



Lazard Launches Climate Center to Analyze Financial Impact of Climate Change on Companies and Markets

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- Inaugural research finds significant relationship between changes in companies' CO2 emissions and stock market valuations, across sectors -

NEW YORK--(BUSINESS WIRE)--Dec. 1, 2021-- Lazard Ltd (NYSE: LAZ) today announced the formation of the Lazard Climate Center to provide rigorous, data-driven insights on the financial effects of climate change and the energy transition on companies and markets. The initiative seeks to fill a crucial gap in climate research, which until now has tended to focus on national or sector-level trends as opposed to the impact on specific companies. Formally launching today at the first Lazard Climate Conference, the Climate Center will release its inaugural findings on the relationship between greenhouse gas emissions and corporate valuations of public companies globally.

The Lazard Climate Center's research, which is the most comprehensive analysis to date and includes more than 16,000 global companies from 2016 through 2020, finds a significant relationship between carbon dioxide emissions and a company's price-to-earnings ratio. Larger companies, and those in high-emitting industries such as the energy sector, tend to be the most affected. For example, on average, a 10% decrease in a large energy company's emissions corresponds with a 3.9% and 8.7% increase in the company's price-to-earnings ratio in the U.S. and Europe, respectively. The valuation effect is also shown to be impacted by regulatory changes, suggesting that future policies (many of which are currently being crafted) could amplify the financial incentive for companies to engage in decarbonization. In addition, the research is the first to find that other greenhouse gases, such as methane and hydrofluorocarbons, can have an impact on valuation multiples.

"Climate change affects all sectors of our global economy and creates new, evolving risks for companies as well as for investors," said Peter R. Orszag, Chief Executive Officer of Lazard's Financial Advisory business. "Lazard looks forward to being a driving force in data-driven insights as business leaders, investors and policy makers tackle the climate crisis in the years and decades to come."

"The work of the Lazard Climate Center will complement our ESG research capabilities, which are integrated across all of our investment processes," said Ashish Bhutani, Chief Executive Officer of Lazard Asset Management. "We expect it to add value to our asset management platforms and customized client solutions in the future."

Lazard's Climate Center brings together academic scholars and finance practitioners to provide unparalleled analysis at the corporate level. The Center aims to fill knowledge gaps and focus on the practical implications of the analysis. The Center's Senior Advisors are leading academics including Joseph Aldy of Harvard, Patrick Bolton of Columbia, Marcin Kacperczyk of Imperial College, and Andrew Lo of MIT. The Center's Director, Zachery Halem, was formerly a climate finance researcher at MIT. Future research directions include investigating the effects of emissions profiles on M&A transactions, exploring linkages between firm valuation and climate sentiment in news and earnings reports, and evaluating the implications of the growing carbon offsets market.

Other key findings from the Lazard Climate Center's inaugural research include:

- U.S. and European companies exhibit relatively similar correlations between emissions and valuations, but year-over-year trends differ. For example, the valuation impact of emissions on large companies in Europe appear to have been very sensitive to changes in the EU Emission Trading Scheme's carbon price.
- Debt markets are also starting to price higher emissions: for small companies (especially in Europe), higher emissions are associated with higher credit default swap spreads.
- Greenhouse gases such as methane and hydrofluorocarbons are likely to become increasingly important as policies are enacted to further curb these emissions.

The first Lazard Climate Conference will assemble academic researchers and financial industry professionals for a day of discussions regarding climate change's risks to financial institutions, the corporate transition, and needs for regulation and policy. Future conferences will provide a forum to discuss advances in the field of climate finance, how corporations can translate such findings into practice, and investment implications. For further information on the conference, contact Katharine Meeker (katharine.meeker@lazard.com).

Lazard's research reflects our commitment to intellectual differentiation and insight into the crucial sectors of the global economy. Lazard also publishes the annual Levelized Cost of Energy, Storage and Hydrogen Analyses, which are posted at www.lazard.com/perspective.

LAZARD CLIMATE CENTER SENIOR ADVISORS

Joseph E. Aldy is a Professor of the Practice of Public Policy at the Harvard Kennedy School, where he focuses on climate change policy, energy policy, and regulatory policy. During the first two years of the Obama Administration, he served as the Special Assistant to the President for Energy and Environment at the White House. Professor Aldy is also a University Fellow at Resources for the Future, a Faculty Research Fellow at the National Bureau of Economic Research, and a Senior Adviser at the Center for Strategic and International Studies.

Patrick Bolton is the Barbara and David Zalaznick Professor of Business at Columbia University and visiting Professor at Imperial College London. He is a past President of the American Finance Association, a Fellow of the Econometric Society, the American Academy of Arts and Sciences, and a Corresponding Fellow of the British Academy. He has co-authored *Contract Theory* (2005) with Mathias Dewatripont and *The Green Swan: Central Banking and Financial Stability in the Age of Climate Change* (2020) with Morgan Despres, Luiz Pereira Da Silva, Frederic Samama, and Romain Svartzman.

Marcin Kacperczyk is a Professor of Finance at Imperial College London with research interests in the areas of sustainable investments, information

economics, financial intermediation, and artificial intelligence. He is a Research Associate at the Center for Economic Policy Research, a research advisor at the European Central Bank, and the Editor of the Review of Asset Pricing Studies and the Review of Finance.

Andrew W. Lo is the Charles E. and Susan T. Harris Professor at the MIT Sloan School of Management and the director of the MIT Laboratory for Financial Engineering. His most recent research interests include impact investing, climate finance, and healthcare finance.

ABOUT LAZARD

Lazard, one of the world's preeminent financial advisory and asset management firms, operates from 41 cities across 26 countries in North America, Europe, Asia, Australia, Central and South America. With origins dating to 1848, the firm provides advice on mergers and acquisitions, strategic matters, restructuring and capital structure, capital raising and corporate finance, as well as asset management services to corporations, partnerships, institutions, governments and individuals. For more information on Lazard, please visit www.lazard.com. Follow Lazard at @Lazard.

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