



Lazard Ltd

Task Force on Climate-Related Financial Disclosures
(TCFD)
2020 Report



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Safe Harbor

This report may contain forward-looking statements. In some cases, you can identify these statements by forward-looking words such as “may”, “might”, “will”, “should”, “could”, “would”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “target,” “goal”, or “continue”, and the negative of these terms and other comparable terminology. These forward-looking statements, which are subject to known and unknown risks, uncertainties and assumptions about us, may include projections of our future financial performance based on our growth strategies, business plans and initiatives and anticipated trends in our business. These forward-looking statements, including with respect to the current COVID-19 pandemic, are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by these forward-looking statements. These factors include, but are not limited to, those discussed in our Annual Report on Form 10-K under Item 1A “Risk Factors,” and also discussed from time to time in our reports on Forms 10-Q and 8-K. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date of this report to conform our prior statements to actual results or revised expectations and we do not intend to do so.

Inclusion of information in this report is not an indication that we deem such information to be material or important to an understanding of our business or an investment decision with respect to our securities.



Task Force on Climate-Related Financial Disclosure (TCFD)

The Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) is a market-driven initiative, developed as a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings. Using TCFD's framework, Lazard Ltd (Lazard) aims to provide greater transparency on climate-related risks and opportunities across our business and our approach to identifying and managing the impacts of both physical and transition risk. Factors and scenario analyses related to climate change are highly complex and inherently difficult to predict, and this report reflects our first step toward disclosing our strategy and management of potential impacts over time.

Governance

Board oversight of climate-related risks and opportunities

Lazard's Board of Directors (Board) has oversight responsibility for our global sustainability efforts, including those addressing Lazard's climate-related risks and opportunities. Since 2018, the Board has reviewed corporate sustainability initiatives periodically during the year. Annually, our Board reviews and approves of Lazard's Corporate Sustainability Report (CSR). With ESG factors, and particularly climate concerns, continuing to give rise to broader stakeholder engagement, we are continuing to evaluate the formalization of our disclosures on climate-related risks, opportunities, and Lazard's related impact and goals.

Management's role in assessing and managing climate-related risks and opportunities

Lazard's senior leadership has responsibility for evaluating environmental and climate-specific risks and opportunities. Lazard appointed our Head of Corporate Sustainability to work with senior leadership to shape the firm's corporate sustainability agenda, including integrating environmental and climate-related considerations into Lazard's operations, ensuring alignment with key frameworks and disclosure expectations, and facilitating engagement on ESG integration and sustainability trends as drivers of long-term value across the organization. The Head of Corporate Sustainability's role complements business initiatives underway across our Asset Management and Financial Advisory businesses.

To drive further firm-wide education and engagement on assessing and managing climate-related topics, Lazard established an ESG Working Group consisting of business leaders and subject-matter experts from across the firm. The ESG Working Group convenes regularly to promote thought leadership and exchange insight on, among other things, climate-related risks and opportunities.

We assess environmental factors in the same manner that we assess global economies, financial markets, company performance and reputational risk. Environmental factors are increasingly integrated with traditional valuation parameters and considered potentially transformational catalysts as economies and governments work to support a transition to a lower carbon economy. Our goal is to generate innovative ideas and actionable solutions to better serve our clients, including in assessing and adapting to climate change risks and opportunities where appropriate.

In Asset Management, our ESG Steering Committee, chaired by the Co-Heads of Sustainable Investment & ESG, is responsible for oversight and implementation of Lazard Asset Management's Climate Change Investment Policy. This policy governs our approach based on three pillars:



1. Climate-integrated research,
2. Climate-focused engagement, and
3. Transparency, disclosure and reporting on climate issues

The ESG Steering Committee also coordinates and regularly communicates with Asset Management's Investment Council, Oversight Committee, and Management Committee to support firm-wide implementation where appropriate. The Global Risk Management team reports directly to Lazard Asset Management's CEO and provides ESG-related risk reports to senior management and relevant portfolio managers on a monthly basis.

Strategy

Climate-related risks and opportunities identified over the short, medium, and long term

Lazard believes that structural changes, such as climate change, present both financial risks and opportunities to promote a more sustainable future. As advisors, asset managers, and investors, we are well positioned to help identify climate-related risks and opportunities for our clients and investee companies as the world transitions to a low carbon economy. We seek to use our capital markets expertise and insights on the complex relationships between business, industry, society, and the environment to provide clients with innovative solutions to their climate-related risks and concerns and to generate superior risk-adjusted investment performance.

For our own operations, we have identified potential short, medium, and long-term climate-related risks that may significantly impact our business:

Short Term

- Physical risk from extreme weather events, including intensified storms, which may impact the buildings in which Lazard's operates and disrupt our business
- Risk of increased insurance premiums and operational costs due to a higher likelihood of building damage from storms, flooding, or other natural disasters

Medium Term

- Regulatory and legal risks resulting from more stringent climate reporting and disclosures related to our advisory services and assets under management

Long Term

- Operational risk in establishing climate-related targets and strategies to reduce Lazard's own operational environmental impact
- Reputational risk from stakeholder perceptions of our business and its role in advising clients or making investment decisions based on climate-related changes in market factors, such as commodity prices, cost of capital, and valuation of assets and liabilities



We believe that we have begun to address climate-related risks we have identified as potentially impactful to Lazard’s business, however, we continue to evaluate our exposures to physical and transitional climate risks. Please refer to the “Impact of climate-related risks and opportunities” and the “Risk Management” sections of this index for further details on these identified risks as well as our strategies to further understand and seek to mitigate these risks.

We recognize climate change is complex, scenarios are likely to have an impact over varying time horizons, and, ultimately, the environment is relevant to all businesses and investments. Climate scenario analysis provides opportunities for us to leverage our financial and technology capabilities to better understand risks across a variety of economic, market and other conditions. As a result, we are committed to developing tools that we can leverage firm-wide to assess the financial impact of climate change – for ourselves and for our clients and investee companies. We have developed frameworks designed to assess transition and physical risks related to climate, such as a global emissions model assessing physical climate risks on supply chains, the levelized cost of renewable energy and storage analysis, and a financial model to estimate carbon price or tax risks.

By developing and using proprietary climate-related frameworks, models, and methods of analysis, we recognize we have the opportunity to increase our capabilities with respect to climate-related research, leverage our expertise in security valuation to calibrate risk and reward, steward client capital, and generate excess returns. Beyond climate-integrated research and analysis, our climate-change strategy includes three core components: 1) firm-wide engagement; 2) climate-oriented solutions and products; and 3) external collaborative initiatives with key stakeholders and partners.

Please refer to our Corporate [Environmental Statement](#), as well as [Lazard Asset Management's Climate Change Investment Policy](#) for further details on our strategy and approach.

Impact of climate-related risks and opportunities on the organization’s businesses, strategy, and financial planning

We seek to leverage our capabilities across the firm to facilitate our environmental and climate-related goals, support our clients in their transition and resiliency planning, and strengthen industry and market dialogue more broadly about the pace of change related to climate change. In Financial Advisory, we may advise companies to consider changes in capital allocation, strategy, or governance both address climate risks or opportunities and simultaneously unlock shareholder value. In Asset Management, we integrated ESG analysis and engagement across approximately 93% of our asset classes and portfolios in 2020, which is 11% higher than in 2019. We also disclose the Scope 3 emissions for approximately 65% our assets under management in 2020. As ESG-specific investment strategies become a larger portion of our client portfolios and total AUM, we expect to drive down our own attributed portfolio emissions. These efforts are coupled with our active collaboration with numerous international organizations focused on addressing climate change to reduce our collective long-term climate-related risks and impacts. Please refer to [Lazard Asset Management's Sustainable Investment Report 2020](#) and [Lazard Asset Management TCFD Report](#) for further details on how we integrate ESG and climate-related considerations into our investment strategy.

We frequently evaluate sustainable practices in our procurement and business activities. We incorporate environmental sustainability and energy preservation considerations in our office building design, renovation, and choice of location. For instance, many of our leased office space are in buildings that are certified to Leadership in Energy and Environmental Design (LEED) standards or received an ENERGY STAR® energy efficiency label from the U.S. Environmental Protection Agency and Department of Energy (DOE). We are conscientious of our



environmental footprint as it relates to physical assets, business continuity planning, and remote-access infrastructure. We have invested in video conferencing technology to minimize travel where appropriate, which helps to reduce our travel-related emissions, and we are shifting toward vendors that are able to track and report on our travel emissions. In the near-term, we are evaluating financial planning and strategy necessary to potentially establish a carbon neutral goal for our operations.

Resilience of strategy using a 2°C or lower scenario

Our Asset Management business has begun conducting portfolio-wide scenario analyses of concentrated risks from the perspective of physical impact and geopolitical risk. For instance, certain analysts covering asset intensive businesses have identified how companies are positioned to manage the physical impacts of various warming scenarios. Overall, the goal of these analyses is to understand the potential climate-related risk of investments on behalf of our clients, as well as an estimated quantification of these risks and expected time frame.

Although we are able to conduct various scenario analyses at an investment or company-specific level, we are still exploring the best methodologies, models, and targets to use to assess Lazard's overall resilience across differing warming scenarios. Academics have raised questions on the validity of using climate model information to appropriately inform financial risk, impact, and corresponding resilience over long time scales. Despite these challenges, we continue to develop tools and analyses to monitor the resilience of our strategy in the face of numerous potential climate scenarios and expect this area of analysis and calculation to evolve over time.

Risk Management

Processes for identifying and assessing climate-related risks

At Lazard, we are beginning to evaluate climate-related risks in our own operations and across our businesses. In Financial Advisory, our conflict clearance evaluation, used for any potential assignment, includes consideration of ESG impacts.

In Asset Management, climate-integrated research conducted by our relevant investment professionals provides the first layer of assessment for transition, physical impact, and geopolitical regulatory risks. Our proprietary framework for ESG Integration incorporates industry-specific climate-related risk and opportunity assessments. For example, our proprietary carbon model is designed to forecast companies' carbon intensity and potential cost increases under various carbon pricing or tax scenarios. Analysts covering fossil-based industries regularly test their asset value / stranded asset assumptions. From a geopolitical perspective, our analysis of sovereign bonds incorporates physical, transitional, and geopolitical climate-related impacts, which will have significant bearing on the creditworthiness of countries. Where possible, we translate potential climate-related risks to quantifiable financial impact to better inform our assessments of these risks.

At an operational level we recognize that one of the largest climate-related risks is its potential physical impact on the buildings we work in. As part of our enterprise risk management, we are evaluating climate-related risk assessments in partnership with our insurer for the buildings we own and the spaces we lease to identify any potential physical risks, including flooding, storms, and other extreme weather events.



Processes for managing climate-related risks

Once climate-related risks are identified and assessed, we seek to determine whether these risks can be managed or mitigated. Climate-related issues are a significant component of our Asset Management stewardship responsibilities via engagements and proxy voting. We provide transparency and evidence to our clients demonstrating when climate risks have influenced our buy/sell decisions, as applicable. In Financial Advisory, we assist our clients in developing and refining sustainability strategies, including strategic transition planning to set and achieve emissions reduction targets, and in their stakeholder engagement efforts.

As part of our enterprise planning and risk management, we have developed business continuity plans for all of our geographic locations, which includes significant investment in technology to maintain a remote-work environment. Our plans are overseen by our Managing Director of Corporate Real Estate, and are specific to each location. Where applicable, these plans include strategies designed to mitigate and build resiliency around climate-related risks affecting the location to minimize their impact on our operations.

Integration of risk processes into overall risk management

Lazard's risk management framework is designed to mitigate our business and financial risks within the global market in which we operate. Identification, assessment, and mitigation of climate-related risks are included in this workflow. Risk management and protection are embedded throughout our company, and integrated in both our investment research and valuation processes. We monitor and address risks through a system of internal controls, management systems, organizational structures, audit processes, compliance programs and a variety of other standards and policies.

We believe climate-integrated research conducted by our Asset Management investment professionals provides the first layer of defense for transition, physical impact, and geopolitical risks. We actively assess these risks on a contextual basis, and from both bottom-up and top-down perspectives. For example, our proprietary carbon model forecasts companies' carbon intensity and potential cost increases under various carbon pricing or tax scenarios. Analysts covering asset-intensive businesses have identified how companies are positioned to manage physical impacts in various warming scenarios. Analysts covering fossil based industries regularly test their asset value/stranded asset assumptions. We provide transparency and evidence to our investment clients demonstrating when climate risks have influenced our buy/sell decisions, as applicable. From a geopolitical perspective, our analysis of sovereign bonds has long incorporated ESG considerations including the dynamics with respect to climate change which will have significant impacts on the creditworthiness of countries. At the portfolio level, our portfolio managers regularly monitor and report on investee company emissions.

Lazard Oversight and Risk Management: Our risk management framework is overseen by our Global Risk Committee, which reports on our risk management performance to our Board's Audit Committee. Our global risk management team is responsible for setting risk policies, independently assessing risks and overseeing management of risks.



Metrics and Targets

Metrics used to assess climate-related risks and opportunities

We disclose firm-wide metrics based on the Sustainable Accounting Standards Board (SASB) framework in alignment with Asset Management and Investment Banking standards in our Corporate Sustainability Report. We have also voluntarily disclosed our material sources of greenhouse gas (GHG) emissions since 2018 in order to provide transparency and accountability for our environment footprint. Beyond our own operations, we believe our greatest ability to influence climate-related risks and opportunities resides within our Asset Management business. Engaging with portfolio companies and allocating capital in a manner that highly values a low-carbon economy is integral to the transitions towards a net zero economy.

Furthermore, we leverage our proprietary investment research and capital markets insights, as well as third-party data metrics on climate-related risks associated with water, energy, land use, and waste management, to influence change across the spectrum of global companies and sectors accessing the capital markets. We encourage better disclosure of climate-related risks by enterprises, in particular metrics that can help investors quantify the potential impact of climate change on financial performance, and innovations that can lead to lower carbon emissions.



Scope 1, 2, and 3 GHG emissions

The scope of our GHG emissions principally derives from three main sources: energy usage in our offices, business-related employee travel, and investments. We have estimated our GHG emissions from our leased office space (S1 and S2), and employee travel (S3a) where information is available from third-party business partners. We have engaged an independent firm to assess and verify the 2020 GHG emissions for Scope 1 and 2, as well as Scope 3 emissions for business travel.

Total Lazard GHG Emissions

Measured in metric tons of CO2 equivalent

	2018	2019	2020
Scope 1 (S1)	1,541	1,533	1,564
Scope 2 (S2)	6,617	6,515	5,850
Scope 3 (S3a) - Employee Travel	10,896	14,387	2,270
Total	19,054	22,435	9,684
Scope 3 (S3b) - AUM	17,700,681	16,195,085	14,998,155

Emissions Sources

- Scope 1 (S1) emissions estimated from building equipment utilizing fossil fuels to provide ventilation, heating and air conditioning based on square footage of leased properties.
- Scope 2 (S2) emissions of purchased electricity estimated based on square footage of leased properties.
- Scope 3 (S3a) indirect emissions resulting from business travel. Data for 2018 includes North America, France, and the U.K. Data for 2019 includes North America, France, the U.K., Germany, Italy, the Netherlands, and UAE. Data for 2020 reflects global travel program.
- Scope 3 AUM (S3b) represents approximately 65% of Lazard's assets under management (AUM) as of December 31 indirect emissions resulting from portfolio company carbon footprint as estimated by Trucost. We expect our reporting and target setting to evolve as data improves and better climate adaptation investment requirements emerge.

Click [here](#) to view our GHG verification statement.



Targets used to manage climate-related risks and opportunities and performance against targets.

In April 2021, Lazard Asset Management announced that it joined the Net Zero Asset Managers Initiative, making a commitment to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. As part of the initiative, which is an extension of our efforts to embed sustainability analysis into investment decisions and is consistent with our Climate Change Investment Policy, we have committed to:

- Work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management.
- Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2030 or sooner.

As members of the Institutional Investors Group on Climate Change (IIGCC) we assisted in creating the Net Zero Investment Framework for Asset Managers and understand many of the challenges involved in measuring portfolio emissions as well as lowering them over time. We plan to achieve our commitment to net zero emissions by 2050 or sooner for all assets under management not through divestments, but rather by increasing exposure to investee companies that are decarbonizing at rates in-line with the Paris Agreement, or to (low carbon) firms providing climate solutions enabling decarbonization and profiting from what we refer to as the 'Green Wedge'.

In 2020, we began evaluating the investee companies included in our total AUM based on a 2°C or below aligned pathway. We are also assessing which of our investee companies have partnered with the Science Based Targets initiative (SBTi) to set carbon reduction goals and we continue to engage with companies to encourage commitment to setting science-based reduction targets.

Lazard is evaluating a target to achieve carbon neutrality across our operations which would potentially include our Scope 1 and Scope 2 emissions, as well as our Scope 3 indirect emissions from business-related employee travel. We are continuously evaluating and implementing operational best practices. We are focused on reducing environmental footprint and we highlight our progress in our Corporate Sustainability Report.

Photography: Lazard 2020 Employee Photography Challenge

Daniel Truong, Corporate