

A low-angle shot of dandelion seed heads against a clear blue sky. The seeds are golden-brown and have long, white, feathery pappi that are blowing in the wind. The perspective makes the seeds appear to be reaching upwards.

# CLIMATE POLICY

LAZARD  
FRERES GESTION

LAST UPDATE ON - JANUARY 2023



# OUR PRINCIPLES

Since its creation, Lazard Frères Gestion has chosen to manage assets with a long-term perspective. Our work consists of selecting and accompanying companies in a sustainable development that is likely to offer society and our clients long-term performance.

The effects of climate change, which have already been observed today, are a source of concern for many of the planet's inhabitants and will have considerable consequences for our future lifestyles. As announced by a growing scientific consensus, we must now invent a cleaner, more innovative development model that emits less greenhouse gas and consumes fewer natural resources in order to satisfy the needs and support the aspirations of a growing world population and economy.

Aware of everyone's responsibilities and confident in scientific projections, we have evolved our investment process to better understand climate change and the risks it entails, and to support companies in their transition to a low-carbon economy.

Moreover, because we believe that the transition to a low-carbon economy also presents investment opportunities, we have developed a policy that can be adapted to regulatory, technological and scientific developments in order to remain relevant and useful to our managers over time.

In order to participate in the achievement of the coal exit in 2030 for European and OECD countries, and in 2040 for the other countries, the scope and exclusion thresholds defined in our climate policy will be revised each year in accordance with the recommendations of the AFG (the French asset management association).

## THIS POLICY IS BASED ON THE FOLLOWING FOUR PILLARS:

# 1 / Our climate change policy

At the **COP 21, in 2015**, 196 countries signed the **Paris Agreement** to limit global warming to below 2°C, preferably 1.5°C, relative to pre-industrial levels. To achieve this long-term temperature target, countries aim to quickly reach the global greenhouse gas emissions peak in order to globally reach carbon neutrality by 2050.

In France, **Article 29 of the Energy-Climate Law** encompasses European law and national specificities. Therefore, French market players must publish their **strategy to align with international objectives against global warming, as set out in the Paris Agreement**.

To formalize our current strategy to be aligned with the Paris Agreement, we have set several short, medium and long-term objectives. In particular, **we have a target for 2030 where all Lazard Frères Gestion investments should correspond to a temperature of 2.5°C. This target will be reviewed and adjusted every five years to reach 2°C by 2050.**

## SHORT-TERM GOALS (2022 - 2023)

- Provide each analyst-manager with alignment indicators
- Train management teams on data integration management alignment
- Update quarterly a list of companies aligned by investment universe
- Engage in a dialogue with the 10 companies invested for which the temperature indicator is the highest
- Engage in a dialogue with the 10 companies that make the biggest contribution to global warming due to our investments according to the temperature indicator
- Support climate resolutions as part of the voting policy at General Assemblies
- Publish our consolidated alignment levels on each asset class
- Draft fossil fuel divestment strategy for SRI funds

## MEDIUM-TERM GOALS (2024 - 2030)

- Make public our alignment levels at each SRI fund
- Limit (or even exclude) emitters with temperatures above 5°C
- Support the companies and project in which we invest towards an alignment trajectory by 2050, through commitments
- 100% of our open-end funds are below 2°C (+/- 10%)
- 100% of companies invested in have a climate target
- Join the "Net Zero Asset Manager initiative"

## LONG-TERM GOALS (2030 AND BEYOND)

- Disclose our new alignments for all funds
- Align all the funds with the Paris Agreement
- 100% of companies in which we invest have a decarbonization pathway / a validated 2°C-alignment.



## 2/ Divestment from coal

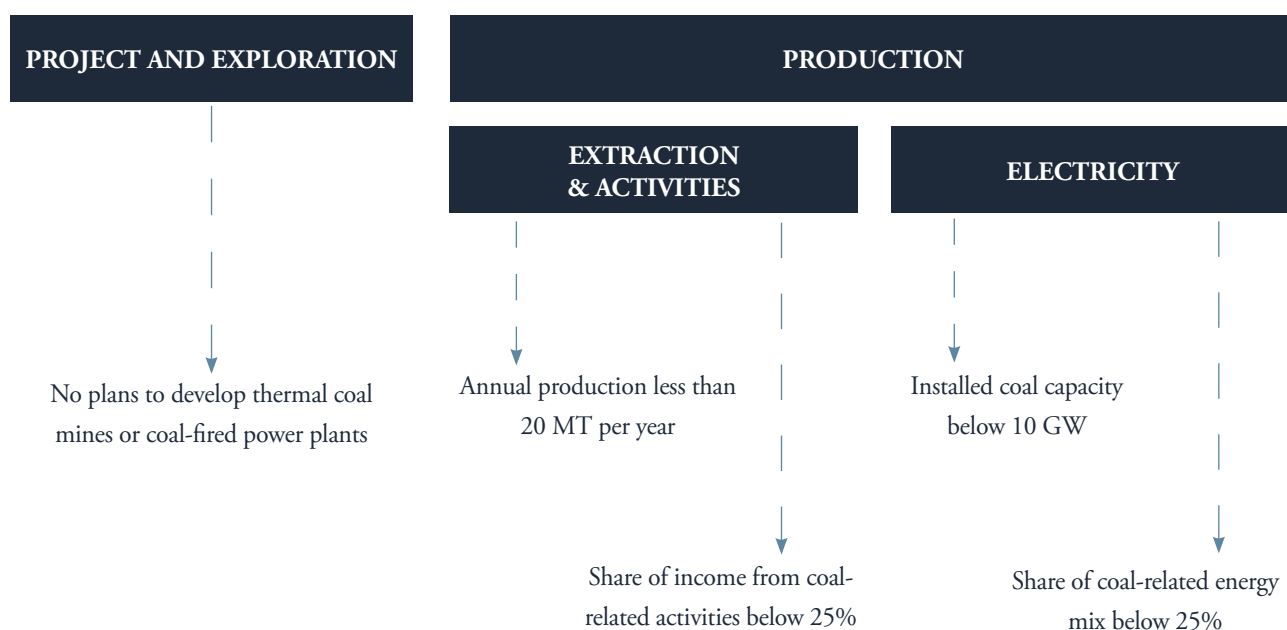
As part of its ESG policy, Lazard Frères Gestion defined in 2020 a strategy to completely exclude thermal coal by 2030. It applies to all portfolios managed in Institutional Management and Wealth Management. This exclusion aims at tackling climate change and reducing human pollution while taking into account the financial, regulatory, physical and reputational risks associated with coal assets in the context of the energy transition.

Coal combustion remains the main source of global warming, accounting for over 29% of total human-related greenhouse gas (GHG) emissions and over 40% of human-related carbon dioxide (CO<sub>2</sub>) emissions, in 2019, according to the IEA. Its reduction will therefore be one of the most effective measures to limit the rise in temperatures and achieve the targets set by the Paris Agreement.

Meanwhile, coal is progressively substituted by new and greener energy sources, particularly renewables for which competitiveness is reducing coal's attractiveness. Coal values are now riskier than before and this trend will continue as new green technologies develop.

**As of October 15, 2020, Lazard Frères Gestion excludes any investment in companies that meets the following criteria :**

- More than 25% of their revenues are derived from thermal coal activities
- More than 25% of the energy mix (per MWh generated) is based on coal
- Annual thermal coal production exceeds 20 MT per year
- Installed coal-fired capacity exceeds 10 GW
- Projects concern the development of thermal coal mines or coal-fired power plants.



Lazard Frères Gestion reserves the right to update the data provided by the Global Coal Exit List (GCEL) used for the exclusion of thermal coal. In this context, certain companies listed in the list may be reintegrated into our investable universe if the latest available data indicate compliance with the stated thresholds. Conversely, if the managers or ESG specialists of Lazard Frères Gestion become aware of the exceeding of these thresholds by a company of the portfolio, this position will be divested within three months.

In addition, consistent with its approach to support and support companies, Lazard Frères Gestion considers that green bonds and Sustainability-Linked Bonds (SLB) instruments with a performance indicator (KPI) mainly linked to an environmental objective (example: reduction of carbon emissions) are always eligible for investment, regardless of the issuer.



# 3/ Integrating climate research into our analysis



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 (Moody's ESG Solutions, Trucost, Carbon Delta, ISS, Ethifinance – Gaïa Ratings), Lazard Frères Gestion has developed a common proprietary analysis tool for action management; bond and private sector that follows many indicators related to environmental, social and governance issues for each company in our portfolios.

This internal ESG analysis scorecard takes into account several climate-related factors such as greenhouse gas emissions (scope 1 and 2), consumption of water resources, energy management, the number of low-carbon patents as well as the commitments of companies. Moreover, our partnership with Carbon Delta, which assesses the climate trajectory of more than 9,000 companies around the world, allows us to

measure the alignment of our portfolios with the commitments of the Paris Agreement to limit global warming to 2°C by 2100 by calculating a “portfolio temperature” by 2030.



Through the data analysis provided by Carbon Delta, we are able to quantify the effects of probable climate change scenarios and assess the carbon exposures of our investment strategies against their indices.

By integrating these different data into our investment strategies, we want to better anticipate the impact of regulatory changes and identify companies that take climate issues into account in order to limit their impact (risk mitigation) to adapt to it (risk adaptation).

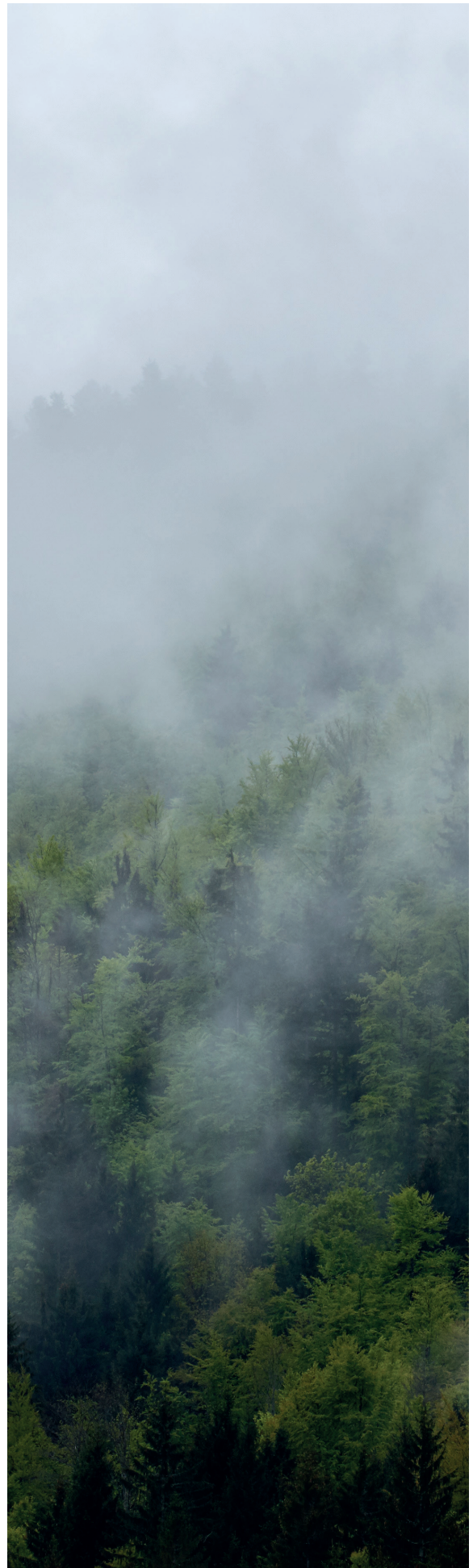
## 4/ Climate, a central element of our engagement policy

Meetings with corporate management are an integral part of our investment process. During our exchanges, we now focus on addressing climate-related issues. These elements become crucial when we believe they could have a direct impact on the long-term performance of the company and, therefore, on the value of our clients' investments.

As part of strengthening our collaborative commitment, Lazard Frères Gestion became a signatory to the CDP (Carbon Disclosure Project) in early 2020. This commitment aims to support the publication of carbon data, encourage companies to reduce their emissions and better identify the risks and opportunities associated with their water use and forest management.



Our voting practices, aligned with our policy of engagement, also respond to this desire and aim to steer businesses towards more virtuous climate behaviour.





## 5/ Transparency and reporting on climate-related issues



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

Supporting the TCFD (Task-Force on Climate-related Financial Disclosure), Lazard Frères Gestion is committed to greater transparency towards its clients regarding the exposure of their portfolios, particularly thanks to the development of carbon indicators aligned with TCFD recommendations.



In accordance with the requirements of the SRI label, the labelled funds are subject to enhanced specific monitoring including at least one environmental impact indicator. Lazard Frères Gestion is committed to systematically using a carbon emissions indicator in order to include all of its SRI portfolios in an effort to fight global warming.

# LIST OF SPECIALIZED PARTNERS IN PROVIDING CLIMATE DATA

## APPENDIX

**Moody's ESG Solutions :** We entered into a historic partnership with Moody's ESG Solutions, with a first contract signed in 2001. Moody's ESG Solutions, with 17 years of experience in the non-financial analysis of companies, provides us with information about the majority of companies in our investment universe. The agency provides a detailed analysis for each company and notes their environmental, social and governance performance. Since 2019, **Moody's ESG Solutions has also provided us with a tool to analyze the controversies of our portfolio companies.**

MOODY'S | ESG Solutions

**Trucost :** this agency is specialized in **the carbon data of companies** and allows to feed our reports "carbon footprint and energy transition" published quarterly.

Trucost  
ESG Analysis  
S&P Global

**Carbon Delta (MSCI) :** This Swiss start-up, bought in 2019 by MSCI, allows us to **assess the physical and transition risks in our investment universe.** In particular, we are able to calculate a portfolio "temperature", that is, to assess its ability to meet the 2°C alignment stipulated in the Paris Agreement.

CARBON DELTA  
An MSCI Company

**Proxinvest :** This French company advises investors on their policy of hiring and exercising voting rights. It assesses the resolutions of the deputy heads within our voting scope and issues **voting recommendations** that serve as a decision support tool for our analyst-managers.

Proxinvest

**Gaïa :** As part of Ethifinance, Gaïa is an extra-financial rating agency specialized in the **ESG rating of SMEs and mid-cap companies** listed on the European market.

Gaïa  
RATING

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