Climate Policy

LAZARD
FRÈRES GESTION



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Introduction
The scientific and regulatory framework

The scientific framework

Climate change is one of the most pressing challenges of our time, requiring immediate and ambitious collective action. In its latest assessment report (AR6) published in 2023, the IPCC warns that an 84% reduction in greenhouse gas emissions by 2050, compared to 2019 levels, will be needed to limit the increase in global average temperature to 1.5°C, in line with the goals set by the Paris Agreement. This considerable effort must be carried out in a context where six of the nine planetary boundaries, essential for preserving a viable living space, have already been exceeded. These scientific findings underline the importance of a rapid transition to a low-carbon economy.

To achieve these goals, the IPCC identifies several key mitigation levers:

- Accelerating the transition to renewable energy
- Preserving natural ecosystems by combating deforestation and reforestation
- Decarbonizing global supply chains
- Improving energy efficiency in transport, buildings, and industry

These actions must be implemented at scale, mobilizing all sectors of the economy and all stakeholders, from governments to businesses to citizens.

In this context, the private sector, and in particular financial institutions, plays a key role. Asset managers, through their ability to direct capital flows, occupy a strategic position in the environmental transition. The IPCC points out that the global capital available is sufficient to fill the investment gaps needed for climate action, but that structural barriers hinder its redirection towards projects that promote the energy transition. As asset managers, we have a clear responsibility: to actively support low-carbon initiatives, engage with companies on their climate trajectories, integrate climate risk into our investment decisions, and reduce our exposure to stranded assets as much as possible.

Aware of this responsibility and guided by scientific projections, we have evolved our investment process to better understand climate risks, support companies in their transition and identify opportunities related to a low-carbon economy. Our climate policy is part of a proactive and adaptable approach, taking into account regulatory, technological and scientific developments to remain relevant and effective over time. Through this policy, we affirm our commitment to actively contribute to the energy and environmental transition, aligning our investments with global climate objectives.

The regulatory framework

Our Climate Policy has also been designed to meet the increasing regulatory requirements for asset management companies in terms of transparency and contribution to the environmental transition. These regulatory frameworks, at national and European level, aim to align the practices of financial actors with global climate objectives and to strengthen their role in the fight against climate change.

In France, Article 29 of the Energy-Climate Law requires asset management companies to assess the environmental, social and governance (ESG) impacts of their portfolios. In this context, we publish an annual report detailing our strategy for integrating ESG criteria into our investment decisions and the concrete means deployed to contribute to the ecological transition. This report includes information on the share of our assets under management invested in companies active in the fossil fuel sector, the alignment of our investments with the European Union's Green Taxonomy, as well as our approach to climate risks, both physical and transition-related.

At the European level, several structuring regulations govern our activities. The **EU Taxonomy** requires us to publish the share of economic activities in our portfolios aligned with the six environmental objectives set by the European Union, such as climate change mitigation and adaptation. This exercise assesses the direct contribution of our investments to a sustainable economy, based on indicators such as turnover, capital expenditure (CapEx) and operating expenditure (OpEx) of the companies concerned. In addition, the **Corporate Sustainability Reporting Directive (CSRD)**, which applies to the companies in which we invest, strengthens our ability to analyse their impact on the climate through more accurate and harmonised extra-financial data.

Finally, the **Sustainable Finance Disclosure Regulation (SFDR)** is an essential framework to increase the transparency of our financial products in terms of sustainability. This regulation leads to classifying our funds according to their degree of integration of ESG issues (Articles 6, 8 or 9), to publish key sustainability indicators, and to communicate on the principal adverse impacts (PAI) of our investments on the environment and society. Through these requirements, we are able to inform our clients in a clear and detailed manner about the environmental impact of our investment strategies, particularly with regard to climate.

These regulatory frameworks, combined with our voluntary commitments, structure our approach and allow us to strengthen our role in the energy and environmental transition. They also ensure increased transparency with our stakeholders, while encouraging us to constantly improve our practices to meet societal expectations and climate challenges.

1. Alignment with the Paris Agreement

At COP21 in 2015, 196 countries signed the Paris Agreement, committing to limit global warming to well below 2°C, ideally 1.5°C, above pre-industrial levels, through national climate contributions reviewed every five years, net-zero targets, and financial and technical support to developing countries.

To formalize our current strategy for aligning with the Paris Agreement, we have set ourselves several short-, medium- and long-term objectives. In particular, we have the objective of having a temperature of 2.5°C for all of Lazard Frères Gestion's investments by 2030, a target that will be reviewed and adjusted every five years to reach 2°C by 2050.



Reduce our carbon footprint

- Reduce the carbon footprint (scopes 1 and 2) by 55% by 2030 compared to 2019, at the level of the management company's global assets under management.
- We commit to integrating scope 3 data as soon as a sufficient level of reliability is achieved.
- This objective may be revised in the event of a significant market movement.



Have a temperature aligned with the Paris Agreement

- Achieve a temperature of 2.5°C by 2030 across all of Lazard Frères Gestion's investments, an objective that will be reviewed and adjusted every five years in order to reach 2°C or below by 2050.
- Maximize the number of open-ended funds with an ITR (Implied Temperature Rise) of 2°C or below (+/-10%).
- For non-aligned funds, we commit to having more than 90% of the portfolio with carbon reduction initiatives, and to engaging with issuers to have their targets validated by SBTi or an equivalent framework.



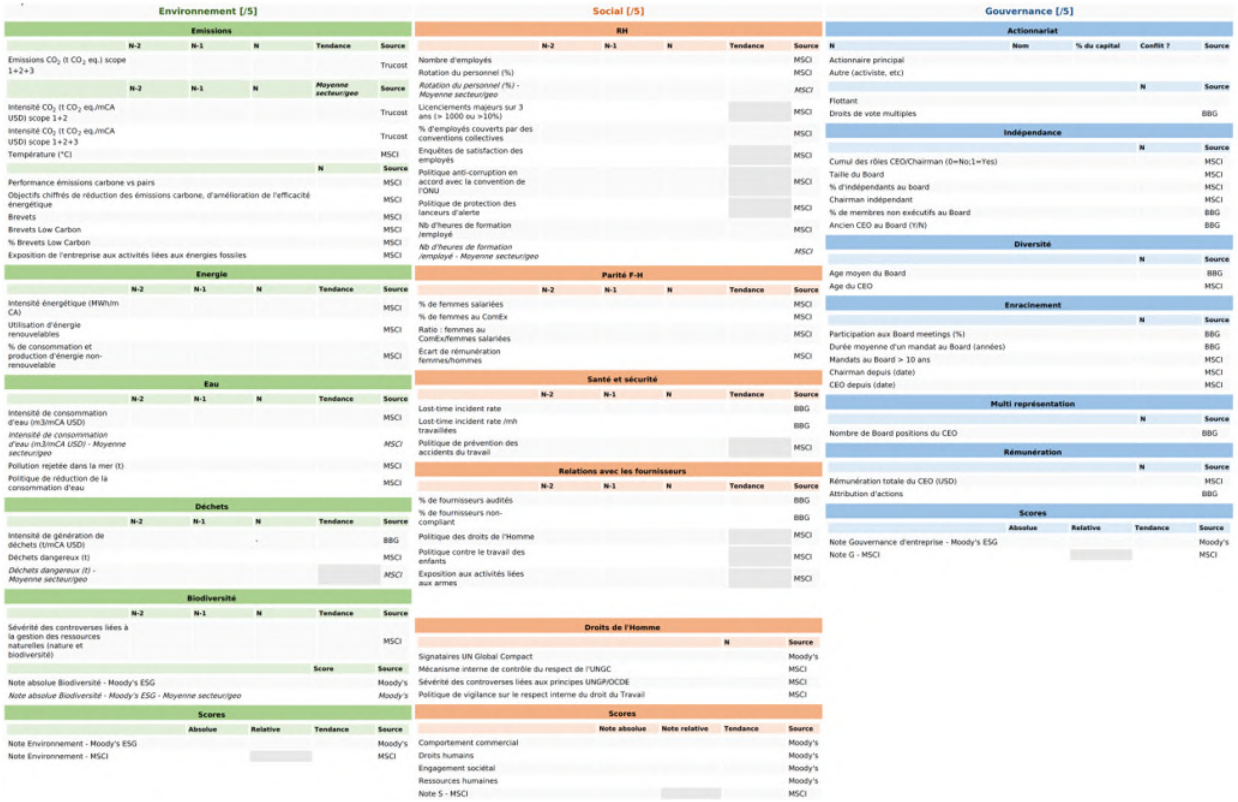
Promote science-based climate targets

- Reach, as quickly as possible, 50% of issuers with an approved SBTi target at the management company level.

2. Research and expertise: internal grid and analysis of transition plans

A systematic ESG assessment

We are committed to integrating an assessment of climate-related risks and opportunities into our research and analysis process. Thanks to the data provided by our specialized partners (MSCI, ISS ESG, Ethifinance), Lazard Frères Gestion has developed a proprietary analysis tool common to equity, fixed income and private management that tracks numerous indicators related to environmental, social and governance issues for each company in our portfolios.



Environnement [/5]

Emissions

	N-2	N-1	N	Tendance	Source
Emissions CO_2 (t CO_2 eq.) scope 1+2+3					Trucost
	N-2	N-1	N	*Moyenne secteur/geo*	Source
Intensité CO_2 (t CO_2 eq./mCA USD) scope 1+2					Trucost
Intensité CO_2 (t CO_2 eq./mCA USD) scope 1+2+3					Trucost
Température (°C)					MSCI
			N		Source
Performance émissions carbone vs pairs					MSCI
Objectifs chiffrés de réduction des émissions carbone, d'amélioration de l'efficacité énergétique					MSCI
Brevets					MSCI
Brevets Low Carbon					MSCI
% Brevets Low Carbon					MSCI
Exposition de l'entreprise aux activités liées aux énergies fossiles					MSCI

Energie

	N-2	N-1	N	Tendance	Source
Intensité énergétique (MWh/m CA)					MSCI
Utilisation d'énergie renouvelables					MSCI
% de consommation et production d'énergie non-renouvelable					MSCI

Eau

	N-2	N-1	N	Tendance	Source
Intensité de consommation d'eau (m3/mCA USD)					MSCI
Intensité de consommation d'eau (m3/mCA USD) - Moyenne secteur/geo					*MSCI*
Pollution rejetée dans la mer (t)					MSCI
Politique de réduction de la consommation d'eau					MSCI

Déchets

	N-2	N-1	N	Tendance	Source
Intensité de génération de déchets (t/mCA USD)					BBG
Déchets dangereux (t)					MSCI
Déchets dangereux (t) - Moyenne secteur/geo					*MSCI*

Biodiversité

	N-2	N-1	N	Tendance	Source
Sévérité des controverses liées à la gestion des ressources naturelles (nature et biodiversité)					MSCI
			Score		Source
Note absolue Biodiversité - Moody's ESG					Moody's
Note absolue Biodiversité - Moody's ESG - Moyenne secteur/geo					*Moody's*

Scores

	Absolue	Relative	Tendance	Source
Note Environnement - Moody's ESG				Moody's
Note Environnement - MSCI				MSCI

Social [/5]

RH

	N-2	N-1	N	Tendance	Source
Nombre d'employés					MSCI
Rotation du personnel (%)					MSCI
Rotation du personnel (%) - Moyenne secteur/geo					*MSCI*
Licenciements majeurs sur 3 ans (> 1000 ou >10%)					MSCI
% d'employés couverts par des conventions collectives					MSCI
Enquêtes de satisfaction des employés					MSCI
Politique anti-corruption en accord avec la convention de l'ONU					MSCI
Politique de protection des lanceurs d'alerte					MSCI
Nb d'heures de formation /employé					MSCI
Nb d'heures de formation /employé - Moyenne secteur/geo					*MSCI*

Parité F-H

	N-2	N-1	N	Tendance	Source
% de femmes salariées					MSCI
% de femmes au ComEx					MSCI
Ratio : femmes au ComEx/femmes salariées					MSCI
Écart de rémunération femmes/hommes					MSCI

Santé et sécurité

	N-2	N-1	N	Tendance	Source
Lost-time incident rate					BBG
Lost-time incident rate /nh travaillées					BBG
Politique de prévention des accidents du travail					MSCI

Relations avec les fournisseurs

	N-2	N-1	N	Tendance	Source
% de fournisseurs audités					BBG
% de fournisseurs non-compliant					BBG
Politique des droits de l'Homme					MSCI
Politique contre le travail des enfants					MSCI
Exposition aux activités liées aux armes					MSCI

Droits de l'Homme

		N	Source
Signataires UN Global Compact			Moody's
Mécanisme interne de contrôle du respect de l'UNGC			MSCI
Sévérité des controverses liées aux principes UNGP/OCDE			MSCI
Politique de vigilance sur le respect interne du droit du Travail			MSCI

Scores

	Note absolue	Note relative	Tendance	Source
Comportement commercial				Moody's
Droits humains				Moody's
Engagement sociétal				Moody's
Ressources humaines				Moody's
Note S - MSCI				MSCI

Gouvernance [/5]

Actionnariat

N	Nom	% du capital	Conflit ?	Source
Actionnaire principal				
Autre (activiste, etc)				
			N	Source
Flottant				
Droits de vote multiples				BBG

Indépendance

	N	Source
Cumul des rôles CEO/Chairman (0=No;1=Yes)		MSCI
Taille du Board		MSCI
% d'indépendants au board		MSCI
Chairman indépendant		MSCI
% de membres non exécutifs au Board		BBG
Ancien CEO au Board (Y/N)		BBG

Diversité

	N	Source
Age moyen du Board		BBG
Age du CEO		MSCI

Enracinement

	N	Source
Participation aux Board meetings (%)		BBG
Durée moyenne d'un mandat au Board (années)		BBG
Mandats au Board > 10 ans		MSCI
Chairman depuis (date)		MSCI
CEO depuis (date)		MSCI

Multi représentation

	N	Source
Nombre de Board positions du CEO		BBG

Rémunération

	N	Source
Rémunération totale du CEO (USD)		MSCI
Attribution d'actions		BBG

Scores

	Absolue	Relative	Tendance	Source
Note Gouvernance d'entreprise - Moody's ESG				Moody's
Note G - MSCI				MSCI

Our internal analysis grid allows us to take ESG into account in each of our investment decisions. The three pillars “E”, “S” and “G” are weighted at 30%, 30% and 40% respectively and are rated from 1 to 5. This rating is the result of a qualitative and quantitative assessment carried out on the basis of around 90 indicators, including the 14 PAIs made mandatory by the SFDR regulation. The sectoral specificities of each company are taken into account via our materiality table which compiles the most material issues for each type of economic activity.

This internal research is reflected quantitatively and systematically in our management. In equity management, our valuation models integrate ESG into the cost of capital through Beta. The company’s internal ESG score is thus weighted at 20% in the measure of the company’s specific risk in relation to the market. On the fixed income side, we systematically exclude all companies with an internal ESG rating of less than 2, and limit the share of companies with ratings between 2 and 3, in order to build portfolios with a limited negative impact on the climate.

This internal ESG analysis grid takes into account several climate-related factors such as greenhouse gas emissions (scopes 1, 2 and 3), water resource consumption, energy management, the number of low-carbon patents and companies' climate commitments. In addition, our partnership with MSCI allows us to measure the alignment of our portfolios with the Paris Agreement's commitments to limit global warming to 1.5°C by 2100 by calculating a "portfolio temperature" by 2030. Thanks to the data analysis provided by MSCI, we are able to quantify the effects of likely climate change scenarios and assess the carbon exposures of our investment strategies in relation to their indices. By integrating these different data into our investment strategies, we want to anticipate the impact of regulatory changes as well as possible and identify companies that take climate issues into account both to limit their effects (risk mitigation) and to adapt to them (risk adaptation).

Targeted analysis of transition plans

Many companies are aiming for carbon neutrality, but these commitments require credible strategies. Lazard Frères Gestion has developed a proprietary model for analyzing transition plans to assess companies' climate ambitions, identify their weaknesses and engage in targeted dialogues. This model meets the requirements of the SRI Label and the expectations of investors, particularly institutional investors, by offering a clear vision of the risks and opportunities related to climate change. Specifically for the oil and gas sector, it ensures a homogeneous and accurate assessment of transition plans. With this approach, Lazard Frères Gestion is strengthening its climate commitments and supporting its clients in their responsible investments.

To learn more about our analysis of transition plans, see our dedicated document:



3. Fossil fuels

For several decades, a growing scientific consensus has warned of the significant impact of human activity in the global warming of the atmosphere, oceans and land. This is mainly due to rising concentrations of greenhouse gases, including carbon dioxide (CO_2) and methane (CH_4), which are largely emitted by the burning of fossil fuels such as coal, oil and gas. Indeed, in 2024, according to the International Energy Agency (IEA), coal accounted for 41.5% of global energy-related CO_2 emissions, oil about 30%, and gas 20.5%. In addition, according to the IEA*, the energy sector is responsible for nearly 37% of global methane emissions, behind agriculture (40%).

At a time when the competitiveness of renewable energy and clean technologies is accelerating, reducing dependence on fossil fuels is a crucial measure to limit the rise in temperatures and meet the goals of the Paris Agreement. This transition is also necessary from a financial point of view: fossil assets, subject to rapidly changing costs, regulatory constraints and new economic paradigms, are exposed to an increasing risk of obsolescence and could become stranded assets.

In this context, Lazard Frères Gestion adopted a proactive approach in 2020 with a strategy of completely excluding thermal coal by 2030, extended in 2024 to the oil and gas sectors to cover all fossil fuels. This strategy is based on two complementary pillars: the exclusion of the most polluting companies and collaborative engagement. It applies to all portfolios managed in Institutional and Wealth Management, and aims to effectively combat climate change, reduce human pollution and control the financial, regulatory, physical and reputational risks associated with fossil assets in the context of the energy transition.

* (International Energy Agency, 2025)

Adaptation of the transition plan analysis model for companies in the Oil & Gas sector

The oil and gas sector is one of the most exposed to the challenges of the energy transition. Due to the very nature of their business, these companies face complex challenges.

Faced with these particularities, our Transition Plan Analysis methodology has been adapted to meet the challenges specific to this sector. It incorporates dedicated indicators that allow us to assess not only companies' climate ambitions, but also their ability to adopt business models that are compatible with decarbonization objectives.

This targeted analysis directly influences our investment decisions.

For companies with more than 5% of their production coming from hydraulic fracturing (fracking*), we apply a strict criterion: they must have a credible transition plan. In the absence of such commitments, these companies are excluded from our investments.

- Companies with more than 5% of production coming from coal bed methane, oil sands and oil shale, and extra-heavy oil are strictly excluded.
- Companies with more than 10% of their turnover coming from conventional fossil fuels are all subject to an analysis of their climate transition plan. If the latter is not credible, Lazard Frères Gestion begins a commitment process with the company in order to make progress on the flaws identified.

* Tight oil and gas, as well as shale oil and gas, can only be extracted by hydraulic fracturing.

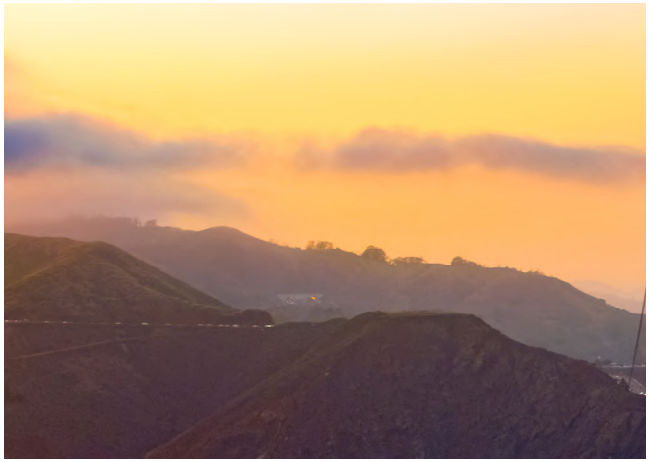
Thermal coal

Lazard Frères Gestion excludes any investment in companies including:

- More than 10% of turnover comes from thermal coal-related activities
- More than 10% of the energy mix (per MWh generated) is based on coal
- Annual thermal coal production exceeds 10 MT per year
- Installed coal-fired capacity is more than 5 GW

In addition, we exclude any company with plans to develop thermal coal mines or coal-fired power plants.

These thresholds do not apply to companies whose trajectory has been validated by the Science Based Target initiative (SBTi) provided that they have not planned to expand their capacity in the coal sector.



Reinforcing its commitments to companies exposed to fossil fuels, Lazard Frères Gestion has also defined a policy concerning companies involved in this sector. The oil and gas sector is one of the most exposed to the challenges of the energy transition. Due to the very nature of their business, these companies require a specific analysis. Faced with these particularities, our Transition Plan Analysis methodology incorporates dedicated indicators that allow us to assess not only companies' climate ambitions, but also their ability to adopt business models that are compatible with decarbonization objectives. This targeted analysis directly influences our investment decisions, notably through our exclusions.

Unconventional fossil fuels

We exclude all companies in the upstream sector (exploration and production) whose production comes from more than 5% of the following sources:

- Coal bed methane
- Oil sands and oil shale
- Extra-heavy oil
- Hydraulic fracturing (fracking*)

Companies whose production comes from hydraulic fracturing for more than 5% are subject to an analysis of climate transition plans, according to the internal analysis of Lazard Frères Gestion, which could lead to integration into the investable universe if the plan is considered acceptable.

This quantitative analysis, specific to this sub-sector, is based on three points:

- **Analysis of trajectories and objectives**
  Carbon data, methane data and target setting.
- **Analysis of the means implemented**
  Risk analysis, investments dedicated to the Transition, adoption of best practices in project management, health and safety, use of carbon credits, value chain management and just transition.
- **Governance analysis**
  Quality of governance, organisation of governance, climate-related incentive mechanisms, steering and monitoring of the trajectory and lobbying in environmental matters.

* Tight oil and gas, as well as shale oil and gas, can only be extracted by hydraulic fracturing.

Conventional fossil fuels

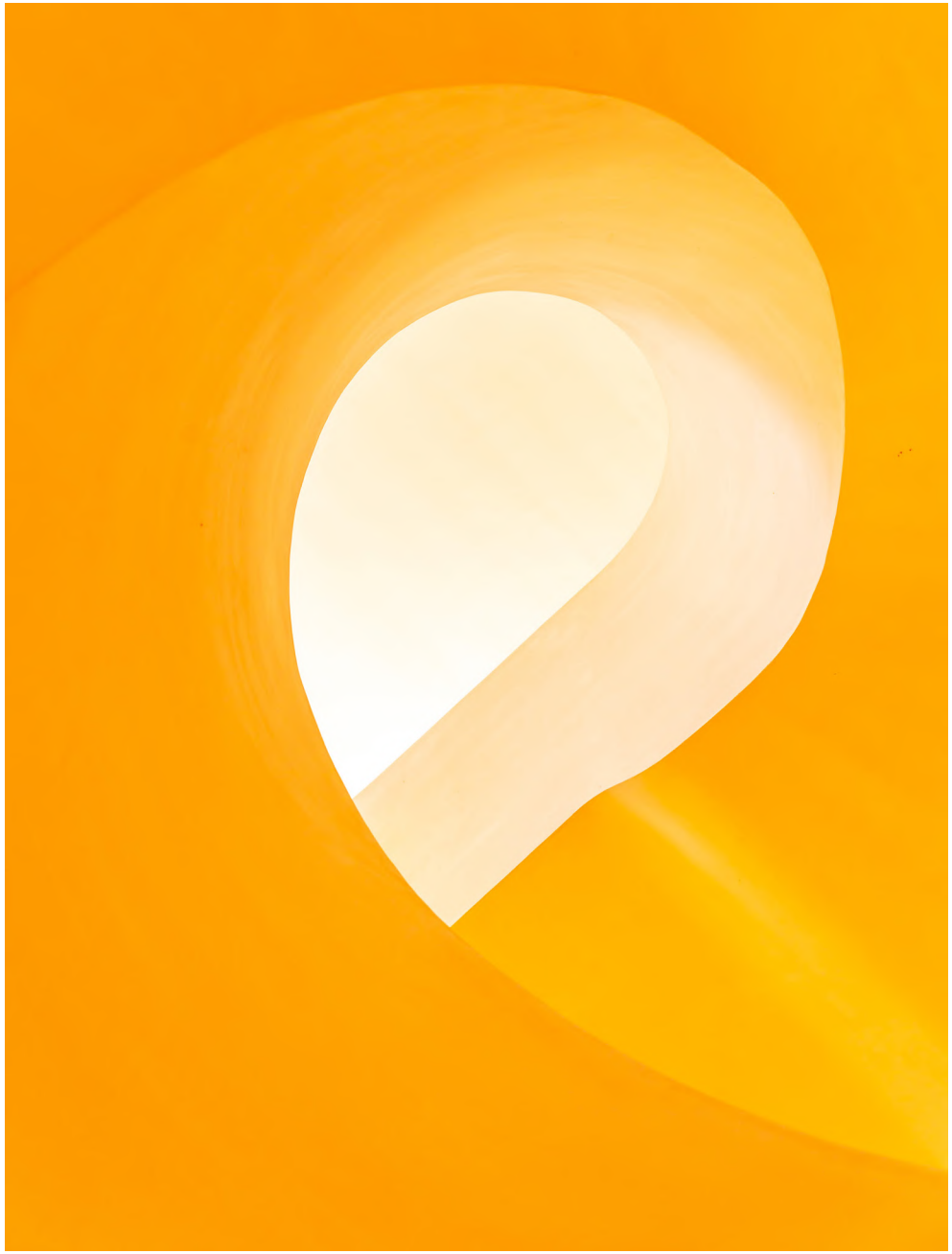
As for companies whose production comes from conventional fossil fuels, they are subject to increased vigilance and in-depth engagement as soon as the exposure to these exceeds 10% of turnover. Our commitments, accompanied by a proprietary financial and extra-financial analysis, aim to assess the robustness of these companies' transition strategy and to encourage the implementation of sustainable business models aligned with international climate objectives.

As part of our approach, we analyze several key dimensions to guide our engagements with companies in the sector:

- Short-, medium- and long-term decarbonisation objectives and the assessment of investments dedicated to the energy transition
- Portfolio resilience and risk management, integrating financial, regulatory, physical and reputational risks, as well as proactive management of controversies.
- Social impact and responsibility towards stakeholders, including the implementation of accident prevention actions, the promotion of a just transition, dialogue with communities and respect for human rights.
- The quality of governance, with a focus on transparency, strategy and the robustness of the board of directors, as well as respect for shareholder democracy.

Lazard Frères Gestion reserves the right to update the data provided by the Global Coal Exit List (GCEL) and the Global Oil & Gas Exit List (GOGEL) used for the exclusion of thermal coal and unconventional fossil fuels. In this context, some of the companies mentioned in the list may be reinstated in our investable universe if the latest available data indicate compliance with the thresholds set out. Conversely, if Lazard Frères Gestion's managers or ESG specialists become aware that a portfolio company has exceeded these thresholds, this position will be sold within three months.

The relevance of the thresholds and criteria used will be reviewed annually, in particular in the light of our Article 29 commitments.



4. Engagements

In order to ensure full involvement in the topics addressed by the financial industry in terms of ESG and particularly with regard to climate, Lazard Frères Gestion takes part in multiple collaborative commitments.

As a supporter of the **TCFD** (Task-Force on Climate-related Financial Disclosure), Lazard Frères Gestion is committed to increased transparency towards its clients in terms of the exposure of their portfolios, in particular through the development of carbon indicators aligned with the TCFD recommendations. In accordance with the requirements of the SRI label, labelled funds are subject to specific enhanced monitoring including at least one environmental impact indicator. Lazard Frères Gestion is committed to systematically using a carbon emission indicator in order to include all of its SRI portfolios in a process of combating global warming.

As a signatory to the **Finance for Biodiversity Pledge** since 2022, we recognize that the Earth's biosphere is the foundation of humanity's resilience and progress, which commits us to limiting our impact on the climate so as not to increase the pressures on this biosphere. Our membership in **TNFD** in 2023 commits us to developing, implementing and acting on a nature risk management framework. As part of this membership, we are also involved in various consultations allowing us to provide input into the preparation of future publications related to ESG and biodiversity. For more information, see our Biodiversity Policy.

In addition, Lazard Frères Gestion makes its climate commitments part of a collective effort, by obtaining labels certifying the sustainability of its funds. The **SRI Label** has been renewed for 11 funds following the publication of the third version of the framework, confirming the quality of Lazard Frères Gestion's responsible investment offer and the rigour of our analyses in terms of sustainability.

Fund name	SFDR Category	Management	SRI Approach	Climate indicator(s)
Lazard Green Capital	Article 9	Equity	Exclusion	Revenue aligned with the European Taxonomy Share of companies with ocean protection policies
Lazard Human Capital	Article 9	Equity	Rating Improvement	Carbon footprint
Lazard Global Green Bond Opportunities	Article 9	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Equity SRI	Article 8	Equity	Rating Improvement	Carbon intensity
Lazard Credit Fi SRI	Article 8	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Capital Fi SRI	Article 8	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Euro Short Duration Income Opportunities SRI	Article 8	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Euro Credit SRI	Article 8	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Euro Short Duration SRI	Article 8	Fixed Income	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Patrimoine SRI	Article 8	Multi-Asset	Rating Improvement	Carbon Reduction Initiatives Carbon footprint
Lazard Patrimoine Opportunities SRI	Article 8	Multi-Asset	Rating Improvement	Carbon Reduction Initiatives Carbon footprint

As a signatory to the **CDP** since 2020, we also aim to improve the transparency of carbon data globally. To do this, we engage annually with companies to encourage them to complete CDP's questionnaires on climate change, forest management and water conservation. These questionnaires, offered as part of CDP's Non-Disclosure Campaign, provide investors with access to standardized data, simplifying cross-company comparisons in terms of environmental performance and carbon footprint, and supporting monitoring and mitigation actions by companies.

Our commitment is also applied to each company invested in the portfolio: Lazard Frères Gestion is regularly invited to vote on so-called "climate" resolutions at General Meetings, for example to participate in the validation of the company's climate strategy. These **Say on Climate** resolutions allow us to discuss with the companies' investor relations teams ahead of the Annual General Meetings, and thus to express our environmental convictions and our expectations in terms of climate objectives.

In addition to joining market initiatives and obtaining labels, Lazard Frères Gestion is committed to actively engaging with other players in the financial sector. This is why the company has been a member of the AFG's Responsible Investment Commission since 2024 and regularly takes a position on various regulations that impact the climate. This involvement within the AFG also allows us to participate in various working groups in which the climate theme is at stake. For example, we chaired the working group on just transition and participated in the one on the operationalization of the analysis of transition plans.



2015

Signatory of:

PRI PRINCIPLES FOR RESPONSIBLE INVESTMENT

Signing of the Principles for Responsible Investment (PRI)

2017

Member of the AFG's Technical Committee for Responsible Investment; Launch of Carbon Footprint and Energy Transition Reporting (Art. 173)

AFG

2019

Highest PRI A+ rating

2020

Exclusion of coal and tobacco; development of our ESG analysis grid; membership of the TCFD and the CDP

TCFD

CDP

2021

Development of our materiality table and publication of our first Climate Policy

2022

Membership of the Finance for Biodiversity Pledge

Finance for Biodiversity Pledge

2023

TNFD

Membership of the TNFD; Launch of the Lazard Global Green Bond Opportunities Thematic Fund (SFDR Art. 9)

2024

Launch of the Lazard Green Capital thematic fund (SFDR Art. 9)

2026

Definition of a climate transition plan analysis framework for companies

UN PRI 5-star rating for the sixth consecutive year

5. Risk Management

Taking into account the impact on the climate is part of a more global risk management approach. As a financial player, Lazard Frères Gestion is exposed to various risks, starting with physical risk and transition risk. **Physical risk** is the risk that an extreme weather event related to climate change will occur and impact a company's operations, resulting in considerable financial losses. **Transition risk**, on the other hand, refers to the risk incurred by the management company of seeing the value of its financial assets and its profitability affected when it transitions to a low-carbon economy. If a company needs to transition urgently, in response to a phenomenon for example, it may have to assume certain unforeseen costs that could jeopardize its financial stability.

Lazard Frères Gestion takes into account **sustainability risk** as a whole, which can affect the value of investments in different ways: lower revenues, higher costs, damage or depreciation of asset value, higher cost of capital, fines or regulatory risks. As climate change increases over time, the likelihood of these risks occurring is likely to increase.

Our risk management is carried out in particular by **taking into account the principal adverse impacts (PAI)** of our investments on the environment, particularly in the context of compliance with the SFDR regulation. As these PAIs are integrated into our internal analysis grid, we are required to constantly take into account the greenhouse gas emissions of our assets, their impact on biodiversity, water preservation and waste production.

In parallel with this integration of the risk study into our internal analysis grid, we also carry out **climate stress tests**. To do this, we use Climate Value-at-Risk, a data provided by MSCI that forecasts the present value of the costs and opportunities of transition and physical risks related to climate change. This prospective quantitative model integrates transition factors (e.g. alignment with a 2°C trajectory), physical factors (e.g. extreme weather events), economic factors (e.g. company financial data) and data factors (e.g. patents held by the company), which makes it an exhaustive and rigorous indicator. We then aggregate this data at the level of the management company, based on the scenarios of the NGFS (Network on Greening the Financial System). These stress tests allow us to have a detailed knowledge of the sensitivity of our portfolios to climate risk.

See our Article 3 SFDR Policy:



6. Reporting & transparency

Lazard Frères Gestion encourages the publication of climate-related risks and opportunities by companies and sovereign issuers and, more broadly, of all data that can help investors quantify the impact of climate change on financial performance. This primary data of the companies, cross-referenced with the data provided by our partners, is used to monitor the extra-financial performance of the portfolios.

We publish periodic reports for our Article 8 and 9 SFDR funds on an annual basis, detailing various indicators related to the funds' commitments, as well as their alignment with the European taxonomy. Pre-contractual disclosure documents and periodic disclosure documents are available on our website.

Of the three Article 9 funds managed by Lazard Frères Gestion, two are directly linked to the climate theme:

Lazard Green Capital | Article 9

Created in 2024, the Lazard Green Capital fund was designed to finance solutions with a positive impact on the environment. To this end, this fund invests 100% in sustainable investments within the meaning of the SFDR Regulation. It selects companies that offer solutions that have a positive impact on the environment and are strongly aligned with the 6 objectives of the European taxonomy: climate change mitigation, adaptation to climate change, sustainable use of water and marine resources, circular economy, pollution prevention and reduction, prevention and restoration of biodiversity and ecosystems.

The fund invests, for example, in solar and wind energy, water treatment, recycling, biosolutions, transport electrification and sustainable construction.

Lazard Global Green Bond Opportunities | Article 9

Created in 2022, the Lazard Global Green Bond Opportunities fund was designed to support companies in their low-carbon transition process. To do this, this flexible fund invests at least 90% in green bonds. It contributes to several UN Sustainable Development Goals, including "Fight Climate Change" (No. 13), "Decent Work and Economic Growth" (No. 8), and "Partnerships for the Goals" (No. 17).

The fund invests, for example, in solar, hydro, wind and offshore wind energy, biomass and pollution control systems.

Our **PAI** (Principal Adverse Impacts) reporting leads us to publish information on 16 mandatory indicators, relating to the environment, social issues, personnel, respect for human rights and investments in sovereign or supranational issuers. We also publish information on additional PAIs, for example to assess the water management of the companies in which we invest. PAI reporting is a fundamental tool to know in detail the impact that our portfolios have on the climate, as it leads us to quantify this impact through very specific indicators. For example, in the context of PAI 6 “energy consumption intensity by high-impact sector”, we go into detail about each high-impact sector, with reporting presented by NACE codes, and assess the associated energy consumption. Our greenhouse gas emissions are also detailed on the three Scopes as part of PAI 1 “GHG Emissions”.

As part of the labelling of our SRI funds, we evaluate our funds using several specific impact indicators, including the carbon footprint, or the share of companies that do not have climate transition plans. All these indicators are subject to in-depth monitoring, commitments and publication as part of the SRI reporting required by the label. Our **SRI reports** are available on our website.

In addition to these regulatory reports, Lazard Frères Gestion carries out additional non-financial reporting, such as the **carbon footprint reports** that are carried out at the fund level. These reports detail the performance of funds in terms of greenhouse gas emissions by offering a dual reading: that of carbon footprint and intensity, which make it possible to assess the emissions generated according to the activity or size of the fund, and that of temperature, which estimates the alignment of the strategies of the assets in the portfolio with the objectives of the transition to a low-carbon economy.



Appendix
Data Providers

ISS ESG

European provider of ESG ratings using a double materiality approach (impact of the company on its ecosystem, and impact of the eco-system on the company), whose ESG analyses and ratings we use, as well as the separate E, S, and G criteria for each company within our investment universes. We have also subscribed to the controversy analysis tool, which enables us to gain a more comprehensive view of controversies, particularly regarding their frequency, severity, and the responsiveness of companies in addressing them.

MSCI

We use MSCI to assess physical and transition risks in our investment universe. We are able to calculate a portfolio “temperature”, in other words, to assess its ability to meet the 2°C alignment stipulated in the Paris Agreement. MSCI also provides us with carbon data (gross emissions, footprints and intensities, scopes 1, 2 and 3).

EthiFinance

This agency provides us with extra-financial data for small market caps.

Glass Lewis

This company advises investors on their engagement and voting policy. It analyses the resolutions of the AGMs that fall within our voting scope and issues voting recommendations that serve as a decision-making tool for our analyst-managers.

Carbon4 Finance

We use Carbon4 Finance’s biodiversity footprint indicator to measure the main pressures and impacts on biodiversity as defined by the IPBES.


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