LAZARD EQUITY SRI, French open-end investment company (SICAV)

ANNUAL REPORT

at September 28th, 2018

Management company: Lazard Frères Gestion SAS Custodian: Caceis Bank

Statutory auditor: Ernst & Young Audit

Lazard Frères Gestion SAS - 25 rue de Courcelles - 75008 - Paris - France

CONTENTS

1. CHARACTERISTICS OF THE UCI

- **LEGAL FORM**

French open-end investment company (Société d'Investissement à Capital Variable - SICAV) with a board of directors

- **CLASSIFICATION**

Eurozone country equities.

- **ALLOCATION OF DISTRIBUTABLE INCOME**

Distributable income consists of:
1) net income plus retained earnings, plus or minus the balance of the revenue adjustment account.
Net income for the financial year is equal to the amount of interest, arrears, dividends, bonuses and prizes, directors' fees and all income generated by the securities that make up the SICAV's portfolio, plus income generated by temporary cash holdings and minus management fees and borrowing costs.
2) realised capital gains, net of charges, minus realised capital losses, net of charges, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.
The amounts referred to in 1) and 2) may be distributed independently of each other, in whole or in part. For the C, PC EUR, RC EUR, PC H-GBP, PC H-USD, RC H-USD, PC H-CHF and RC H-CHF shares, distributable income shall be fully accumulated, with the exception of those amounts subject to distribution by law.

For the D and RD EUR shares, net income is distributed in full and the allocation of net realised capital gains is decided each year by the Shareholders' Meeting.

- **INVESTMENT OBJECTIVE**

C, D, PC EUR, RD EUR and RC EUR shares: While the SICAV is not index-based, it seeks to outperform, net of expenses, the Euro Stoxx index (net dividends reinvested at the closing price) over the recommended investment period through an active policy of socially responsible investment based on financial, corporate, social, environmental and governance criteria.

PC H-GBP shares: While the SICAV is not index-based, it seeks to outperform, net of expenses, the Euro Stoxx index (net dividends reinvested at the closing price, expressed in GBP and hedged against foreign exchange risk, with the pound sterling as the base currency) over the recommended investment period, through an active policy of socially responsible investment based on financial, corporate, social, environmental and governance criteria.
As PC H-GBP shares are hedged against foreign exchange risk, the share's performance may be impacted by possible hedging costs.

PC H-USD and RC H-USD shares: While the SICAV is not index-based, it seeks to outperform, net of expenses, the Euro Stoxx index (net dividends reinvested at the closing price, expressed in USD and hedged against foreign exchange risk, with the US dollar as the base currency) over the recommended investment period, through an active policy of socially responsible investment based on financial, corporate, social, environmental and governance criteria.
As PC H-USD and RC H-USD shares are hedged against foreign exchange risk, the shares' performance may be impacted by possible hedging costs.

PC H-CHF and RC H-CHF shares: While the SICAV is not index-based, it seeks to outperform, net of expenses, the Euro Stoxx index (net dividends reinvested at the closing price, expressed in CHF and hedged against foreign exchange risk, with the Swiss franc as the base currency) over the recommended investment period, through an active policy of socially responsible investment based on financial, corporate, social, environmental and governance criteria. As PC H-CHF and RC H-CHF shares are hedged against foreign exchange risk, the shares' performance may be impacted by possible hedging costs.

- **BENCHMARK**

The Euro Stoxx (net dividends reinvested) is an index of around 300 stocks, covering the largest listed companies in the Eurozone by market capitalisation.
The performance history is available on Bloomberg under code "SXXT" and on the website www.stoxx.com.

- **INVESTMENT STRATEGY**

1. Strategies used

To support the investment policy, the manager has opted for a “best in class” positioning. This involves selecting companies that, based on his analysis, display the best relative metrics in terms of human resources management and respect for the environment, particularly within their business sector, as well as a high level of economic profitability.

The stock selection process consists of two distinct, simultaneous and necessary phases:

A) The extra-financial rating filter:

Five criteria (Human Resources, Environment, Customer/Supplier Relations, Human Rights and Community Involvement) are analysed and scored by an independent agency that we believe offers the most expertise in those areas. The criteria are scored according to the management company’s specific weightings for each stock.

For a stock to be eligible for the SICAV’s portfolio, the following three conditions must be met:

1. The weighted average score across all areas including human resources must be positive;
2. The “Human Resources” score must also be positive.
3. Satisfactory corporate governance, i.e. corporate governance that guarantees the fair treatment of minority interests and prevents conflicts of interest.

Note that the scores for the first two conditions are produced by an independent agency. The decision to use this external company was made because its experts appear to offer better quality in terms of ratings than an internal analysis. The weights used in the weighted score were nevertheless determined by the manager.

However, we believe that quality of governance is better understood by the management company’s analysts/managers and it was therefore decided to manage this internally.

The various criteria and weightings used to determine a rating for each stock are as follows:

- **Human resources (40%)**

Management of the companies’ human capital: training, safety, redeployment measures for staff who are made redundant, remuneration policy.

- **Environment (30%)**

Management of production sites and rehabilitation of those sites. Level of information available for this criterion.

- **Customer/supplier relationships (10%)**

Supplier management, and identification of supplier good practice in certain areas (child labour, etc.).

- **Human rights (10%)**

Prevention of human rights risks, particularly regarding discrimination.

- **Community involvement (10%)**

Integration of the company in the local community. Involvement in development in general and the development of certain activities in particular, such as supporting education in a particular area.

The rating system, provided by an independent agency and used by the manager, works as follows:

An absolute score is calculated for each company in the portfolio. This score is a weighted average reflecting the importance that the manager assigns to each area under review (Human Resources, Human Rights, Environment, Customer/Supplier Relationships and Community Relationships). The score is compared to that of other companies in the same industry.
For each area, companies will be given a score relative to their sector (between 0 and 100). A company's final rating (between -- and ++) depends on the normal distribution of the "scores" within their activity sector. Thus if a company is above the sector median (+ or – 20%), it will receive a positive rating (+), or a highly positive rating (++) if it is among the highest-scored 5% of companies. Conversely, if a company is below the sector median (+ or – 20%), it will receive a negative rating (-), or a highly negative rating (--) if it is among the lowest-scored 5% of companies.

[++]: the highest-scored 5% of companies above the sector median [+]: 25% of companies with scores above the sector median
[=]: 40% of companies in the mid-range for the sector (+ or - 20%)[-]: 25% of companies with scores below the sector median
[--]: the lowest-scored 5% of companies below the sector median

A score is deemed positive if it is greater than or equal to the sector median (+ or - 20%).

The selected rating agency will immediately inform the fund manager whenever a stock is downgraded. If the company rating remains positive, and the "human resources" rating is not negative, the stock is retained in the portfolio. If either of the above two conditions are not met, the stock will be withdrawn from the portfolio within 20 business days.

- **Corporate governance**

Corporate governance is a major criterion in the manager's stock selection process. His assessment must be systematic and must satisfy the management company's requirements, including that of protecting the company concerned from any internal conflict of interest. The manager identifies all factors that might impact the company's long-term strategy, its potential for value creation and the fundamental interests of minority shareholders. For this reason, the manager examines the company managers' and directors' remuneration policies in detail to ensure they do not introduce bias into decisions regarding investment, capital allocation or the day-to-day operational management of the company. Managers' remuneration should be pegged to medium- to long-term profit targets for the company; it should not be linked to criteria of size or growth without taking account of profit. The capital allocation policy should also benefit the company and its minority shareholders. It should not benefit one major shareholder only. Under no circumstances should there be any conflicts of interest between the managers, the directors, the major shareholder(s), if any, and the minority shareholders. The management company focuses in particular (but not only) on examining managers' and directors' remuneration policies, and their defining rationale and criteria, regulated agreements, the clarity and transparency of the financial statements and the independence of the supervisory bodies. For example, opaque financial statements and/or managers' remuneration that focuses on the short term would disqualify the stock in question.

B) The financial filter:
Stock selection is based on financial analysis that focuses on three key elements: profitability, growth and valuation.

- Economic **profitability** is the ability of a company to create value over the long-term. It is measured by the return on capital employed (property, plant and equipment and intangible assets, goodwill and working capital requirement).

- **Growth** is the ability of a company to increase capital employed while maintaining a level of profitability at least equal to what it has been historically.

- We use a very demanding and disciplined multi-criteria **valuation** approach (historical multiples, DCF, peer comparison). We believe this approach is vital to ensure that economic performance translates into stock market performance.

The SICAV's portfolio is invested in and/or exposed to equities traded on the Eurozone markets to at least 90% of net assets.

100% of equities in the SICAV are rated by an independent agency (extra-financial rating) and any other assets, such as money market assets, are not rated.

2. <u>Equity</u> assets (excluding embedded derivatives):
Shares of companies of any market capitalisation, whose registered office is in a Eurozone country, with no sector restrictions.

<u>Debt securities and money market instruments</u>:
French and foreign negotiable debt securities (mainly French treasury bills and BTAN medium-term treasury notes) to a maximum of 10% of net assets. These securities may be of any subordination level, any type and in any currency. The private/public allocation is not determined in advance and will be based on opportunities. No minimum credit quality criterion is used. The management company does not rely solely or mechanically on credit ratings issued by rating agencies but rather conducts its own analyses to assess the credit quality of the securities entering its portfolio.

UCIs:
Up to 10% of net assets in money-market UCITS and/or French or foreign short-term money-market UCITS and/or money-market alternative investment funds and/or French or EU-established short-term money-market alternative investment funds that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code (Code monétaire et financier), and/or foreign money-market investment funds that meet the four criteria of Article R.214-13 of the French Monetary and Financial Code, provided such Funds themselves invest less than 10% of their assets in other UCIs. All the UCIs may be managed by Lazard Frères Gestion SAS.

3. Derivatives

- Types of markets:

☒ regulated
☒ organised
☒ OTC

- The manager intends to seek exposure to:

☒ equities
☐ interest rates
☒ foreign exchange
☐ credit
☐ other

- Transaction types – all transactions must be limited to achieving the investment objective:

☒ hedging
☐ exposure
☐ arbitrage

- Types of instruments used:

☒ futures:
   ☒ equity and equity index
   ☐ interest rate
   ☒ currency
☒ options:
   ☒ equity and equity index
   ☐ interest rate
   ☒ currency

☒ swaps:
  ☒ equity swaps
  ☐ interest rate swaps
  ☒ currency swaps
☒ currency forwards
☐ credit derivatives

- Derivatives strategy to achieve the investment objective:

☒ partial or general hedging of the portfolio, some risks and securities
☐ creating synthetic exposure to assets and risks
☐ increasing exposure to the market without leverage
☐ maximum permitted and sought
☐ other strategy

4. Securities with embedded derivatives
None.

5. Deposits:
Up to 10% of the SICAV's assets may be held in deposits.

6. Cash borrowings:
The SICAV may borrow cash within the limit of 10% of its assets to meet specific cash requirements related to its operating needs.

7. Temporary purchases and sales of securities:
None.

8. Information on financial guarantees:
In connection with over-the-counter derivative transactions, in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers* – AMF), the SICAV may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash.
Any cash collateral received is reinvested in accordance with the applicable rules.
All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility.
Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

- **RISK PROFILE**

Your money will be mainly invested in financial instruments selected by the management company. These instruments will be exposed to market trends and fluctuations.

Risk of capital loss:
The SICAV does not provide any guarantees or capital protection. It is therefore possible that you may not recover the full amount of your initial investment.

Risk associated with managing and allocating discretionary assets:
The SICAV's performance depends on both the securities and UCIs that the portfolio manager chooses and on the portfolio manager's allocation of assets. There is a risk that the manager may not select the best-performing securities and UCIs or choose the optimal asset allocation between markets.

Equity market risk:
Investors are exposed to equity risk. Fluctuations in share prices may have a negative impact on the SICAV's net asset value. The net asset value may decrease during periods in which equity markets are falling.

In addition, the volume of small- and mid-cap stocks listed on the stock exchange is relatively small and downward market movements tend to be more pronounced and faster than for large caps. The SICAV's net asset value may therefore decline rapidly and significantly.

Risk associated with investment in the futures markets:
The SICAV may invest up to 100% of its assets in forward financial instruments. Such exposure to markets, assets or indices through forward financial instruments may lead to falls in the NAV that are significantly more pronounced or faster than the change in the underlying assets.

Foreign exchange risk:
The SICAV may invest in securities and UCI that are themselves permitted to purchase stocks denominated in currencies other than the euro. The value of such UCIs' assets may fall if exchange rates fluctuate, which may lead to a fall in the SICAV's NAV.

Interest rate risk (on an ancillary basis):
Interest rate risk is the risk of a change in interest rates, which has an impact on the bond markets, such as the tendency for bond prices to move in the opposite direction to interest rates. If interest rates rise, the SICAV's net asset value may fall.

- **GUARANTEE OR PROTECTION**

None.

- **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

Any subscriber seeking exposure to equity risk. Subscribers are strongly advised to diversify their investments sufficiently to avoid exposure solely to the risks of this SICAV.

Information on US investors
The SICAV is not registered as an investment vehicle in the United States and its shares are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.
A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or any other person that would be considered a US Person under Regulation S of the Securities Act of 1933, as amended.

FATCA:
Pursuant to the provisions of the Foreign Account Tax Compliance Act ("FATCA") applicable as of July 1st, 2014, if the SICAV invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.
To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.
As a foreign financial institution, the SICAV undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

Recommended investment period: minimum five years.

2. CHANGES AFFECTING THE UCI

CHANGES WHICH TOOK PLACE DURING THE PERIOD AND WHICH ARE STILL TO TAKE PLACE

The Board of Directors of **LAZARD EQUITY SRI** (ISIN code: FR0000003998), which met on February 16th, 2018, decided as follows:

1. To create RD EUR shares.
2. To change the financial management fees applicable to RC EUR, RC H-USD and RC H-CHF shares: from 2,365% to 2%.
3. To change the eligibility requirements for investors in RC EUR shares.

- **Effective date: March 14th, 2018**

Corporate governance (CSR) section

Terms of office of individual members of Lazard Equity SRI's Board of Directors at September 28th, 2018

Directors' names	Number of offices held	List of offices and functions
Bernard Devy	1	Chairman of the Board of Directors of Lazard Equity SRI
Axel Laroza Director of Lazard Frères Gestion SAS	3	Chairman of the Board of Directors of Lazard Actifs Réels Chief Executive Officer and board member of Lazard Equity SRI Deputy Chief Executive Officer and board member of Lazard Alpha Europe
François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS	5	Chairman of the Board of Directors of Objectif Monde Chairman and Chief Executive Officer of - Objectif Gestion Mondiale Board member of: - Lazard Small Caps Euro - Lazard Equity SRI - T3SO
Jean-Pierre Thomas	1	Board member of Lazard Equity SRI
Jean-Jacques de Gournay Managing Director of Lazard Frères Gestion SAS	5	Chairman of the Board of Directors of Lazard USD Money Market Chairman and Chief Executive Officer of Norden Family Board Member of: - Lazard Small Caps Euro - Lazard Equity SRI - Lazard Credit Opportunities
Régis Bégué Managing Director of Lazard Frères Gestion SAS	4	Chairman and Chief Executive Officer of the SICAVs: - Lazard Alpha Europe - Lazard Alpha Euro - Norden Small Board member of Lazard Equity SRI
Monica Nescaut Managing Director of Lazard Frères Gestion SAS	5	Member of the Boards of Directors of the SICAVs: - Norden - Lazard Small Caps Euro - Lazard Credit Opportunities - Lazard Alpha Europe - Lazard Equity SRI
Fabienne de La Serre Vice president of Lazard Frères Gestion	5	Member of the Boards of Directors of the following SICAVs: . Mahe, Lazard Patrimoine Croissance, Adélaïde, Lazard Equity SRI . Board member and Chief Executive Officer of the SICAV Guilactions
Paul Castello Managing Director of Lazard Frères Gestion SAS	5	Member of the Boards of Directors of the following SICAVs: . Lazard USD Money Market . Lazard Equity SRI . Norden Small . Lazard Convertible Global . Lazard Credit Opportunities

I. Agreements covered by Article L225-37-4 para.2 of the French Commercial Code

The SICAV was not informed of the conclusion of any agreements covered by Article L225-37-4 para.2 of the French Commercial Code during the financial year ended September 28th, 2018.

II. Table of currently-valid delegations of powers granted by the shareholders' meeting, as stipulated in Article L225-37-4 para.3 of the French Commercial Code

No delegations of power covered by Article L225-37-4 para.3 of the French Commercial Code were granted or were ongoing during the financial year ended September 28th, 2018.

III. Method of operation of the executive management

The Board of Directors decided to separate the functions of Chairman of the Board of Directors from that of Chief Executive Officer.

Directors' fees paid by LAZARD EQUITY SRI to members of the Board of Directors for the financial year ended September 28th, 2018

Members of the Board of Directors	**Directors' fees paid by the SICAV**
Bernard Devy	€ 8.764
Axel Laroza Director of Lazard Frères Gestion SAS	0
François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS	0
UGRR	€ 2.286
OCIRP	€ 2.286
Audiens Prévoyance	€ 2.286
IRP AUTO Prévoyance-Santé	€ 2.286
CARCEPT	€ 2.286
C.F.D.T.	€ 2.286
Jean-Pierre Thomas	€ 2.286
Jean-Jacques de Gournay Managing Director of Lazard Frères Gestion SAS	0
Régis Bégué Managing Director of Lazard Frères Gestion SAS	0
Michel Piermay	€ 3.049
Monica Nescaut Managing Director of Lazard Frères Gestion SAS	0
Fabienne de La Serre Vice President of Lazard Frères Gestion	0
Paul Castello Managing Director of Lazard Frères Gestion SAS	0

3. MANAGEMENT REPORT

PERFORMANCE

The performance over the period is as follows:
C shares: -2,77% PC
shares: -2,33% RC
shares: 1,32% D
shares: -3,73% RD
shares: 2,54%

Performances vary over time and past performance is no guarantee of the UCI's future results.

The benchmark over the period was: -0,43%.

ECONOMIC ENVIRONMENT

Introduction

The global economic recovery continued, thanks in part to the acceleration of the US economy. While remaining solid overall, the business climate in each of the main regions seems to have peaked in early 2018, with the exception of the US, resulting in less synchronised growth at international level. The growth outlook is good but the downside risks have intensified in recent months. These include political risks, notably in the Eurozone with the arrival in power of populist parties in Italy, international trade risks and more concrete protectionist rhetoric from Donald Trump, emerging country risks due to fears of a more pronounced economic slowdown than expected in China and local weaknesses in certain economies. Against this backdrop, the main developed country central banks gradually tightened monetary policy, particularly given that underlying inflationary pressures remained relatively low. The Federal Reserve increased its policy rate four times and started to reduce its balance sheet. The ECB announced the end of its asset purchasing programme from the end of December 2018 and pledged to leave its interest rates unchanged until summer 2019. The Bank of Japan modified its policy of yield curve control. The synchronised global economic recovery seen in 2017 had led to very low volatility levels. But with uncertainties on the increase, volatility returned in 2018. Sentiment concerning emerging countries deteriorated in particular, giving rise to a decline in capital flows to these countries and pressure on their currencies.

GDP volume growth (%)	2016	2017	2018 (e)	2019 (e)
World	3.3	3.7	3.7	3.7
Developed countries	1.7	2.3	2.4	2.1
Emerging countries	4.4	4.7	4.7	4.7
Eurozone	1.9	2.4	2.0	1.9
United States	1.6	2.2	2.9	2.5
Japan	1.0	1.7	1.1	0.9
United Kingdom	1.8	1.7	1.4	1.5
China	6.7	6.9	6.6	6.2
India	7.1	6.7	7.3	7.4
Brazil	-3.5	1.0	1.4	2.4
Russia	-0.2	1.5	1.7	1.8

IMF Economic Outlook, October 2018
* The data and forecasts for India are presented based on the budget year

The MSCI World global equity index denominated in dollars gained 7,7% over the year. Within that, the equities of developed countries turned in a good performance (+9,2%) while emerging country equities posted a negative performance (-3,1%). Within the developed economies, the S&P 500 (+15,7% in dollars) outperformed the Topix (+8,5% in yen) and the Eurostoxx (-2,8% in euros).

After a steady increase in Q4 2017 and an exceptional start to 2018, the global equity markets corrected sharply in February 2018, initially in response to the publication of higher-than-anticipated hourly wage data in the US. This latter increase, the strongest since mid-2009, stoked fears of a rapid rise in inflation in the US and strengthened the likelihood of an acceleration of the pace of interest rate hikes by the Fed. The market correction was subsequently amplified by technical factors linked to increased volatility.

From spring 2018, the equity markets fluctuated in line with perceptions around three major risks: a trade war, a budget overrun in Italy and a crisis in emerging countries. The deterioration of the political situation in Italy and fears around contagion of the Turkish crisis to the European banking system in August 2018 after a slide in the Turkish lira explain to a large extent why Eurozone equities underperformed.

US 10-year treasury rates tightened by 73 basis points to 3.06% at the end of September 2018. German 10-year rates remained almost stable, moving from 0.46% to 0.47%. The rise in US interest rates took place in two stages. The first between mid-December 2017 and mid-February 2018 reflected an increase in inflationary anticipations following the approval of tax reform by US Congress and the increase in energy prices. The second, between mid-August and September 2018, was more linked to the rebound in growth. In both cases, investors revised up their anticipations of monetary tightening by the Fed.

In Italy, the arrival in power of a populist government triggered a sharp increase in credit spreads versus Germany (+100bp). Credit spreads in Greece tightened by -148 basis points while in Portugal they tightened by -52 basis points. In France, they widened by a slight +5 basis points.

According to the ICE Bank of America Merrill Lynch indices, the credit spreads of good quality corporate bonds versus government bonds widened by 15 basis points to 110 basis points, while those of high yield bonds widened by 93 basis points to 355 basis points.

The Brent barrel price almost doubled, from $47 to $83. It was underpinned by robust global demand, geopolitical tensions in the Middle East and the policy of the main producing countries to reduce supply.

The euro depreciated by 1,8% against the dollar, from 1,18 to 1,16. This exchange rate peaked in mid-February 2018 at 1,25 before falling again on foot of the publication of disappointing economic data and uncertainties in Italy.

Sentiment concerning emerging countries deteriorated sharply, giving rise to a decline in capital flows to these countries and significant pressure on their currencies. The JP Morgan index that measures the average change in emerging currencies against the dollar fell by 10,6%.

United States

Growth in the US has been very strong in recent quarters. It jumped to an annualised rate of +4,2% in Q2 2018 after +2,2% in Q1 2018 and +2,3% in Q4 2017.

The ISM surveys remained at record high levels. The manufacturing sector index reached 59,8 in September 2018 (-0,4 of a point year-on-year) while the non-manufacturing sector index reached 61,6 (+2,2 points year-on-year), its highest level in two decades.

Job creation was strong, averaging 206 000 over the last twelve months, leading to a continued fall in the unemployment rate which reached 3,7% in September 2018, its lowest level since 1969, versus 4,2% a year earlier.

Growth in the hourly wage accelerated only very slightly from +2,6% year-on-year in September 2017 to +2,7% in September 2018. The sharp increase in January 2018, which led to tensions on the financial markets, was revised down in the end.

Household consumption grew at a steady pace after a soft patch in Q1 2018 (an annualised rate of +0,5% quarter-on-quarter). The Conference Board consumer confidence index reached its highest level since 2000 in September 2018.

The US trade deficit widened to $53 billion in August 2018. The US administration toughened its trade policy, particularly with regard to China. It increased customs duties on $250 billion worth of Chinese imports and threatened to extend these tariffs to all imports. China retaliated by in turn increasing its customs duties on $110 billion worth of imports from the US.

Investment in residential property slowed but did not decline. It rose by 1,3% year-on-year in Q2 2018. Household purchasing power on the property market deteriorate due to the steady increase in property prices (+6.0% year-on-year in July) and the rise in mortgage interest rates (+80 basis points year-on-year to 4,60% for a thirty-year mortgage). Investment in non-residential property accelerated by +7,1% year-on-year in Q2 2018.

Inflation excluding energy and food increased from +1,7% year-on-year in September 2017 to +2,2% in September 2018 while headline inflation increased from +2,2% to +2,3%, after peaking at +2,9% in summer 2018.

Tax reform was ratified in December 2017. which notably entailed a reduction in corporate income tax from 35% to 21%. In February 2018, after a partial federal government shut-down between January 20th and 22nd and for a few hours on February 9th due to a lack of financing, Congress finally voted to increase the ceiling on federal expenditure for fiscal years 2018 and 2019 ($296 billion in total).

Against this backdrop, the Fed raised its key interest rate by 25 basis points on four occasions: in December 2017, March 2018, June 2018 and September 2018, bringing it to a band of 2,00-2,25%. It began to reduce its balance sheet in October 2017 by ceasing to reinvest some of the proceeds of the matured securities in its portfolio.

Eurozone
Growth in the Eurozone marked time in the first half of 2018, coming out at an annualised rate of +1,5% in Q2 2018 versus +1,6% in Q1 2018 and +2,6% in Q4 2017. There was a marked slowdown in France, partly due to strikes in the transport sector in spring.

The composite PMI for the Eurozone reached a 12-year high in January 2018 at 58,8, but fell back sharply in the spring. It subsequently stabilised at a level consistent with growth of around 2%. It reached 54,1 in September 2018 (-2,6 points year on year).

Unemployment in the Eurozone continued to fall at a rapid pace, reaching 8,1% in August 2018, its lowest level since November 2008, versus 9,0% a year earlier. Certain wage data in the Eurozone showed an acceleration.

Inflationary pressure remained moderate. Headline inflation increased from +1,5% to +2,1% year-on-year between September 2017 and September 2018, attributable to the rise in energy prices. Excluding energy and food, inflation remained low, falling from +1,1% year-on-year to +0,9% during the period.
In Italy, the general election held on March 4th, 2018 produced no clear majority in Parliament, leading to more than two months of negotiations. The two populist parties, Luigi di Maio’s Five Star Movement and Matteo Salvini's League, finally reached agreement on forming a government on May 31st, 2018. On September 27th, the Italian government announced a higher-than-anticipated budget deficit target of 2,4% of GDP in 2019.

In Germany’s federal elections of September 24th, 2017, Angela Merkel's CDU/CSU alliance secured a substantial victory with 246 out of 598 seats in the Bundestag. After six months of negotiations, the social democratic party agreed to form a grand coalition, enabling Angela Merkel to be reappointed Chancellor on March 14th, 2018.

In Spain, the government announced the dissolution of the Catalan parliament on October 27th, 2017, and imposed direct rule on Catalonia, having refused to recognise the declaration of independence by the region's elected leaders. On June 1st, 2018, prime minister Mariano Rajoy was forced to step down after a motion of no confidence was passed by parliament on foot of convictions against several former members of his party for corruption. He was replaced by the socialist party leader, Pedro Sanchez, who heads up a minority government.

On October 26th, 2017, the ECB announced it would reduce its monthly asset purchases from €60 billion to €30 billion starting in January 2018. On June 14th, 2018, it announced it would again cut its monthly purchases by half until the end of December 2018, after which they would be discontinued. It specified that it would nevertheless continue to reinvest the proceeds of some maturities over an extended period. It also said it wanted to keep its key interest rates unchanged until summer 2019, if the economy continued to progress according to expectations.

Japan
Japan's GDP increased by an annualised 0,9% in Q4 2017 before contracting by 0,9% in Q1 2018, penalised by poor weather conditions. It subsequently jumped by 3,0% in Q2 2018.

Pressure on the labour market continued, with unemployment falling by 0,4 of a point year-on-year to a record low of 2,4% in August 2018. Wage growth accelerated sharply to
+1,4% year-on-year in August 2018, the fastest pace seen since the end of the 1990s.

Inflation rose slightly, but remained low. In August 2018, headline inflation reached +1,3% year-on-year while inflation excluding energy and food reached +0,4% year-on-year, versus +0,7% and +0,2% respectively one year previously.

The prime minister Shinzo Abe unsurprisingly secured an easy victory in the general election called on October 22nd, 2017, with the coalition led by the liberal democratic party winning two thirds of seats in the lower house.

The Bank of Japan modified its policy of controlling the yield curve in July 2018 by broadening the range within which the Japanese 10-year government bond yield could evolve versus an unchanged target of around 0%.

China
During the annual economic conference of the members of the Communist Party of China in December 2017, the government said that financial risk reduction would remain a key priority in 2018 and over the coming years, along with measures to combat pollution and poverty.
Growth in China slowed only slightly to +6,7% year-on-year in Q2 2018 after +6,8% year-on-year in the previous two quarters, in line with the growth target of around 6,5% defined during the National People's Congress in March 2018.

However, the measures introduced to limit financial risks led to a sharp slowdown in credit, which weighed on infrastructure investment, particularly from the end of Q2 2018.

On foot of this slowdown in investment and the hike in customs duties by the US, the Chinese authorities announced monetary and budgetary measures to boost activity.

The central bank reduced the level of compulsory bank reserves by 100 basis points in April 2018 and by 50 basis points in July 2018, bringing it to 15,50%.

The past year was also marked by the consolidation of Xi Jinping's authority, symbolised by the inscription of his name and doctrine in the party's charter during the 19th National Congress of the Communist Party of China in October 2017, and the removal of the two-term limit on holding presidential office.

MANAGEMENT POLICY

Lazard Equity SRI lost -2,77% over financial year 2017-2018 versus -0,43% for the benchmark index, the Euro Stoxx with net dividends reinvested, representing an underperformance of 331bp.

2017 closed with very encouraging macroeconomic data in the US, Europe as well as China. As expected, the US Federal Reserve introduced its third quarter-point key interest rate hike of the year, bringing it to a band of 1,25-1,50%. US tax reform was finally passed, slowing the downward movement in the markets. The Fund registered a slight decline of 2,36% at the end of the fourth quarter compared with a decline of 0,69% for the benchmark index, representing an underperformance of 167bp. This decline is partly due to a substantial negative selection effect in the information technologies sector attributable to *Nokia*'s profit warning *(-23,4%).* The portfolio was also impacted by the poor performance of the financial sector, notably the declines of *Intesa Sanpaolo (-7,4%)* which suffered from investor fears around the future of Italian banks, and *Société Générale (-13,1%)* which was penalised by the publication of disappointing results. Moreover, since it was absent from the energy sector, the fund did not benefit from the oil rally (+16,2%), which closed at its highest level of the year, underpinned by an extension to the agreement to cut OPEC production. *Peugeot (-15,9%)* in consumer goods, *Sanofi (-14,5%)* in healthcare and *Saint-Gobain (-8,8%)* and *Alstom (-*

3,7%) in manufacturing also contributed negatively. However, this was partly offset by a positive selection effect in the telecommunications sector, with the performance of *Orange (+6,3%)* and the absence of *Altice Europe (-48,4%).* The gains by *Eiffage (+4,3%), Carrefour (+5,5%)* and *Heineken (3,8%)* and the absence of *Banco Santander (-6,6%), Unicrédit (-13,5%)* and *Steinhoff International* (-91,6%), which plummeted following revelations of accounting irregularities over the past number of years, also had a positive impact.

Despite positive economic indicators, the equity markets fell sharply in the first quarter of 2018, putting an end to the distinctly upbeat trend seen in 2017.
The MSCI World (in €) index of equities excluding emerging market equities lost 3,67% over the period, largely attributable to more heightened than anticipated concerns around monetary tightening, prompted by the publication of higher-than-expected hourly wages in the US, which triggered doubts about a more rapid rise in inflation. As expected, the Federal Reserve raised its key interest rate by 25bp, bringing it to a band of 1,50-1,75%. This rough patch is also attributable to commercial tension caused by the announcement of higher customs taxes by the US on the import of several products from China, the world's largest exporter. There was also scandal around Facebook and its network security, which was jeopardised by Cambridge Analytica's use of the personal data of 87 million users. The US company dragged the technology sector in its wake at the end of the quarter. Against this backdrop, Lazard Equity SRI shed -2,83% versus -2,75% for its benchmark, the Euro Stoxx with net dividends reinvested. Unlike the previous quarter, the information technology sector made the biggest positive contribution to the relative performance thanks to the rebound of *Nokia (+15,2%)* whose results were welcomed and the excellent performance of *Dassault Systemes (+24,6%)*. The fund also benefited from a positive selection effect in the financial sector with a rebound for *Intesa Sanpaolo (+6,6%),* a gain for *Deutsche Boerse (+14,3%),* and the absence of *Deutsche Bank (-28,7%).* After fresh rumours of a merger with Nissan, *Renault* (+17,4%) made sharp gains over the quarter, becoming one of the main positive contributors to the relative performance, similar to *Alstom (+5,8%)* and *Akzo Nobel (+5,1%)*. However, the strategy suffered from a negative selection effect in the healthcare sector with the sharp decline of *Merck (-13,2%),* and the fact that it was unable to benefit from the gains by *Airbus (+13%)* in manufacturing and *ASML (+10,3%)* in information technology. Moreover, the portfolio was significantly penalised by the fact that it was not exposed to the oil sector, which saw the Brent barrel price continue to increase, topping $70 at the period-end (a performance of +5,1%).

Lazard Equity SRI closed the second quarter of 2018 up 1,53% compared with an increase of 2,53% for the benchmark index. That period was particularly marked by heightened trade tension between the US and China. The US president had imposed import duties on steel and aluminium in the previous quarter. A series of tit-for-tat measures between the two countries ensued, which fuelled fears of a slowdown in global growth. Investors were also very wary of the unstable political environment in Italy, where two extremist parties led in the general election. The likelihood of an alliance weighed on the markets and on the financial sector in particular. The downward revision to growth forecasts in the Eurozone accentuated the euro's depreciation against the dollar. In terms of the central banks, the Fed introduced another hike in its key interest rate of 25bp, bringing it to a range of 1,75-2,00%. The ECB, for its part, announced the end of its asset purchasing programme from the end of December 2018 and pledged to leave its interest rates unchanged until summer 2019. Against this backdrop, the portfolio suffered mainly from a negative selection effect in the consumer services sector. The declines by *Telenet (-26,3%),* which was already penalised in the previous quarter due to a disappointing dividend, and *Carrefour (-15,1%)* weighed heavily on the performance. In the consumer goods sector, the performance of *Renault (-22,6%)* also had a negative effect but it was offset by, among others, *L'Oréal (+17,5%)* and the absence of both *Daimler (-15,6%)* and *Continental (-11%)* on the back of US policy. The fund was also negatively affected by the banking sector, via *Intesa Sanpaolo (-9,7%)* and *Société Générale (-13,4%),* and by the fact that it was absent from the oil sector (the Brent barrel price rose by +13% over the period). It benefited from *SAP (+18,1%)* and *Nokia (+14,1%)* in the information technology sector, *Air Liquide (+10,9%)* in basic materials, and from the absence of *Deutsche Post (-18,7%)* and *Unicrédit (-14,4%)* in manufacturing and finance respectively.

The equity markets fluctuated in line with various uncertainties which arose in recent months. There was particular focus on Italy and its stimulus budget which did not adhere to the public finances budgetary framework set for it by the European Union. Consequently, yields rose sharply and the spread in relation to the Bund swiftly reached 300bp. In relation to the trade war, no agreement was reached between China and the US, while threats by the US president to increase customs duties on all Chinese imports did not help matters. Concerns around growth in China and emerging countries in general were aggravated. The diplomatic crisis between Turkey and the US led to a sharp depreciation in the Turkish lira, sparking fears of contagion to the European banking system. In the meantime, Jérôme Powell announced that the US economy was strong, growth was solid and inflation low and stable, which prompted the Federal Reserve to introduce another interest rate hike, bringing it to a band of 2,00% to 2,25%. Against this backdrop, Lazard Equity SRI closed the fourth quarter of the year with an increase of 0,93% versus an increase of 0,57% for the benchmark index, representing an outperformance of 36bp. The portfolio suffered mainly from the selection of stocks in the manufacturing sector. The absence of *Wirecard (+35,3%)* and *Safran (+16%)* had a negative impact. The publication of disappointing results by *Publicis (-12,7%)* also had a negative impact on the fund, but these losses were partly offset by gains by *Carrefour (+19%)* and *Telenet (+18,5%)*. *Coface (-14,2%),* which also suffered from weak results, was absent from the Euro Stoxx. Having once again avoided oil stocks, Lazard Equity SRI did not benefit from the rise in the Brent barrel price (+4,13%) while *Total (+8,2%),* one of the biggest weightings in our index, accounted for one of the biggest negative contributions to the relative performance. The fund benefited from the performances of *Akzo Nobel (+9,8%)*, *Sanofi (+11,5%)* and *Amundi (+8,8%).* The portfolio departed from the index due to the presence of *Aperam* (+8,4%) and the absence of *Anheuser-Bush Inbev* (-13%).

Past performance is no guarantee of future results.

Main changes in the portfolio during the year

Securities	**Changes ("accounting currency")**	
	Purchases	**Sales**
LAZARD EURO SHORT TERM MONEY MARKET	27,998,763.16	29,488,699.56
INTESA SANPAOLO SPA	3,084,552.80	4,347,591.34
RENAULT SA	3,318,161.80	67,398.48
PEUGEOT	0.00	2,949,116.12
SOCIETE GENERALE SA	2,609,682.07	83,147.00
UNILEVER	1,958,103.00	611,956.95
ATOS	2,383,881.66	0.00
CARREFOUR	1,864,556.05	507,234.39
KBC GROUPE	2,227,322.80	0.00
BAYER	745,706.48	1,457,698.14

- **Transparency of securities financing transactions and the reuse of financial instruments – SFTR – in the accounting currency of the UCI (€)**

The UCI carried out no transactions during the year in the context of the SFTR.

ESMA

- **EFFICIENT PORTFOLIO MANAGEMENT TECHNIQUES AND DERIVATIVE FINANCIAL INSTRUMENTS**

a) Exposure through efficient portfolio management techniques and derivative financial instruments

- Exposure through efficient management techniques:
  - **Securities lending:**
  - **Securities borrowing:**
  - **Repurchase agreements:**
  - **Reverse repurchase agreements:**

- Underlying exposure through derivative financial instruments:
  - **Currency forwards:**
  - **Futures:**
  - **Options:**
  - **Swaps:**

b) Identity of the counterparty or counterparties for efficient portfolio management techniques and derivative financial instruments

Efficient portfolio management techniques	Derivative financial instruments (*)

(*) Excluding listed derivatives

c) Financial guarantees received by the UCITS to reduce counterparty risk

Instrument type	Amount in the currency of the portfolio
Efficient portfolio management techniques . Term deposits . Equity . Bonds . UCITS . Cash (**) **Total**	
Derivative financial instruments . Term deposits . Equity . Bonds . UCITS . Cash **Total**	

(**) The Cash account also includes liquidities from reverse repurchase agreements.

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in the currency of the portfolio
. Income (***) . Other income **Total income** . Direct operating expenses . Indirect operating expenses . Other expenses **Total expenses**	

(***) Income on securities lending and repurchase agreements

4. REGULATORY INFORMATION

- **PROCEDURE FOR SELECTING AND ASSESSING INTERMEDIARIES AND COUNTERPARTIES**

The brokers used by the management company are selected on the basis of various evaluation criteria, covering research, quality of order execution and processing and the range of services offered. The management company's "Broker Committee" validates any updates to the list of authorised brokers. Each investment division (fixed income and equities) reports to the Broker Committee at least twice a year on the evaluation of the services provided by the various brokers and the breakdown of the volume of transactions handled.

- **BROKERAGE FEES**

Information about brokerage fees is available on the website www.lazardfreresgestion.fr.

- **EXERCISING VOTING RIGHTS**

The scope and procedures for Lazard Frères Gestion SAS' exercise of the voting rights attached to the securities held in the UCIs managed by it are set out in the guidelines it has drawn up on its voting policy. This document can be consulted on the management company's website: www.lazardfreresgestion.fr.

- **REPORTING OBLIGATIONS UNDER ARTICLE 173**

General procedure for incorporating ESG criteria

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria by issuers is vital for a durable economic performance.

In fact, the long-term performance of investments is not limited solely to adherence to the financial strategy, but must also take the company's interactions with its social, economic and financial environment into account.

The incorporation of ESG criteria therefore is a natural component of our investment process.

Our overall approach can be summarised as follows:

- Rigorous financial analysis of the company covering the quality of assets, financial soundness, projected cash flows and their reinvestment by the company, the strength of economic profits, profit durability, and quality of management.

- This durability is strengthened by incorporating extra-financial criteria:
  - Social criteria: through the development of human capital.
  - Environmental criteria: through the prevention of all environmental risks.
  - Governance criteria: by respecting the balance between the managerial and shareholder structures so as to prevent potential conflicts of interest and safeguard the interests of minority shareholders.

ESG criteria incorporated by Lazard Equity SRI

- Analysis of governance

The quality of governance has always been a decisive element in our investment policy.
Satisfactory governance guarantees transparency and a balance of power, with a right to input by the shareholders.
Lazard Frères Gestion believes that best practices in terms of corporate governance are a risk control factor that favour the creation of value and contribute to a broad alignment of the interests of all stakeholders.

- Social criteria

Social criteria include the prevention of accidents, staff training, respect for employee rights, human rights, ethics in the supply chain, and social dialogue. Human capital is one of the two drivers of a company alongside financial capital, which if neglected could give rise to risks around the loss of operational profitability or an increase in costs linked to payroll volatility.

- Environmental criteria

Environmental criteria take into account the direct or indirect impact of the company's activity on the environment (waste management, energy consumption and emission of pollutants) and are assessed by looking at the relevant activity sector.
We seek to understand how the company appraises environmental risks and any negligence on its part could potentially lead to liabilities that impact its economic profitability.
If environmental risks (pollution, biodiversity, resources and local communities) are not adequately appraised, this can lead to a loss of profitability, reputational risk and financial risk.

Information used to analyse ESG criteria

Lazard Frères Gestion draws on several sources of information when assessing ESG criteria for each company:

- Public sources: CSR reports, NGOs, press
- Direct communication with the companies
- External research: Extra-financial ratings agencies, brokers

Each analyst/director may include data deemed relevant in their extra-financial analysis. These analyses are an integral part of our management process.

Our proprietary analysis tools show financial and extra-financial data for each company under consideration.

Data is entered directly in these tools by the analysts/directors.

ESG analysis methodology and results

- ESG analysis methods

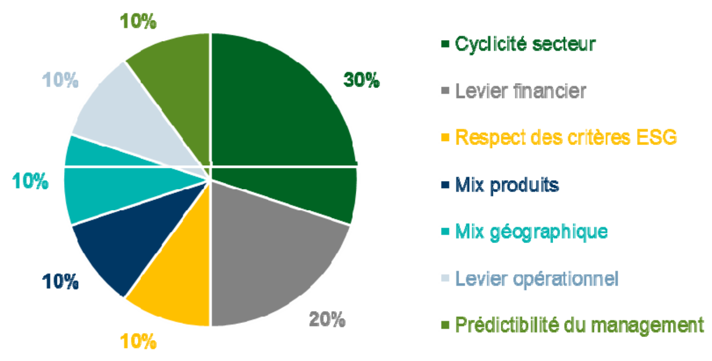
A qualitative system of ESG evaluation is applied to the issuers in the portfolio.

Climatic risk criteria are analysed by factoring energy costs, regulatory risks and potential technological shocks into the investment assumptions of the analysts/directors, regardless of whether this data is linked to climate change.
Lazard Frères Gestion assesses the financial impact by looking at changes in energy prices (electricity, oil, gas, etc.), as well as other external factors, when determining the company's level of activity or margins.

- Methods by which ESG criteria are factored into the investment decision-making process The ESG

analysis has an impact on investment decisions.

Since 2017, we have been formally incorporating ESG criteria into our financial analysis by integrating the relevant factors into the financial valuation of each company. The analysts-directors incorporate ESG criteria into the cost of capital of the companies they follow by calculating the beta using a proprietary Lazard Frères Gestion methodology. The beta is a measurement of all of the company's risks, and our methodology weights the factors as follows:



La prise en compte des critères ESG a un impact direct sur nos valorisations

We discount cash flows based on the WACC (weighted average cost of capital). This cost comprises the cost of equity and cost of debt. The cost of equity depends on the company's profile, in particular its specific risks. These risks include, among others, the cyclical nature of the company's activity, its geographical location, and compliance with ESG criteria. When these criteria are sufficiently measured by the company, it creates a risk. In our model, this risk reduces the company's financial valuation: the degree to which ESG criteria are taken into account has a direct impact on the company's financial valuation. ESG.

- Monitoring of ESG indicators

➢ Carbon footprint

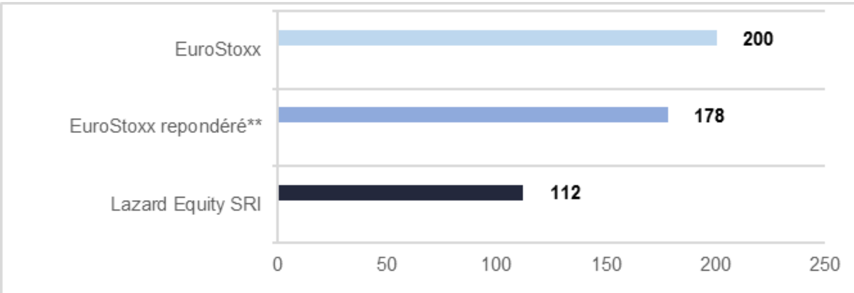
In the context of Article 173 of the law of August 17th, 2015, LAZARD Frères Gestion made a decision to report Lazard Equity SRI's carbon footprint.

- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion decided to use the carbon intensity indicator, which is expressed in CO2 equivalent tonnes per million euros of income.
- The carbon footprint assessment takes into account scope 1 and 2 greenhouse gas (GHG) emissions.
    - Scope 1: All direct emissions linked to the use of fossil fuels to manufacture a product.
    - Scope 2: Direct emissions linked to the production of energy (electricity, etc.) that is consumed by the company.
- Measurement is solely conducted on securities that are directly owned.
- Listed companies on which we have no carbon data are weighted proportionally based on the weight of other companies in the same sector, in order to maintain the initial sector weightings.
- The weight of each stock in the portfolio is re-based to obtain a total weighting equal to 100%.
- The method used to calculate the portfolio's carbon intensity is the weighted average GHG emissions divided by the income of each position. We thus get the following formula:

$$\text{Intensité carbone d'un portefeuille} = \sum \left[\left(\frac{\text{Émissions (scope 1 + 2)}}{\text{Chiffre d'Affaires}} \right)_{\text{de chaque titre}} \times \text{poids de chaque titre} \right]$$

- A company's CO_2 emission levels are highly dependent on its area of activity. Some sectors are structurally higher “emitters” than others.
- Lazard Frères Gestion’s fundamental stock picking approach entails sector exposure gaps between the funds and their benchmark indices.
- To make up for these sector biases, we have defined a method that involves neutralising these gaps by re-weighing the sectors of the benchmark index so that they correspond to those of the portfolio. The weight of each stock is maintained within each sector of the benchmark index.

Emissions in millions of euros of income (tonnes of CO_2 eq./€m of income)



Date: September 28th, 2018
Fund coverage ratio: 100% Index coverage ratio: 100%

➢ Contribution to energy transition indicator

We apply an energy transition score to measure the company’s level of engagement in the energy transition of their business model.
Each issuer in the portfolio is assessed based on the efficiency of the measures taken to reduce their GHG emissions, change their energy mix and reduce their energy consumption.
Our partner Vigeo Eiris is responsible for applying this score.
For this, specific climate change criteria are analysed as are the main energy transition objectives of the companies and the relevant sectors. The score hinges on the efforts made by the companies to reduce their carbon footprint and contribute to the international target to prevent global warming from rising above 2°C.
The portfolio's contribution to the energy transition is measured

$$\text{Score Transition Énergétique d'un portefeuille} = \sum\left[\text{Score Transition Énergétique de chaque titre} \times \text{poids de chaque titre}\right]$$

based on the rating scale set out below:

Energy Transition Strategy Scale

Categories	Low	Underway	Convincing	Advanced
Score	0-29	30-49	50-59	60-100

<u>Energy Transition score</u>

LAZARD EQUITY SRI	**Convincing**	**57**
EuroStoxx	Underway	47

Integration of the results of the ESG analysis into the investment process

- Voting at shareholders' meetings

The shares that make up Lazard Equity SRI are not included in our voting scope, we have therefore voted at 100% of the shareholders' meetings in the portfolio.

- Implementation of an engagement strategy by issuers

ESG parameters are monitored by holding regular meetings with the companies' management. Lazard Frères Gestion only invests in companies with whose management it has established a strong relationship of trust, and therefore holds regular meetings with or pays regular onsite visits to all of these companies.

- **METHOD USED TO CALCULATE GLOBAL RISK**

The Fund uses the commitment method to calculate its global risk on financial contracts.

- **PEA employee savings fund**

Pursuant to the provisions of Article 91, quater L Appendix 2 of the French General Tax Code, a minimum of 75% of the SICAV is permanently invested in the securities and rights mentioned in points a, b and c, section 1°, I of Article L. 221-31 of the French Monetary and Financial Code.
Proportion actually invested during the financial year: 96,70%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended December 29th, 2017 by the management company to its personnel, pro rata their investment in the management of the UCITS, excluding the management of AIF, is shown below and in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year and taking its results into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at 31/12/2017: Fixed-term and open-ended employment contracts at LFG

LFG's headcount at 31/12/2017	Fixed annual remuneration in 2017 in €k	Variable remuneration awarded for 2017 (cash and deferred) in €k
156	13,683	20,029

"Identified employees"

Category	Number of employees	Aggregated fixed and variable remuneration in 2017 (including deferred) in €k
Senior management	3	3,979
Other	42	18,68
Total	**45**	**22,660**

- **OTHER INFORMATION**

The UCI's complete prospectus and the most recent annual and interim reports will be sent out within one week of request in writing by shareholders to:

Lazard Frères Gestion SAS
25, Rue de Courcelles – 75008 Paris, France

www.lazardfreresgestion.fr

5. CERTIFICATION BY THE STATUTORY AUDITOR

Ernst & Young et Autres
Tour First
TSA 14444
92037 Paris La Défense Cedex France

Tel.: +33 (0) 1 46 93 60 60
www.ey.com/fr

Lazard Equity SRI

Financial year ended September 28th, 2018

Statutory auditor's report on the annual financial statements

To the shareholders' meeting of Lazard Equity SRI,

Opinion

In accordance with the terms of our appointment by your board of directors, we conducted our audit of the accompanying annual financial statements of the Undertaking for Collective Investment Lazard Equity SRI, as a French open-end investment company (SICAV), for the financial year ended September 28th, 2018.

We certify that the annual financial statements provide a true and fair view of the results of operations for the financial year under review and of the financial position and assets and liabilities of the Fund at the end of said financial year, in accordance with the accounting rules and principles generally accepted in France.

Basis of our opinion

Audit standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that our audit has provided us with sufficient relevant information on which to base our opinion.

Our responsibilities under these standards are set out in the section entitled "Statutory auditor's responsibilities concerning the audit of the financial statements" in this report.

Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from October 1st, 2017 to the date of issue of our report, and in particular we have not provided any services prohibited by the French code of ethics for statutory auditors.

Basis of our opinions

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you that the most important assessments we carried out, in our professional judgement, focused on the appropriateness of the accounting principles applied, notably with regard to the financial instruments in the portfolio, and the presentation of all of the financial statements in accordance with the chart of accounts for open-end collective investment undertakings.

The assessments we have made are part of our audit of the annual financial statements as a whole and the opinion expressed above. We express no opinion on the elements of the annual financial statements taken in isolation.

Verification of the management report, other financial reports and the financial statements and of the information in the corporate governance report addressed to the shareholders

We have also performed, in accordance with applicable professional standards in France, the specific verifications required by law.

- **Information provided in the management report, other financial reports and the annual financial statements addressed to the shareholders**

We have no matters to report regarding the true and fair presentation of the information provided in the Board of Directors' management report and in the other financial documents sent to shareholders on the company's financial position and the annual financial statements, or its consistency with the annual financial statements.

We certify that the information on payment deadlines pursuant to Article D. 441-4 of the French Commercial Code is a true and fair representation and is consistent with the annual financial statements.

- **Corporate governance report**

We certify that the section of the Board of Directors' management report on corporate governance contains the information required pursuant to Article L. 225-37-4 of the French Commercial Code.

Responsibilities of the management and persons charged with governance of the annual financial statements

It is the management's role to draw up annual financial statements that give a fair and true picture in accordance with French accounting rules and principles and to implement the necessary internal control to be able to provide reasonable assurance that they are free from material misstatement, whether due to fraud or error.

As part of the preparation of the annual financial statements, the management is responsible for assessing the SICAV's capacity to continue operating as a going concern, to present in its financial statements, where necessary, information concerning business continuity, and to apply the accounting conventions of a going concern, unless it is planned to liquidate the SICAV or terminate its activity.

The Board of Directors is responsible for the preparation of the annual financial statements.

statements

Our role is to prepare a report on the annual financial statements. and to obtain reasonable assurance that the annual financial statements as a whole are free of material misstatements. Reasonable assurance means a high but not absolute level of assurance that an audit performed in accordance with professional standards is free of material misstatement. Anomalies may stem from fraud or errors and are considered material when it can reasonably be expected that, taken individually or together, they could influence the economic decisions of users of the financial statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our audit assignment does not consist in guaranteeing the viability or quality of the management of the SICAV.

In the context of an audit performed in accordance with professional standards applicable in France, the statutory auditor must exercise its judgement throughout the course of the audit. Moreover:

► it identifies and assess the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;

► it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;

► it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, and the related information provided in the annual financial statements;

it assesses the appropriateness of the management's application of the accounting policy for a going concern and, based on the information collected, whether there is any significant uncertainty linked to events or circumstances that is likely to call into question the SICAV's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall attach reservations to its certification or shall refuse to certify the accounts;

► it assesses the presentation in full of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris-La Défense, December 21st, 2018

The statutory auditor
ERNST & YOUNG et Autres

Bernard Charrue

6. ANNUAL FINANCIAL STATEMENTS

- **BALANCE SHEET in euros**

ASSETS

	28/09/2018	29/09/2017
Net non-current assets		
Deposits		
Financial instruments	**186,288,911.63**	**180,446,322.66**
Equities and similar securities	**183,884,334.67**	**176,546,002.75**
Traded on a regulated or equivalent market	183,884,334.67	176,546,002.75
Not traded on a regulated or equivalent market		
Bonds and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	**2,404,576.96**	**3,900,319.91**
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	2,404,576.96	3,900,319.91
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General funds aimed at professional investors and their equivalent in other Member States of the EU and listed securitisation entities		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase		
agreements Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements Other		
temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments		
Receivables	**413,722.45**	
Currency forward exchange transactions		
Other	**413,722.45**	
Financial accounts	**150,641.04**	**42,965.18**
Cash and cash equivalents	**150,641.04**	**42,965.18**
Total assets	**186,853,275.12**	**180,489,287.84**

LIABILITIES AND SHAREHOLDERS' EQUITY

	28/09/2018	29/09/2017
Shareholders' equity		
Capital	**175,290,996.40**	**166,794,431.80**
Undistributed net capital gains and losses recognised in	**2,519,878.47**	**1,503,122.83**
previous years (a) Retained earnings (a)	**106.12**	**84.83**
Net capital gains and losses for the year (a, b)	**5,397,042.76**	**9,426,489.44**
Net income for the year (a, b)	**3,196,634.48**	**2,163,965.79**
Total shareholders' equity (= amount representing net assets)	**186,404,658.23**	**179,888,094.69**
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Liabilities	**448,616.89**	**601,193.15**
Currency forward exchange transactions		
Other	**448,616.89**	**601,193.15**
Financial accounts		
Bank overdrafts		
Borrowings		
Total liabilities and shareholders' equity	**186,853,275.12**	**180,489,287.84**

(a) Including accrued income
(b) Less interim dividends paid for the financial year

- **OFF-BALANCE SHEET ITEMS in euros**

	28/09/2018	29/09/2017
Hedging transactions		
Commitments on regulated or similar markets Commitments		
on OTC markets		
Other commitments		
Other operations		
Commitments on regulated or similar markets Commitments		
on OTC markets		
Other commitments		

- **INCOME STATEMENT in euros**

	28/09/2018	29/09/2017
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	5,517,762.46	4,299,479.88
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of financial securities		
Income from forward financial instruments		
Other financial income		
Total (1)	**5,517,762.46**	**4,299,479.88**
Expenses related to financial transactions		
Charges on temporary purchases and sales of financial securities		
Charges on forward financial instruments		
Expenses related to financial liabilities	2,217.46	42.96
Other financial charges		
Total (2)	**2,217.46**	**42.96**
Income from financial transactions (1 - 2)	**5,515,545.00**	**4,299,436.92**
Other income (3)		
Management fees and depreciation and amortisation (4)	2,352,889.60	2,139,309.93
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	**3,162,655.40**	**2,160,126.99**
Revenue adjustment for the financial year (5)	33,979.08	3,838.80
Interim dividends paid on net income for the financial year (6)		

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with French accounting regulation ANC 2017-05 which amends ANC regulation 2014-01 on the chart of accounts for open-end collective investment undertakings.

The general accounting principles are applicable:
- true and fair view, comparability, business continuity,
- regularity, sincerity,
- prudence,
- permanence of the accounting methods used each year.

Income from fixed-income securities is recorded on the basis of accrued interest.

Purchases and sales of securities are recorded excluding expenses. The accounting currency of the portfolio is the euro. The financial year comprises 12 months.

Asset valuation rules

Financial instruments and securities traded on a regulated market are valued at their market price.

o **Shares and similar securities** are valued on the basis of the last known price on their main market.
If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

o **Fixed-income securities:**
Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)® derived from averages of contributed prices, or on those of direct contributors.

There may be a discrepancy between the carrying amounts, valued as indicated above, and the actual disposal prices that would be obtained if a portion of these portfolio assets were to be sold.

o **Bonds and similar instruments** are valued on the basis of the average of the closing prices gathered from several contributors.

Financial instruments whose prices have not been determined on the valuation day or whose prices have been adjusted are valued at their probable trading price under the responsibility of the management company.
These estimates and their supporting documentation will be provided to the statutory auditor during audits.

However, the following instruments are valued using the following specific methods:

o **Negotiable debt securities:**

- **Negotiable debt securities with a residual maturity of more than three months:**
Negotiable debt securities traded in large volumes are valued at market price.

In the absence of significant trading volumes, these securities are valued using an actuarial method, with a benchmark rate plus, where applicable, a margin representative of the issuer’s intrinsic features.

Benchmark rate	
Negotiable debt securities in euros	**Negotiable debt securities in other**
Euribor, OISs and BTFs - 3 - 6 - 9 - 12 months BTANs - 18 months, 2 – 3 – 4 – 5 years	Official key rates in the relevant countries

- **Negotiable debt securities with a residual maturity of three months or less:**

Negotiable debt securities with a residual maturity of three months or less are valued using the straight-line method. However, this method would not be applied if any of these securities were particularly sensitive to market movements.

o **UCIs:**

Units or shares of UCIs are valued at the last known net asset value.
Units or shares of UCIs for which net asset values are published monthly may be valued on the basis of interim net asset values calculated from estimated prices.

o **Temporary purchases and sales of securities:**

Securities purchased under repurchase agreements are valued at their contract price using an actuarial method
with a benchmark rate (overnight EONIA, one- or two-week interbank rates, one- to 12-month EURIBOR) corresponding to the term of the contract.

Securities sold under repurchase agreements continue to be valued at their market price. Liabilities on securities sold under repurchase agreements are calculated using the same method as that used for securities purchased under repurchase agreements.

o **Futures and options:**

Futures and options are valued on the basis of intraday trading prices
the timing of which is based on that of the valuation of the underlying assets.

Positions taken on the futures or options markets and over the counter are valued at their market price or at the value of the equivalent underlying asset.

➢ **Financial instruments and securities not traded on a regulated market**

All of the UCI’s financial instruments are traded on regulated markets.

➢ **Valuation methods for off-balance sheet commitments**

Off-balance sheet transactions are valued at the commitment value.
The commitment value for futures contracts is equal to the price (in the SICAV’s currency) multiplied by the number of contracts multiplied by the face value.

The commitment value for options is equal to the price of the underlying security (in the SICAV’s currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security.
The commitment value for swaps is equal to the face value of the contract (in the SICAV’s currency).

Management fees

Management fees are calculated on each valuation day.
The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) using the following formula:

$$\frac{\text{Gross assets x operating and management fees rate x number of days between the NAV calculation date and the previous NAV calculation date}}{\text{365 (or 366 in a leap year)}}$$

- The SICAV pays the operating fees, which include:
. financial management;
. administration and accounting;
. custody services;
. other operating fees:
. statutory auditors’ fees;
. legal notices (Balo, Petites Affiches, etc.) if applicable.

These fees do not include transaction charges.

The fees break down as follows, as set out in the regulations:

Expenses charged to the	***Basis***	***Rate***	
Financial management fees	Net assets	C and D shares: Maximum 1,265% PC EUR shares: Maximum 0,815% RC EUR shares: Maximum 2% RD EUR shares: Maximum 2% PC H-GBP shares: Maximum 0,865% PC H-USD shares: Maximum 0,865% RC H-USD shares: Maximum 2% PC H-CHF shares: Maximum 0,865% RC H-CHF shares: Maximum 2% incl. taxes	
Administrative fees external to the management company	Net assets	C, D, PC EUR, RC EUR, RD EUR, PC H-GBP, PC H-USD, RC H-USD, PC H-CHF, RC H-CHF shares Maximum 0,035% incl. taxes	
Turnover commission (0 to 100% received by the management company and 0 to 100% received by the custodian)	Maximum charge on each transaction	Equities, foreign exchange	0% to 0,40% incl. taxes
		Futures and other transactions	None
Performance fees	n/a	None	

The method used to calculate retrocession amounts is set out in the sales and marketing agreements.
- If the amount is significant, a provision is recognised in account 617.
- The final amount is recognised upon settlement of invoices after reversal of any provisions.

Allocation of distributable income

Definition of distributable income:

Distributable income consists of:

Net income:

Net income for the financial year is equal to the amount of interest, arrears, bonuses and prizes, dividends, directors' fees and all other income generated by the securities that make up the portfolio, plus income generated by temporary cash holdings, minus the amount of management fees and borrowing costs.
Retained earnings are added, plus or minus the balance of the revenue adjustment account.

Capital gains and losses:

Realised capital gains, net of expenses, less realised capital losses, net of expenses, recognised for the financial year, plus any net capital gains of the same kind recognised over previous years that have not been distributed or accumulated, plus or minus the balance of the capital gains adjustment account.

Allocation of distributable income:

Distributable income	***C, PC, RC shares***	***D, RD shares***
Allocation of net income	Accumulation	Distribution
Allocation of net realised capital gains or losses	Accumulation	accumulation and/or distribution and/or retention

- **CHANGE IN NET ASSETS in euros**

	28/09/2018	29/09/2017
Net assets at start of year	**179,888,094.69**	**145,183,539.36**
Subscriptions (including subscription fees retained by the Fund)	29,552,995.43	6,632,503.39
Redemptions (net of redemption fees retained by the Fund)	-17,410,931.50	-6,801,914.03
Realised capital gains on deposits and financial instruments	5,915,441.92	11,041,900.42
Realised capital losses on deposits and financial instruments	-283,704.80	-841,195.43
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction fees	-505,206.78	-741,045.50
Exchange rate differences		
Changes in valuation difference of deposits and financial instruments	-13,390,622.24	23,784,050.75
Valuation difference for financial year N	23,333,813.10	36,724,435.34
Valuation difference for financial year N-1	-36,724,435.34	-12,940,384.59
Changes in valuation difference of forward financial instruments		
Valuation difference for financial year N		
Valuation difference for financial year N-1		
Distribution of prior year's net capital gains and losses	-238,653.63	-240,584.93
Dividends paid in the previous financial year	-285,410.26	-289,286.33
Net profit/loss for the financial year prior to income adjustment	3,162,655.40	2,160,126.99
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	**186,404,658.23**	**179,888,094.69**

- **BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC STATUS**

	Amount:	%
Assets		
Bonds and similar securities		
Bonds and similar securities		
TOTAL Bonds and similar securities		
Debt securities		
Debt securities		
TOTAL Debt securities		
Liabilities		
Sales of financial instruments		
Equities and similar securities		
TOTAL Sales of financial instruments		
Off-balance sheet items		
Hedging transactions		
Equity		
TOTAL Hedging transactions		
Other transactions		
Equities		
TOTAL Other transactions		

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY INTEREST RATE TYPE**

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts							150,641.04	0.08
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY**

	< 3 months	%	] 3 months- 1 year]	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities Temporary securities transactions										
Financial accounts										
Liabilities	150,641.04	0.08								
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions Other transactions										

Forward interest rate positions are presented according to the maturity of the underlying.

- **BREAKDOWN OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS BY LISTING OR VALUATION CURRENCY**

									Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%	Amount:	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary securities transactions										
Financial accounts										
Liabilities										
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions										
Other transactions										

%

- **RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE**

	Debit/credit item	28/09/2018
Receivables	Deferred settlement sale	372,452.52
	Subscription receivables	41,269.93
Total receivables		**413,722.45**
Liabilities	Deferred settlement purchase	254,210.53
	Redemptions payable	5.22
	Management fees	194,401.14
Total liabilities		**448,616.89**

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
C shares		
Shares subscribed during the financial year	14,232.176	24,909,683.0
Shares redeemed during the financial year	-9,757.627	-
Net balance of subscriptions/redemptions	4,474.549	7,800,830.99
PC EUR shares		
Shares subscribed during the financial year	451.089	4,599,671.48
Shares redeemed during the financial year	-28.034	-288,049.79
Net balance of subscriptions/redemptions	423.055	4,311,621.69
RC EUR shares		
Shares subscribed during the financial year	23.860	24,599.74
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions	23.860	24,599.74
D shares		
Shares subscribed during the financial year	3.372	4,961.46
Shares redeemed during the financial year	-10.000	-14,029.66
Net balance of subscriptions/redemptions	-6.628	-9,068.20
RD EUR shares		
Shares subscribed during the financial year	14.000	14,079.71
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions	14.000	14,079.71

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
C shares	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
PC EUR shares	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
RC EUR shares	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
D shares	
Redemption fees retained	
Subscription fees retained	
Total fees retained	
RD EUR shares	
Redemption fees retained	
Subscription fees retained	
Total fees retained	

- **MANAGEMENT FEES**

	28/09/2018
C shares	
Guarantee fees	
Fixed management fees	2,034,897.53
Percentage of fixed management fees	1.30
Variable management fees	
Retrocessions of management fees	
PC EUR shares	
Guarantee fees	
Fixed management fees	18,393.03
Percentage of fixed management fees	0.85
Variable management fees	
Retrocessions of management fees	
RC EUR shares	
Guarantee fees	
Fixed management fees	150.61
Percentage of fixed management fees	2.01
Variable management fees	
Retrocessions of management fees	
D shares	
Guarantee fees	
Fixed management fees	298,815.89
Percentage of fixed management fees	1.30
Variable management fees	
Retrocessions of management fees	
RD EUR shares	
Guarantee fees	
Fixed management fees	32.54
Percentage of fixed management fees	1.86
Variable management fees	
Retrocessions of management fees	

- **COMMITMENTS RECEIVED AND GIVEN**

Guarantees received by the Fund:
None.

Other commitments received and/or given:
None.

- **PRESENT VALUE OF SECURITIES HELD TEMPORARILY**

	28/09/2018
Securities held under repurchase agreements	
Borrowed securities	

- **PRESENT VALUE OF SECURITIES REPRESENTING SECURITY DEPOSITS**

	28/09/2018
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

- **GROUP FINANCIAL INSTRUMENTS HELD IN THE PORTFOLIO**

	ISIN code	Description	28/09/2018
Equities			
Bonds			
NDS			
UCIs			2,404,576.96
	FR0011291657	LAZARD EURO SHORT TERM MONEY MARKET	2,404,576.96
Forward financial instruments			

- **TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME PERTAINING TO NET INCOME**

	28/09/2018	29/09/2017
Remaining amounts to be allocated		
Retained earnings	106.12	84.83
Net income	3,196,634.48	2,163,965.79
Total	**3,196,740.60**	**2,164,050.62**

	28/09/2018	29/09/2017
C shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	2,717,570.14	1,878,574.21
Total	**2,717,570.14**	**1,878,574.21**

	28/09/2018	29/09/2017
PC EUR shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	92,361.66	-4.86
Total	**92,361.66**	**-4.86**

	28/09/2018	29/09/2017
RC EUR shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	434.13	
Total	**434.13**	

	28/09/2018	29/09/2017
D shares	386,023.99	285,375.10
Appropriation		
Distribution	386,023.99	285,375.10
Balance brought forward for the financial year	90.64	106.17
Accumulation		
Total	**386,114.63**	**285,481.27**
Information on shares with dividend rights		
Number of shares	16,226.313	16,232.941
Dividend per share	23.79	17.58
Tax credits		
Tax credit attached to the distribution of earnings	47,442.98	42,374.72

	28/09/2018	29/09/2017
RD EUR shares		
Appropriation		
Distribution	259.98	
Balance brought forward for the financial year	0.06	
Accumulation		
Total	**260.04**	
Information on shares with dividend rights		
Number of shares	14.000	
Dividend per share	18.57	
Tax credits		
Tax credit attached to the distribution of earnings	29.68	

- **TABLE OF ALLOCATION OF DISTRIBUTABLE INCOME PERTAINING TO NET CAPITAL GAINS AND LOSSES**

	28/09/2018	29/09/2017
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years	2,519,878.47	1,503,122.83
Net capital gains and losses for the year	5,397,042.76	9,426,489.44
Interim dividends paid on net capital gains/losses for the financial year		
Total	**7,916,921.2**	**10,929,612.2**

	28/09/2018	29/09/2017
C shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	4,608,846.03	8,169,929.00
Total	**4,608,846.03**	**8,169,929.00**

	28/09/2018	29/09/2017
PC EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	123,703.50	151.26
Total	**123,703.50**	**151.26**

	28/09/2018	29/09/2017
RC EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	309.75	
Total	**309.75**	

	28/09/2018	29/09/2017
D shares		
Appropriation		
Distribution	113,097.40	238,624.23
Undistributed net capital gains and losses	3,070,781.41	2,520,907.78
Accumulation		0.00
Total	**3,183,878.81**	**2,759,532.01**
Information on shares with dividend rights		
Number of shares	16,226.313	16,232.941
Dividend per share	6.97	14.70

	28/09/2018	29/09/2017
RD EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses	183.14	
Accumulation		
Total	**183.14**	

- **TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	30/09/2014	30/09/2015	September 30th 2016	29/09/2017	28/09/2018
Global net assets in euros	**139,868,562.51**	**144,364,088.14**	**145,183,539.36**	**179,888,094.69**	**186,404,658.23**
LAZARD EQUITY SRI C					
Net assets in euros	120,919,343.01	124,676,869.50	125,538,226.06	156,015,683.66	159,390,762.10
Number of shares	90,793.000	88,977.153	88,207.135	88,206.271	92,680.820
Net asset value per share in euros	1,331.81	1,401.22	1,423.22	1,768.75	1,719.78
Accumulation per share pertaining to net capital gains/losses in euros	50.06	109.43	30.28	92.62	49.72
Accumulation per share pertaining to net income in euros	18.20	19.69	21.07	21.29	29.32
LAZARD EQUITY SRI PC					
Net assets in euros				10,353.16	4,287,922.64
Number of shares				1.000	424.055
Net asset value per share in euros				10,353.16	10,111.71
Accumulation per share pertaining to net capital gains/losses in euros				151.26	291.71
Accumulation per share pertaining to net income in euros				-4.86	217.80
LAZARD EQUITY SRI RC					
Net assets in euros					24,035.43
Number of shares					23.860
Net asset value per share in euros					1,007.35
Accumulation per share pertaining to net capital gains/losses in euros					12.98
Accumulation per share pertaining to net income in euros					18.19
LAZARD EQUITY SRI D					
Net assets in euros	18,949,219.50	19,687,218.64	19,645,313.29	23,862,057.87	22,687,745.40
Number of shares	16,045.000	16,051.000	16,198.801	16,232.941	16,226.313
Net asset value per share in euros	1,181.00	1,226.54	1,212.76	1,469.97	1,398.20
Distribution per share pertaining to net capital gains/losses in euros		13.48	14.82	14.70	6.97
Undistributed net capital gains and losses per share in euros				155.29	189.24
Accumulation per share pertaining to net capital gains/losses in euros	44.39				
Distribution per share pertaining to net income in euros	16.08	17.18	17.82	17.58	23.79
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

* * Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

- **TABLE OF THE ENTITY'S INCOME AND OTHER SIGNIFICANT ITEMS OVER THE PAST FIVE FINANCIAL YEARS**

	30/09/2014	30/09/2015	September 30th 2016	29/09/2017	28/09/2018
Global net assets in euros	**139,868,562.51**	**144,364,088.14**	**145,183,539.36**	**179,888,094.69**	**186,404,658.23**
LAZARD EQUITY SRI RD EUR shares					
Net assets in euros					14,192.66
Number of shares					14.000
Net asset value per share in euros					1,013.76
Undistributed net capital gains and losses per share in euros					13.08
Distribution per share pertaining to net income in euros					18.57
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros					*

* * Tax credit per share will only be calculated on the distribution date, in accordance with applicable tax regulations.

- **INVENTORY** *in euros*

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
Equities and similar securities				
Equities and similar securities traded on a regulated or similar market				
GERMANY				
ALLIANZ SE	€	35,000	6,720,000.00	3.61
BAYER	€	40,156	3,072,335.56	1.65
DEUTSCHE BOERSE AG	€	28,000	3,231,200.00	1.73
DEUTSCHE TELEKOM AG	€	355,000	4,929,175.00	2.64
HENKEL AG AND CO.KGAA NON VTG PRF	€	36,000	3,637,800.00	1.95
INFINEON TECHNOLOGIES	€	73,900	1,446,223.00	0.78
MERCK KGA	€	44,000	3,916,000.00	2.10
MUENCHENER RUECKVERSICHERUNG AG	€	17,800	3,395,350.00	1.82
SAP SE	€	78,600	8,331,600.00	4.47
SIEMENS AG-REG	€	67,400	7,436,916.00	3.99
TOTAL GERMANY			**46,116,599.56**	**24.74**
BELGIUM				
KBC GROUPE	€	35,000	2,243,500.00	1.20
TELENET GROUP HOLDING	€	73,700	3,494,854.00	1.88
TOTAL BELGIUM			**5,738,354.00**	**3.08**
SPAIN				
ENAGAS SA	€	119,300	2,773,725.00	1.49
TOTAL SPAIN			**2,773,725.00**	**1.49**
FINLAND				
NOKIA (AB) OYJ	€	580,000	2,770,660.00	1.49
TOTAL FINLAND			**2,770,660.00**	**1.49**
FRANCE				
AIR LIQUIDE	€	53,000	6,004,900.00	3.22
ALSTOM	€	103,996	4,002,806.04	2.15
AMUNDI	€	60,000	3,872,400.00	2.08
ATOS	€	20,300	2,080,750.00	1.12
AXA	€	207,000	4,792,050.00	2.57
BNP PARIBAS	€	96,350	5,078,608.50	2.72
BUREAU VERITAS	€	119,510	2,656,707.30	1.43
CARREFOUR	€	277,000	4,570,500.00	2.45
COFACE	€	268,541	2,193,979.97	1.18
DASSAULT SYSTEMES	€	38,348	4,937,305.00	2.65
EIFFAGE	€	49,000	4,711,840.00	2.53
ESSILORLUXOTTICA	€	29,800	3,798,010.00	2.04
IMERYS EX IMETAL	€	66,900	4,254,840.00	2.28
LEGRAND SA HOLDING	€	47,700	2,994,606.00	1.61
L'OREAL	€	24,900	5,171,730.00	2.77
LVMH (LOUIS VUITTON - MOET HENNESSY)	€	18,200	5,543,720.00	2.97
ORANGE	€	303,200	4,164,452.00	2.23
PUBLICIS GROUPE SA	€	83,000	4,272,840.00	2.29
RENAULT SA	€	38,000	2,831,000.00	1.52
REXEL SA	€	249,700	3,229,869.50	1.73
SAINT-GOBAIN	€	121,000	4,494,545.00	2.41
SANOFI	€	90,000	6,890,400.00	3.70
SCHNEIDER ELECTRIC SA	€	54,300	3,762,990.00	2.02
SOCIETE GENERALE SA	€	111,000	4,103,670.00	2.20
TOTAL FRANCE			**100,414,519.31**	**53.87**

ITALY				
INTESA SANPAOLO SPA	€	950,000	2,090,950.00	1.12
TOTAL ITALY			**2,090,950.00**	**1.12**
LUXEMBOURG				
APERAM	€	79,000	3,119,710.00	1.67
TOTAL LUXEMBOURG			**3,119,710.00**	**1.67**
NETHERLANDS				
AKZO NOBEL	€	64,500	5,194,830.00	2.79
HEINEKEN	€	51,000	4,118,760.00	2.21
ING GROEP NV	€	457,700	5,118,916.80	2.75
UNILEVER	€	134,000	6,427,310.00	3.44
TOTAL NETHERLANDS			**20,859,816.80**	**11.19**
TOTAL Equities and similar securities traded on regulated or similar markets			**183,884,334.67**	**98.65**
TOTAL Equities and similar securities			**183,884,334.67**	**98.65**
Undertakings for collective investment				
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries				
FRANCE				
LAZARD EURO SHORT TERM MONEY MARKET	€	7,226	2,404,576.96	1.29
TOTAL FRANCE			**2,404,576.96**	**1.29**
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			**2,404,576.96**	**1.29**
TOTAL Undertakings for collective investment			**2,404,576.96**	**1.29**
Receivables			**413,722.45**	**0.22**
Liabilities			**-448,616.89**	**-0.24**
Financial accounts			**150,641.04**	**0.08**
Net assets			**186,404,658.23**	**100.00**

LAZARD EQUITY SRI C	€	**92,680.820**	**1,719.78**
LAZARD EQUITY SRI RC	€	**23.860**	**1,007.35**
LAZARD EQUITY SRI Action RD EUR	€	**14.000**	**1,013.76**
LAZARD EQUITY SRI D	€	**16,226.313**	**1,398.20**
LAZARD EQUITY SRI PC	€	**424.055**	**10,111.71**

- **ADDITIONAL INFORMATION ON THE TAX REGIME APPLICABLE TO INTEREST PAYMENTS**

BREAKDOWN OF INTEREST: D

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax				
Equities eligible for a tax allowance and subject to non-definitive withholding tax	340,914.84	€	21.01	€
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income	45,109.15	€	2.78	€
Amounts paid out in relation to capital gains and losses	113,097.40	€	6.97	€
TOTAL	499,121.39	€	30.76	€

BREAKDOWN OF INTEREST: RD EUR

	NET OVERALL	CURRENCY	NET PER SHARE	CURRENCY
Revenue subject to non-definitive withholding tax				
Equities eligible for a tax allowance and subject to non-definitive withholding tax	231.70	€	16.55	€
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income	28.28	€	2.02	€
Amounts paid out in relation to capital gains and losses				
TOTAL	259.98	€	18.57	€

7 TEXT OF RESOLUTIONS

LAZARD EQUITY SRI
French open-end investment company (*Société d'Investissement à Capital Variable*)
Registered office: 121, Boulevard Haussmann, 75008 Paris, France
Paris Trade and Companies Register No. 438 703 050

RESOLUTION CONCERNING THE ALLOCATION OF DISTRIBUTABLE INCOME PROPOSED AT THE ORDINARY SHAREHOLDERS' MEETING

OF FINANCIAL YEAR ENDED SEPTEMBER 28th, 2018

Second resolution

The Shareholders' Meeting approves the distributable income for the financial year, which amounts to:

€3 196 740,60 Distributable amount relating to net income
€7 916 921,23 Distributable income relating to net capital gains and losses

and decides that they shall be allocated as follows:

1. Distributable amount relating to net income
- C shares: **Accumulation**: €2 717 570,14
- PC shares: **Accumulation**: €92 361,66
- RC shares: **Accumulation**: €434,13
- D shares: **Distribution**: €386 023,99
- D shares: **Retained:** €90,64
- RD shares: **Distribution**: €259,98
- RD shares: **Retained:** €0,06

a) Each shareholder holding "D" shares on the detachment date will receive a dividend of **€23,79** which will be detached on **January 24th, 2019** and paid on **January 28th, 2019**.

This amount breaks down as follows:
Income eligible for a tax allowance of 40% and subject to a compulsory 21% advance payment
- Income on French shares: € 3.50
- Income on foreign shares: € 17.51

Income not eligible for a tax allowance
- Income on French shares: € 2.78

This dividend may be reinvested at no cost in shares of the company over a period of three months starting from the payment date.

b) Each shareholder holding "RD" shares on the detachment date will receive a dividend of **€18,57** which will be detached on **January 24th, 2019 and paid on January 28th, 2019**.

This amount breaks down as follows:
Income eligible for a tax allowance of 40% and subject to a compulsory 21% advance payment
- Income on French shares: € 7.28
- Income on foreign shares: € 9.27

Income not eligible for a tax allowance
- Income on French shares: € 2.02

This dividend may be reinvested at no cost in shares of the company over a period of three months starting from the payment date.

2. Distributable amount pertaining to net capital gains and losses

- C shares: **Accumulation**: €4 608 846,03
- PC shares: **Accumulation**: €123 703,50
- RC shares: **Accumulation**: €309,75
- D shares: **Distribution:** €113 097,40
- D shares: **Retained**: €3 070 781,41
- RD shares: **Retained:** €183,14

Representing a net dividend of **€6,97** per share, which will be detached on **January 24th, 2019 and paid on January 28th, 2019**.

For information: Dividends paid over the last four years

Year ended:	Amount per unit/share	
29/09/2017	€17,58	D shares
30/09/2016	€17,82	D shares
30/09/2015	€17,18	D shares
30/09/2014	€16,08	D shares