

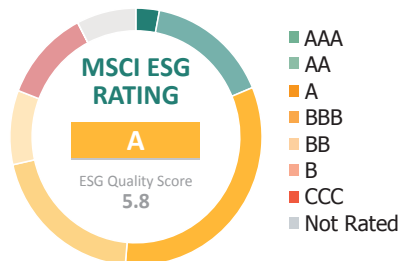
# IST EQUITIES EMERGING MARKETS

## IST Portfolio

Portfolio Manager	Lazard Asset Management
ESG Rating <sup>1</sup>	A
SFDR Category <sup>2</sup>	Art. 8
Investment strategy	Active

<sup>1</sup> MSCI ESG Report: [www.msci.com](http://www.msci.com)

<sup>2</sup> SFDR: The Sustainable Finance Disclosure Regulation is a European regulation introduced to improve transparency in the market for sustainable investment products. <https://www.eurosif.org/policies/sfdr/>



ESG Quality Score	ESG Rating
8.6 – 10	AAA
7.1 – 8.6	AA
5.7 – 7.1	A
4.3 – 5.7	BBB
2.9 – 4.3	BB
1.4 – 2.9	B
0.0 – 1.4	CCC

## Applied ESG Approaches

### Exclusion



**Yes.** IST exclusion list and process is applied:

Composition of IST exclusion list			
SVVK-ASIR	THEMATIC / SECTOR EXCLUSION	COUNTRY EXCLUSIONS	ENGAGEMENT / VIOLATIONS OF NORMS
<ul style="list-style-type: none"> <li>– Nuclear weapons</li> <li>– Cluster munitions and anti-personnel mines</li> </ul>	<ul style="list-style-type: none"> <li>– Coal mining and power generation (turnover &gt; 25%)</li> </ul>	<ul style="list-style-type: none"> <li>– UN Security Council Arms Embargo</li> <li>– OFAC</li> <li>– Swiss sanctions</li> </ul>	<ul style="list-style-type: none"> <li>– Exclusion of non-cooperative companies</li> <li>– Violation of internationally acceptable standards</li> </ul>

Source: <https://istfunds.ch/en/esg-ist/>

### Proxy Voting



**Yes.** The portfolio manager is exercising the voting rights of foreign stock corporations.

Source: [https://istfunds.ch/media/5354/exercise-voting-rights-foreign-equities\\_2021.pdf](https://istfunds.ch/media/5354/exercise-voting-rights-foreign-equities_2021.pdf)

### Engagement



**Yes.**

Engagement activities by the portfolio manager through direct dialogue with investee companies.

Engagement activities by IST in collaboration with Sustainalytics:

CRITERIA	DIALOG / GOAL DEFINITION	TERMINATION OF ENGAGEMENT
<ul style="list-style-type: none"> <li>– High ESG risk: Material Risk Engagement (MRE)</li> <li>– Thematic engagement (e.g. sustainable forests)</li> </ul>	<ul style="list-style-type: none"> <li>– Definition of firm ESG-goals in cooperation with investee company</li> </ul>	2 possible outcomes: <ul style="list-style-type: none"> <li>– Objective achieved («case resolved»)</li> <li>– Objective not achieved resp. company is not cooperative *</li> </ul>

\*Assessment to consider adding to exclusion list

Source: [https://www.istfunds.ch/media/5397/ist\\_d\\_engagementbericht-2021.pdf](https://www.istfunds.ch/media/5397/ist_d_engagementbericht-2021.pdf)

### ESG Integration

Source: [https://www.lazardassetmanagement.com/docs/-m0-/669/SustainableInvestmentAndESGIntegration\\_en.pdf](https://www.lazardassetmanagement.com/docs/-m0-/669/SustainableInvestmentAndESGIntegration_en.pdf)



**Yes.** Lazard AM has developed a proprietary ESG integration framework using its Materiality Mapping process which is being implemented across the investment platforms.

### Best-in-Class

**Not applicable**

### Thematic/ Impact Investing

**Not applicable**

## Portfolio manager: Lazard Asset Management

### Facts & figures

Assets under management	USD 220 bn
Whereof in sustainable investment strategies	2021 figures pending
Number of inv. profess.	323
Whereof dedicated to ESG	All; fully integrated approach to sustainable & ESG investing
Signatory to UNPRI	Yes
UNPRI rating	A+ (Strategy & Governance)
Memberships (selection only):	
<ul style="list-style-type: none"> <li>• Pensions and Lifetime Association (PLSA)</li> <li>• Sustainability Account Standards (SASB)</li> <li>• UN Global Compact</li> <li>• Chief Executives for Corporate Purpose (CECP)</li> </ul>	<ul style="list-style-type: none"> <li>• UK, Japan and Korea Stewardship Code</li> <li>• International Corporate Governance Network (ICGN)</li> <li>• FAIRR (Farm Animal Investment Risk &amp; Return)</li> </ul>

### Consultant/ Partnerships

- ISS and Glass Lewis & Co. for voting
- Several providers for ESG data

### Carbon Strategy

Carbon footprint is being measured since 2018.

### Voting Activity

Yes, stewardship report 2020 available

[https://www.lazardassetmanagement.com/ch/en\\_uk/references/sustainable-investing](https://www.lazardassetmanagement.com/ch/en_uk/references/sustainable-investing)

### Engagement

Lazard Asset Management's engagement framework and activities are described in the annual Sustainable Investment Report.

### Sustainable Investment and ESG Integration

As an active manager with a strong focus on fundamental research, Lazard Asset Management's (LAM) investment professionals have been incorporating an assessment of human and natural capital, alongside governance, into their research, engagement and decision-making process for many years to enhance long-term financial returns. Each portfolio management team is responsible for determining the ESG issues that are most relevant to its asset class, investment objective and investment process. And LAM believes that a more holistic approach within its investment decision making process helps them to mitigate risks and identify opportunities. It also plays a key role in its ability to provide innovative solutions to its clients' investment challenges.

LAM's investment processes draw on the proprietary research and financial analysis conducted by a team of more than 250 investment professionals including 100 analysts. Investment professionals conduct research to analyze and understand a company's business fundamentals and they see ESG considerations as an integral part of this. The assessment and compensation of its US and International equity analysts is explicitly linked to the integration of sustainability-related considerations into their research. As an example, the standard equity Investment Thesis template contains a section specifically related to ESG. The research effort is supported to access to third party data (e.g. CDP), third party ESG scores by specialist providers, and the growing amount of ESG research produced by sell-side financial analysts. Companies themselves are producing more Corporate Social Responsibility and Sustainability reports, details of consumption and emissions, and science-based targets for the future

To ensure a systematic and firm-wide approach to ESG research, LAM has built its own dynamic, global proprietary process called 'Materiality Mapping' which helps them to identify the risks and opportunities on a sector-by-sector basis. Research analysts have performed deep dives on individual issues and developed frameworks for their assessment and quantification which can be accessed by all Investment Professionals.

[https://www.lazardassetmanagement.com/docs/-m0-/669/SustainableInvestmentAndESGIntegration\\_en.pdf](https://www.lazardassetmanagement.com/docs/-m0-/669/SustainableInvestmentAndESGIntegration_en.pdf)

[https://www.lazardassetmanagement.com/docs/-m0-/106599/annualsustainableinvestmentreport2020\\_en.pdf](https://www.lazardassetmanagement.com/docs/-m0-/106599/annualsustainableinvestmentreport2020_en.pdf)

### Next steps and further developments

Lazard Asset Management has joined the Net Zero Asset Managers initiative in 2021 supporting the goal of net zero greenhouse gas emissions by 2050 or sooner. This is in alignment with global efforts as set out in the Paris Agreement on Climate Change to limit warming to 1.5 degrees Celsius.