

### About the portfolio manager

Assets under management USD 202.1 bn; Given the impact of financially material ESG considerations on factors such as growth, financial productivity, and valuation, Lazard aims to become 100% ESG integrated.

Number of inv. profess.	300+
Number of inv. profess. dedicated to ESG	300+; ESG analysis and implementation are fully integrated into the investment process
Participation in shareholder meetings	Yes
ESG rating	n/a
ESG consultant	Internal team
External data sources (selection)	<ul style="list-style-type: none"> <li>• Povidens such as e.g. CDP, WRI, FDA, NHGIS, Verisk, IEA, World Bank</li> <li>• Sustainalytics</li> <li>• Trucost</li> <li>• MSCI</li> <li>• ISS and Glass Lewis</li> </ul>

### Memberships

Signatory to UNPRI	Yes
UNPRI rating	A
Others (selection)	<ul style="list-style-type: none"> <li>• UK, Japan and Korea Stewardship Code</li> <li>• International Corporate Governance Network (ICGN)</li> <li>• Pensions and Lifetime Savings Association (PLSA)</li> <li>• International Accounting Standards Board (IASB) Investors in Financial Reporting programme</li> <li>• UK Women in Finance Charter</li> <li>• Instit. Investors Group for Climate Change</li> </ul>

### Voting activity

Exercise of voting rights	Yes
ESG consultant	Institutional Shareholder Services, Inc. (ISS) and Glass, Lewis & Co
Voting report	Yes
Additional information	<a href="https://www.lazardassetmanagement.com/docs/-m0-/106599/AnnualSustainableInvestment-Report2020_en.pdf">https://www.lazardassetmanagement.com/docs/-m0-/106599/AnnualSustainableInvestment-Report2020_en.pdf</a>

### Decision making process for exclusion decisions

While all facets of ESG are factored into our analysis, we do not exclude particular industry exposures to over-ride our investment decisions.

Each individual security is evaluated based on our bottom-up selection process. We may choose not to own a particular company or country due to an ESG issue, or we may adjust our position size or target price to reflect the ESG risk. Our research shows that ESG factors have a direct impact on country's or company's institutional (i.e., governance) strengths and we explicitly integrate these factors in our fundamental analysis.

### Consultant for investment guidelines and exclusion criteria

We do not use an ESG consultant for investment guidelines and exclusion decisions. However, we have extensive experience managing portfolios with client-specific guidelines and restrictions, including ESG criteria, and subscribe to various SRI and ESG screens through Sustainalytics and Trucost.

### Decision making process for exercising voting rights

Proxy voting is not applicable to debt mandates. At the firm level, we are aware of our fiduciary responsibilities to our clients where they wish us to exercise their rights as shareholders. Lazard's proxy voting structure, as outlined in our Global Proxy Voting Policy, is designed to ensure that proxy voting is conducted in an appropriate manner, consistent with our obligations to, and in the best interests of our clients. Our Global Proxy Voting Policy has been developed with the goal of maximizing the long term shareholder value of our clients' portfolios.

Lazard has approved specific proxy voting guidelines regarding various common proxy proposals, the "Approved Guidelines," which determine whether a specific agenda item should be voted 'For,' 'Against,' or is to be considered on a case-by-case basis. In instances where an investment professional seeks to vote contrary to the Approved Guidelines, which are rare, approval is required from Lazard's Proxy Committee. The investment professional must provide detailed rationale for their recommendation, and the Proxy Committee will then determine whether or not that vote recommendation is to be accepted and applied to the specific meeting's agenda. Case-by-case agenda items are evaluated by Lazard's investment professionals based on their research of the company and evaluation of the specific proposal.

Lazard votes proxies based on what we believe will maximize shareholder value as a long-term investor. We will vote against management when we believe it is in the best interests of our clients to do so. This occurs many times in a given year. Where appropriate, we may also engage with the management of these companies.



## IST BONDS EMERGING MARKETS

### Engagement

Engagement	Yes
Consultant	No
Additional information	
<a href="https://www.lazardassetmanagement.com/docs/-m0-/669/LazardESGPolicy_en.pdf">https://www.lazardassetmanagement.com/docs/-m0-/669/LazardESGPolicy_en.pdf</a>	

### ESG consultant for engagement activities

We do not use an ESG consultant for engagement activities. In addition to incorporating ESG factors into our research approach, we also believe it is important to engage with issuers, when possible, in order to monitor and influence progress on ESG factors. Influencing change in fixed income – particularly for sovereign issuers – is more of a challenge, but this can play an important role with corporate issuers. We actively engage with both sovereign and corporate debt issuers on a continuous basis through in-person meetings and conference calls with senior management teams and/or boards of directors to further understand business models, financial projections, stress-case scenarios, ESG practices, and to make recommendations where appropriate.

### IST portfolio

#### Portfolio overview

ESG rating	No
Application of an exclusion list	No; No exclusion list for the Lazard Emerging Markets Debt Local Debt UCITS Fund implemented

#### Incorporation of ESG factors into the investment process

The analysis of ESG factors is fully integrated in our approach to bottom-up research. ESG considerations are critical to a given country's institutions and we have found that governance indicators tend to have a high correlation to sovereign spreads levels. Moreover, countries that have defaulted over the past two decades tend to score poorly on governance indicators. The indicators we follow in evaluating environmental, social, and governance conditions include:

#### Identification of companies excluded

Lazard maintains a Watchlist, however it is not a list of prohibited securities. The Watchlists are tools utilized by both equity and fixed income investment professionals to help identify potential ESG issues in the companies or corporate bond issuers in their investment universe. Investment professionals conduct research on these companies to determine the reasons for the low rating and formally document their findings internally. Client-specific requirements can be accommodated within our segregated portfolios and currently manage a number of portfolios for clients with SRI constraints.

- The World Bank's Worldwide Governance Indicators (WGI)
  - Voice and Accountability
  - Political Stability and Absence of Violence
  - Government Effectiveness
  - Regulatory Quality
  - Rule of Law
  - Control of Corruption
- Transparency International's Corruption Perceptions Index
- The World Bank's Ease of Doing Business ranking
- The Human Development Index, compiled by the United Nations Development Programme
- The World Economic Forum's Global Competitiveness Index
- The Environmental Performance Index, compiled by Yale University
- The Fragile States Index, compiled by the Fund for Peace
- The World Bank's Carbon Emission Rankings
- The World Press Freedom Index, compiled by Reporters Without Borders

External research providers, such as Trucost and Sustainalytics, are used to improve our understanding of a company's ESG practices and allow for systematic comparison across companies.