years. We are not able to provide this level of granularity on our other metrics.
5. Cash and Derivatives: These instruments are considered out of scope for analysis and are removed from funds’ holdings prior to calculating coverage and analysis.
6. Verification: Although we periodically review and evaluate our ESG data and analytics providers to ensure we are using reliable and comprehensive sources, the calculations and methodologies used by vendors that provide ESG data are not verified by LAM and therefore are not warranted to be accurate or complete.

   These notes serve as a reminder that the information and data presented in this report are subject to limitations and uncertainties. This report should be used with caution, considering the potential discrepancies and variations in the data sources and methodologies employed.

Important Information

Published on 28 June 2024

All opinions expressed herein are as of the published date and are subject to change.

Lazard Asset Management ("Lazard" or the "firm") actively manages client portfolios with the objective of delivering positive investment performance and maximizing long-term shareholder value. Portfolio managers at Lazard have discretion to incorporate ESG considerations into their investment processes, and to what degree. Information concerning a particular investment strategy's utilization of ESG considerations (including its status as ESG Integrated or Sustainability Focused under our procedures) are set forth in Lazard's description of that strategy, or are available upon request. Other disclosures herein may describe sustainable investment views and resources that Lazard's ESG professionals have developed to assist our clients and portfolio management teams. However, unless expressly disclosed, readers should not assume that these views and resources are incorporated in a portfolio management team's investment process or that any "forward -looking statements" are a reliable indicator of future performance. There is no guarantee that any forecast or opinion will be realized.

Information and opinions presented have been obtained or derived from sources believed by Lazard to be reliable. Lazard makes no representation as to their accuracy or completeness. All opinions expressed herein are as of the date of the report and are subject to change.

Data presented may not be representative of all client accounts in the strategy. Data herein referenced may not be available across all companies in the portfolio and is limited to data provided by the source provider. This information may no longer be current. The data provided is from sources deemed reliable by the Investment Manager where not internally sourced. However, Lazard does not represent that such data is accurate or complete and it should not be relied upon, nor deemed representative of future characteristics of the portfolio.

MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any other securities or financial products. This report is not approved, reviewed or produced by MSCI.

Bloomberg® is a service mark of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") have been licensed for use for certain purposes by Lazard Asset Management. Bloomberg is not affiliated with Lazard Asset Management, and Bloomberg does not approve, endorse, review, or recommend the assets. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information.

This document is provided by Lazard Asset Management (LAML) for informational purposes only. Nothing herein constitutes investment advice or a recommendation relating to any security, commodity, derivative, investment management service or investment product. It does not consider the specific circumstances or objectives of individual investors. We therefore encourage individual investors to seek guidance from a Financial Advisor. Investments in securities, derivatives, and commodities involve risk, will fluctuate in price, and may result in losses. Past performance does not guarantee future results.

The information is provided by Lazard Asset Management Limited, 50 Stratton Street, London W1J 8LL. Incorporated in England and Wales, registered number 525667. Lazard Asset Management Limited is authorised and regulated by the Financial Conduct Authority.

HB33926