

# **LAZARD EQUITY SRI**

**French SICAV (open-end  
investment company)**

## **ANNUAL REPORT**

At September 30<sup>th</sup>, 2019

**Management company: Lazard Frères Gestion SAS**

**Custodian: Caceis Bank**

**Statutory auditor: Ernst & Young et Autres**

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## 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 Fund's portfolio, plus income generated by temporary cash holdings, minus management fees and borrowing costs.
- 2) realised capital gains, net of expenses, minus 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.

The amounts referred to in 1) and 2) may be accumulated and/or distributed and/or retained 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 shall be distributed in full and the allocation of net realised capital gains shall be 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](http://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 (non-financial rating) and any other

assets, such as money market assets, are not rated.

## 2. Assets (excluding embedded derivatives)

### Equities:

Shares of companies of any market capitalisation, whose registered office is in a Eurozone country, with no sector restrictions.

### Debt securities and money market instruments:

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

### • Types of transactions – 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 portfolio hedging
- 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, and in accordance with Position paper 2013-06 issued by the French financial markets regulator (*Autorité des Marchés Financiers*– AMF), the Fund 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 Fund 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 (iv) 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 1<sup>st</sup>, 2014, if the Fund 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.

The amount that it is reasonable to invest in this UCI depends on each investor's personal circumstances. To determine this, investors should take account of their personal financial situation, current needs and the recommended investment period, and should also consider their ability to assume risk or whether they prefer instead to opt for a more cautious investment.

**Recommended investment period:** minimum five years.



## 2 CHANGES AFFECTING THE UCI

None.

## Corporate governance (CSR) section

### I. List of appointments

<b>Directors' names</b>	<b>Number of offices held</b>	<b>List of offices and functions</b>
Bernard Devy	1	Chairman of the Board of Directors of the SICAV Lazard Equity SRI
Axel Laroza Director of Lazard Frères Gestion SAS	3	Chairman of the Board of Directors of the SICAV Lazard Actifs Réels CEO and board member of the SICAV Lazard Equity SRI Deputy CEO and board member of the SICAV Lazard Alpha Europe
François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS	5	Chairman of the SICAV Objectif Monde's Board of Directors Chairman and Chief Executive Officer of: - Objectif Gestion Mondiale Member of the Boards of Directors of the SICAVs: - 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	4	Chairman and Chief Executive Officer of the Norden Family SICAV Member of the Boards of Directors of the SICAVs: - 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 Nescout Managing Director of Lazard Frères Gestion SAS	4	Member of the Boards of Directors of the SICAVs: - Norden - Lazard Small Caps Euro - Lazard Credit Opportunities - Lazard Equity SRI
Fabienne de La Serre Vice President of Lazard Frères Gestion	5	Board member 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	Board member of the following SICAVs: . Lazard Euro Short Duration . Lazard Equity SRI . Norden Small . Lazard Convertible Global . Lazard Credit Opportunities

## II. Directors' fees

<b>Members of the Board of Directors</b>	<b>Directors' fees paid by the SICAV</b>
Bernard Devy	€ 8.764
Axel Laroza <i>Director of Lazard Frères Gestion SAS</i>	0
François de Saint-Pierre <i>Managing Director of Lazard Frères Gestion SAS</i>	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	€2.86
Jean-Jacques de Gournay <i>Managing Director of Lazard Frères Gestion SAS</i>	0
Régis Bégué <i>Managing Director of Lazard Frères Gestion SAS</i>	0
Michel Piermay	Total amount relating to non-voting directors: €7.500
Paul-Henri de La Porte du Theil	
Monica Nescout <i>Managing Director of Lazard Frères Gestion SAS</i>	0
Fabienne de La Serre <i>Vice President of Lazard Frères Gestion</i>	0
Paul Castello <i>Managing Director of Lazard Frères Gestion SAS</i>	0

### III. 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 L.225-37-4 para.2 of the French Commercial Code during the financial year ended September 30<sup>th</sup>, 2019.

### IV. 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 L.225-37-4 para.3 of the French Commercial Code were granted or were ongoing during the financial year ended September 30<sup>th</sup>, 2019.

### V. 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.

### 3 MANAGEMENT REPORT

#### PERFORMANCE

The UCI's performance over the period was as follows: **+1,28%**.

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

The benchmark's performance over the period was as follows: **+4,20%**.

#### ECONOMIC ENVIRONMENT

##### Introduction

The past year was marked by a slowdown in global growth, in both developed and emerging countries, and especially in the manufacturing sector in which confidence declined. Several factors weighed on the markets, notably the rise in US-China trade tensions, problems specific to the automotive sector and political uncertainties in Europe. The slowdown in the manufacturing sector has not yet contaminated the services sector, which has held up well until now thanks to the fact that consumption remains upbeat. In the face of increasing downside risks, central banks have chosen to ease monetary policy as a preventive measure. After adopting the principle of a pause in its rate-hiking cycle, the Federal Reserve (Fed) cut its interest rates twice and stopped reducing its balance sheet. The European Central Bank (ECB) postponed a possible rise in its interest rates and launched a new wave of targeted longer term loans (TLTRO), before announcing a new package of measures including, among other things, a cut in the deposit rate and a resumption of asset purchases. In emerging countries, the Central Bank of China (PBOC) cut the reserve requirement ratio for the banking sector on three occasions while several other countries cut interest rates. Against this backdrop, the equity markets experienced renewed volatility and bond yields fell more or less worldwide.

GDP volume growth (%)	2017	2018	2019	2020
World	3,8	3,6	3,0	3,4
Developed countries	2,5	2,3	1,7	1,7
Emerging countries	4,8	4,5	3,9	4,6
Eurozone	2,5	1,9	1,2	1,4
United States	2,4	2,9	2,4	2,1
Japan	1,9	0,8	0,9	0,5
United Kingdom	1,8	1,4	1,2	1,4
China	6,8	6,6	6,1	5,8
India*	7,2	6,8	6,1	7,0
Brazil	1,1	1,1	0,9	2,0
Russia	1,6	2,3	1,1	1,9

IMF Economic Outlook, October 2019

\* The data and forecasts for India are presented based on the budget year

The MSCI World index of global equity markets in dollars fell by 0,7% year-on-year, due to a fall of 0,2% in developed countries and of 4,5% in emerging countries. In their respective currencies, the S&P 500 gained 2,2%, the Euro Stoxx gained 1,6% and the Topix lost 12,6%. The performances of the S&P 500 and the Topix were more beneficial for investors not hedged against foreign exchange risk (+8,8% and -2,4% respectively), with the dollar and the yen appreciating against the euro.

The euro fell from \$1,16 to \$1,09 year-on-year, i.e. a depreciation of 6,1%. It depreciated by 10,7% against the yen, by 4,6% against the Swiss franc and by 0,4% against sterling. Political uncertainties in Italy and the ECB's accommodative monetary policy weighed on the single currency. At the same time, the yen and the Swiss franc benefited from their safe-haven status during the various episodes of flight to quality.

The slight fall in the MSCI World index masked a bumpy trajectory, mainly due to the back-and-forth China-US trade tensions, concerns about global growth and political uncertainties in Europe. Faced with these international uncertainties, the Fed and the ECB switched to a more accommodative approach, as a precaution, which boosted the equity markets.

Against this backdrop, government bond yields fell in the United States and Germany. Year-on-year, the US 10-year interest rate fell from 3,06% to 1,66%, having peaked at 3,24% in November 2018. In parallel, the German 10-year interest rate fell from +0,47% to -0,57%, after peaking at +0,57% in early October 2018.

Falling interest rates across the world pushed the weighting of negative yield bonds in the Bloomberg Barclays Global Aggregate index up from 13% to 26% between September 2018 and September 2019.

Credit spreads on 10-year maturities between peripheral countries and Germany tightened over the past year: by 180 basis points in Greece, 128 basis points in Italy, 68 basis points in Portugal and 31 basis points in Spain.

Credit margins on corporate bonds remained virtually stable year-on-year. According to the ICE Bank of America Merrill Lynch indices, they rose from 110 to 111 for good quality corporate bonds and from 355 to 366 for high yield bonds.

The price of a barrel of Brent fell by 28% year-on-year, from \$83 to \$60, due in particular to fears around global demand. In mid-September 2019, the attack on two oil facilities in Saudi Arabia triggered an increase of around \$12 in the barrel price over a single day. But the movement was short-lived.

## **United States**

Growth remained solid in the US, reaching +1,1% in Q4 2018, +3,1% in Q1 2019 and +2,0% in Q2 2019, on an annualised basis. GDP grew by +2,3% year-on-year.

The ISM surveys showed a downturn, with the manufacturing ISM falling from 59,5 to 47,8 and the non-manufacturing ISM falling from 60,8 to 52,6.

Household consumption grew at a good pace, apart from two soft patches in December 2018 and February 2019, showing a year-on-year increase of +2,3%.

Job creation has slowed in recent months, but has not taken a downturn. In year-on-year terms, 2 000 000 jobs were created by the private sector. The unemployment rate fell by 0,3 points to 3,5%, its lowest level since December 1969. The hourly wage accelerated gradually to reach a peak of +3,4% year-on-year in February 2019. It then moderated to +2,9% year-on-year.

Residential investment contracted by 3,2% year-on-year in Q2 2019. Real estate prices continued to slow gradually, reaching +3,2% year-on-year at the national level, according to the S&P CoreLogic Case-Shiller index. The NAHB home builder confidence index was virtually stable year-on-year, masking a decline at the end of Q4 2018. Non-residential investment has slowed in recent quarters but remains up +2,6% year-on-year.

The US trade deficit fluctuated around \$55 billion per month. Exports rose by 0,1% year-on-year while imports remained stable. Imports from China fell by 14,0% year-on-year.

Headline inflation slowed from +2,0% to +1,4% year-on-year, while core inflation accelerated from +2,2% to +2,4% year-on-year.

The Federal Reserve raised its benchmark interest rate by 25 basis points on December 19<sup>th</sup>, 2018, bringing it to a band of 2,25%-2,50%. On January 4<sup>th</sup>, 2019, Jerome Powell indicated that the Federal Reserve would be patient and adjust its monetary policy in line with economic results. On March 20<sup>th</sup>, 2019, the Fed announced that it would stop reducing its balance sheet from September 2019. On June 19<sup>th</sup>, 2019, the Fed removed the reference to patience from its press release to indicate that it was ready to act. It made two 25 basis-point cuts in its benchmark rate on July 31<sup>st</sup> and September 19<sup>th</sup>, bringing it to a band of 1,75%-2,00%.

The mid-term elections on November 6<sup>th</sup>, 2018 resulted in a divided Congress. The Democrats took control of the House of Representatives, securing 235 of the 435 seats. With 53 of the 100 seats in the upper house, the Republicans held onto their majority in the Senate. Due to a lack of financing, the federal administrations were partially closed from December 23<sup>rd</sup>, 2018 to January 25<sup>th</sup>, 2019, the longest shutdown in the history of the United States.

## **Eurozone**

Growth in the Eurozone slowed to an annualised rate of +0,8% in Q2 2019 after +1,7% in Q1 2019 and +1,2% in Q4 2018. GDP grew by +1,2% year-on-year in the Eurozone, by +0,4% in Germany, by +1,4% in France, by +2,0% in Spain and by +0,1% in Italy.

The Eurozone composite PMI fell from 54,1 to 50,1, mainly due to the fall in the manufacturing PMI from 53,2 to 45,7, in particular the decline from 53,7 to 41,7 in Germany. The Eurozone services PMI fared better, falling from 54,7 to 51,6.

Car sales in the Eurozone have gradually normalised after the impact of the entry into force of the WLTP anti-pollution standards on September 1<sup>st</sup>, 2018. Automotive production, however, has continued to slow, falling by 2,4% year-on-year.

Unemployment in the Eurozone continued to fall, reaching a new record low of 7,4% since 2008, versus 8,0% a year earlier.

Headline inflation slowed from +2,1% to +0,9% year-on-year. Core inflation moved within a tight range of +0,8% and +1,3% year-on-year.

At its meeting on December 13<sup>th</sup>, 2018, the ECB confirmed the end of its purchase programme, specifying that it would continue to reinvest redemptions from maturing securities for an extended period after beginning to raise interest rates. On March 7<sup>th</sup>, 2019, the ECB announced that it would keep interest rates unchanged “at least until the end of 2019” and launch a new wave of targeted longer-term refinancing operations (TLTROs) for Eurozone banks. On June 6<sup>th</sup>, 2019, the ECB postponed a possible rate hike to the second half of 2020. On September 13<sup>th</sup>, 2019, Mario Draghi announced a new package of monetary easing measures, including: a 10-basis point cut in the deposit rate to -0,50%; a partial exemption mechanism for certain banks; the resumption of QE to the tune of €20 billion per month, with no time limit; more favourable conditions for TLTRO 3 and a strengthening of the forward guidance, which now links interest rate trends to inflation.

The European elections in May 2019 saw support for the traditional parties erode but the surge in support for the populist bloc that some had anticipated did not take place. The numbers among liberals and environmentalists showed an increase.

In Italy, the Five Star Movement and the Democratic Party formed a new government after the collapse of the coalition between the Five Star Movement and the League.

In Spain, after the failure of its draft budget, the new head of the socialist government, Pedro Sanchez, called early general elections for April 28<sup>th</sup>, 2019, which saw the PSOE take the lead but without giving it a majority. As the various parties failed to agree to form a government, new legislative elections were called for November 10<sup>th</sup>, 2019.

## **Japan**

Growth in Japan increased from an annualised rate of +1,8% in Q4 2018 to +2,2% in Q1 2019 and +1,3% in Q2 2019. GDP grew by +1,0% year-on-year.

The manufacturing PMI fell from 52,5 to 48,9 while the services PMI rose from 50,2 to 52,8.

The labour market remained tight. The unemployment rate fell from 2,4% to 2,2% and the ratio between job offers and job applications stabilised at 1,6.

Inflation slowed from +1,2% to +0,3% year-on-year, while core inflation accelerated slightly to +0,6% year-on-year, versus +0,4% twelve months earlier.

## China

Year-on-year growth in China slowed from 6.4% in Q4 2018 and Q1 2019 to 6.2% in Q2 2019. In March 2019, the government announced a growth target of between 6,0% and 6,5%.

The Caixin manufacturing PMI deteriorated at first to a low of 48,3 in January 2019. It subsequently picked up to 51,4 in September 2019 versus 50,0 in September 2018.

Industrial production slowed from +5,8% to +4,4% year-on-year while investment in the manufacturing sector slowed from +16,1% to -1,6% year-on-year. Car sales also slowed, falling by 7,7% year-on-year. Expenditure on infrastructure and real estate grew more or less at the same rate as the previous year.

Exports slowed from +13,9% to -3,2% year-on-year and imports slowed from +14,3% to -8,5% year-on-year. Exports to the US fell.

Growth in the total credit stock accelerated slightly, from +10,6% to +11,0% year-on-year.

The central bank reduced the level of compulsory bank reserves by 100 basis points in October 2018, by 100 basis points in January 2019 and by 50 basis points in September 2019, bringing it to 13,0%. The central bank also announced reform of the mechanism for setting preferential lending rates, with which bank lending rates are aligned.

In particular, the government announced tax cuts for households and companies, amounting to around 2% of GDP in 2019, as well as measures to support investment in infrastructure and the automotive sector.

## MANAGEMENT POLICY

Lazard Equity SRI gained +1,28% over financial year 2019 versus +4,20% for the benchmark index, the Euro Stoxx with net dividends reinvested, representing an underperformance of 292bp.

The last three months of 2018 were mainly marked by a sell-off across the indices in anticipation of a slowdown in global growth, confirmed by disappointing Eurozone and Chinese indicators. Moreover, the IMF, OECD and central banks revised down their growth projections. The outlook for the US economy was also a source of concern, particularly with the inversion of the yield curve, seen as a potential harbinger of a recession. This did not prevent the Fed from once again raising its key lending rates by a quarter of a point and stating that it would adapt its policy according to macroeconomic developments, while scaling back the number of tightening episodes earmarked for 2019. At the same time, there was still no sign of a resolution to the Brexit problem, even though an agreement was reached between the European Union and the United Kingdom. The deal did not get through parliament, Theresa May having dropped plans to submit it to MPs on the day before the planned vote on fears that it would be rejected. The vote was postponed to the middle of January. Italy revised down its budget deficit from 2,40% to 2,04%, enabling it to avoid a European excessive deficit procedure for now. Against this backdrop, Lazard Equity SRI ended the last quarter of 2018 with a sharp fall of 13,18% versus -12,96% for the Euro Stoxx index. The portfolio was negatively impacted primarily by the commodities sector, including *Aperam* (-40,7%) and *Imerys* (-34,0%). It was also hurt by the underweighting of the utilities sector and in particular the absence of *Enel* (+14,3%) and *Iberdrola* (+10,7%). The other main negative contributors to the relative performance were *Amundi* (-28,5%) in financial services, *Rexel* (-28,1%) in industrial goods, *Eiffage* (-24,1%) in buildings and construction materials, and *Société Générale* (-24,8%) in banking. That said, the fund's decline was limited by positive stock-picking effects in healthcare, chemicals, personal care and household products, among others. Among the most significant positive contributors were *Deutsche Telekom* (+6,7%), *Orange* (+5,2%), *Merck* (+1,1%) and *Unilever* (-0,24%). The absence of *Airbus* (-22,4%) and *Anheuser-Busch Inbev* (-22,4%) also had a positive impact. With large question marks hanging over global growth and fears of a supply glut, oil prices fell sharply (-35% over the period for Brent crude). The fund therefore benefited from the absence of *Total* (-16,2%).

The first quarter of 2019 was marked by a strong rebound in most global markets, allowing the previous quarter's losses to be all but reversed. This recovery was mainly due to the Federal Reserve's more accommodative stance and an about-turn by its Chair. Citing the slowdown in global growth and the tightening of financial conditions in the markets, Jerome Powell ended the cycle of benchmark interest rate hikes initiated in December 2015.

At the ECB, Mario Draghi announced that he would not raise interest rates at least until the end of 2019, while launching a wave of targeted longer-term loans (TLTROs) to cushion the negative interest rate impact on Eurozone banks. The easing of trade tensions between the United States and China and the hope of an agreement between these two parties were also major factors that reassured the markets. With regard to the United Kingdom, the climate of uncertainty persisted as, for the third time, Parliament rejected the exit agreement negotiated by Theresa May with the European Union. Against this backdrop, Lazard Equity SRI ended the quarter on a sharp increase of 9,27% compared with 12,09% for its benchmark index. The industrial goods sector was the worst contributor to the fund's performance. This is due to a negative stock-picking effect and, in particular, the absence of *Airbus* (+40,4%). The portfolio was also hurt by the declines of *Publicis* (-4,7%) in media following a poor earnings release, *Société Générale* (-7,3%) in banking, and *Henkel* (-4,6%) in personal care and household products. On the other hand, the technology sector was the best contributor thanks to the selection of *SAP* (+18,5%) and *Atos* (+20,3%). The Fund also benefited from gains by *Heineken* (+21,9%) in agri-food and beverages, *LVMH* (+27,0%) in personal care and household products and *Amundi* (+21,5%) in financial services. Once again, it stood out from the benchmark index thanks to the absence of *Total* (+8,6%) in oil and *Wirecard* (-15,9%) in industrial goods.

After a strong rally in the first quarter of 2019 (+14,5% for the MSCI World net dividends reinvested expressed in euros), the global markets came to a halt in May but ended the second quarter with a gain of +2,5%. While the trend seen in the first quarter continued in April (+3,7%), renewed tensions around a trade war and a slowdown in global growth combined with the continuous fall in sovereign interest rates sparked a sharp fall in the markets in May (-5,2%). They picked up in June (+4,3%), helped by the increasingly accommodative stance of central banks, prepared to act if necessary, and by hopes of a resolution of the trade dispute between China and the United States at the end of the G20 summit. With regard to the United Kingdom, the postponement of the Brexit deadline to October 31<sup>st</sup> made it possible to rule out the risk of a no-deal Brexit in the short term, while also prolonging the period of uncertainty. Against this backdrop, Lazard Equity SRI ended the second quarter of 2019 with a gain of 6,07% versus +4,22% for its benchmark index, the Euro Stoxx (net dividends reinvested), i.e. an outperformance of 185bp. However, there was a negative stock selection effect in the personal care and household products, automotive, and healthcare and media sectors. *Merck* (-8,3%), *Société Générale* (-5,6%), *Wartsila* (-11,3%) and the absence of *Adidas* (+27,0%) and *Linde* (+13,8%) were among the biggest negative contributors to the relative performance over the quarter. Conversely, the fund was underpinned mainly by an excellent selection in the technology, insurance and financial services sectors. Specifically, the portfolio benefited from gains by *SAP* (+18,8%), *Amundi* (+15,0%), *EssilorLuxottica* (+20,1%) and *LVMH* (+15,5%), and stood out from the benchmark through the presence of *Coface* (+22,8%). Still eschewing oil stocks, Lazard Equity SRI benefited from the stagnation of the Brent barrel price during the quarter (+0,1%), which fluctuated in line with OPEC's restrictions and US-Chinese and US-Iranian tensions.

The third quarter of 2019 was also quite turbulent. The markets fluctuated in line with trade tensions, signs of a slowdown in global growth, accommodative messages from central banks, tensions in Hong Kong and the Middle East, uncertainties about the future of Brexit and the investigation into Donald Trump's impeachment. The global markets represented by the MSCI World (net dividends reinvested expressed in euros) nevertheless rose by 5,0% over these three months. July (+2,8%) saw further signs of a slowdown in the global economy. The central banks responded by adopting a more accommodative stance. As expected, the Fed cut its key rate by 25bp while the ECB announced further easing measures for the end of the quarter. August (-1%) saw a further escalation of tensions and tariff increases between China and the United States despite a compromise having been negotiated at the end of June during the G20 summit. Amid all of that, the UK's new Prime Minister, Boris Johnson, caused market jitters due to concerns about a possible exit without an agreement. In September (+3,2%), the market rebounded following signs of an easing of tension between China and the US. This rebound was also triggered by increasingly accommodative statements by central bankers. The Fed decided to reduce its key rate by another 25bp to a band of 1,75%-2,00% while specifying that it would act again if necessary. In Europe, the ECB cut its deposit facility rate by 10bp, reactivated its quantitative easing programme to the tune of €20 billion per month and improved long-term lending conditions for banks. In the United Kingdom, the Prime Minister remained determined to leave the European Union on October 31<sup>st</sup>, with or without an agreement. Against this backdrop, Lazard Equity SRI ended the third quarter of 2019 on a slight increase of 0,66% compared with an increase of 2,47% for the Euro Stoxx net dividends reinvested. It was penalised by the selection of stocks in the technology, commodities and industrial goods sectors and the absence of stocks in utility services. Specifically, the portfolio was held back, among other things, by weak performances by *SAP* (-10,7%), *Wartsila* (-17,6%), *Atos* (-12,0%) and *Imerys* (-20,9%) which is not represented on our benchmark index. By contrast, the healthcare and banking sectors were the best contributors thanks to a positive stock-picking effect. The main gains of note came from *Merck* (+12,4%), *EssilorLuxottica* (+15,2%) and *Sanofi* (+12%) on the one hand, and *Société Générale* (+13,1%) and *BNP* (+7,0%) on the other. The portfolio also benefited from good performances by *Eiffage* (+9,4%) in construction, as well as the absence of *Total* (-1,5%) and *Airbus* (-4,4%) in energy and industrial goods, respectively.



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	64 000 656,89	58 163 714,75
ASML HOLDING NV	4 642 776,55	3,706,424,47
SOCIETE GENERALE SA	4 494 590,48	2 604 980,25
ALSTOM	1 087 172,00	5 451 092,12
IMERYS EX IMETAL	3 639 778,80	2 006 115,50
DAIMLER AG-REGISTERED SHARES	2 884 663,00	2 749 260,52
REXEL	2 418 428,00	2 670 173,53
HENKEL AG AND CO.KGAA NON VTG PRF	882 602,00	4 118 945,81
DASSAULT SYSTEMES	386 845,00	4 524 615,41
CARREFOUR	2 357 913,00	2 481 034,69

**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.

• **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
<p><b>Efficient portfolio management techniques</b></p> <ul style="list-style-type: none"> <li>. Term deposits</li> <li>. Equities</li> <li>. Bonds</li> <li>. UCITS</li> <li>. Cash (**)</li> </ul> <p style="text-align: center;"><b>Total</b></p>	
<p><b>Derivative financial instruments</b></p> <ul style="list-style-type: none"> <li>. Term deposits</li> <li>. Equities</li> <li>. Bonds</li> <li>. UCITS</li> <li>. Cash</li> </ul> <p style="text-align: center;"><b>Total</b></p>	

(\*\*) 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
<ul style="list-style-type: none"> <li>. Income (***)</li> <li>. Other income</li> </ul> <p style="text-align: center;"><b>Total income</b></p> <ul style="list-style-type: none"> <li>. Direct operating expenses</li> <li>. Indirect operating expenses</li> <li>. Other expenses</li> </ul> <p style="text-align: center;"><b>Total expenses</b></p>	

(\*\*\*) 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 on brokerage fees is available on the website: [www.lazardfreresgestion.fr](http://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](http://www.lazardfreresgestion.fr).

### • **COMMUNICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA**

Lazard Frères Gestion firmly believes that the integration of environmental, social and governance (ESG) criteria in the management of assets provides an additional guarantee in terms of 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.

The intensity and methods by which we incorporate ESG criteria may vary depending on the asset class and investment process involved, but the common objective is to ensure better apprehension of ESG risks that are likely to have a strong impact on the value of a company or sovereign asset.

Information about ESG criteria is available on the website: [www.lazardfreresgestion.fr](http://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 to their sustained 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.

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  - 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***

#### **The Social criterion**

There are three themes within this criterion which account for 60% of our weighting: human resources, human rights and societal commitments.

We put particular emphasis on human resources (40% of the weighting of this criterion) which is the main theme of our investment process, since a company's financial performance can be impacted by lack of attention to human resources issues.

We examine this theme in terms of:

- the quality of general working conditions,
- fostering of employer-employee relations,
- job and skills enhancement.

Appropriate incorporation of **human rights** (10%) is necessary if a company is to operate smoothly. This theme is examined in the following manner:

- within the company by monitoring respect for fundamental human rights and the prevention of related breaches (respect for human rights and fundamental freedoms),
- within the workplace by monitoring respect for fundamental human rights: elimination of prohibited forms of labour, respect for the freedom to form unions and the right to collective bargaining, non-discrimination in employment and the promotion of equality.

**We examine the theme of societal commitment** (10%) by measuring:

- the impact of the company's activity in its surrounding territory (the commitments it makes to economic and social development in the surrounding territory),
- the company's approach to society (respect for social partners, commitments related to the products and services developed by the company),
- the contributions made by the company to public causes.

#### **The Environmental criterion**

This is the second most important theme after human resources, and represents 30% of our weighting. It is useful in highlighting potential liabilities that can impact the company's profitability going forward.

The theme of the environment is examined at two levels:

- the company's environmental strategy: factoring in of pollution risks, "green" products and services, the prevention of risks to biodiversity,
- the manufacture and distribution of products: controlling impacts on water, energy consumption, reduction of pollutants, improvement of waste management, control of impacts related to distribution, and rehabilitation of sites, etc.

#### **The Customer-Supplier Relations criterion**

This theme accounts for 10% of our weighting, and takes account of:

- the rights and interests of clients (product information and safety),
- sustainable cooperation with suppliers based on the integration of social and environmental factors within the supply chain,
- compliance with competition rules,
- the prevention of corruption.

#### **The Governance criterion**

Governance is a fundamental criterion in the investment process and is an integral part of Lazard Frères Gestion's stock picking process.

The following themes are included:

- the composition and effectiveness of the board of directors (expertise and experience).

- the distribution of shareholder and management rights,
- the independence and expertise of members of supervisory bodies,
- the method of compensating directors and key managers,
- the number of mandates held by directors and members of the executive board.

### ***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 agency Vigeo Eiris, 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 methodology

The ESG assessment methodology for issuers combines a quantitative assessment of the ES criteria provided by Vigeo and a qualitative assessment of the Governance criterion carried out by Lazard Frères Gestion.

The articulation between the two assessments is explained in more detail below:

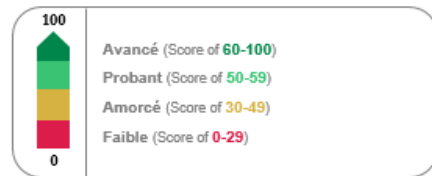
➤ **ES quantitative assessment and G qualitative assessment**

1 Chaque entreprise est analysée par VIGEO sur 6 domaines subdivisés en 38 critères



2 Calcul des notes absolues de l'entreprise sur les 5 premiers domaines

Les notes de chaque critère, pondérées en fonction de leur importance au sein du secteur de l'entreprise évaluée, déterminent la note finale par domaine

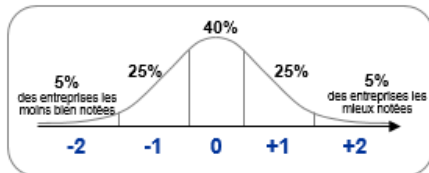


FILTRE

L'analyse de la gouvernance est réalisée de manière qualitative par Lazard Frères Gestion

3 Calcul des 5 notes relatives de l'entreprise au sein de son secteur par domaine

Les notes absolues des entreprises d'un même secteur sont classées au sein de chaque domaine pour aboutir à une note relative comprise entre -2 et +2



4 Calcul de la note SRI globale de l'entreprise

Elle correspond à la moyenne des notes relatives des 5 domaines, pondérées des poids définis par LAZARD FRERES GESTION. Chaque entreprise obtient ainsi une note SRI Globale comprise entre -2 et +2.



FILTRE : Avoir une note  $\geq 0$  en Ressources Humaines

FILTRE : Avoir une note SRI globale  $\geq 0$

- Each company is analysed by VIGEO based on six domains which are subdivided into 38 criteria
 

Human resources	Environment	Human rights	Customer-supplier relations	Social commitment	Governance
					FILTER

(Lazard Frères Gestion uses a qualitative analysis method for governance)
- Calculation of the company's absolute scores in the first five domains
 

The scores for each criterion, weighted according to their importance within the sector under consideration, determine the final score for that domain.

Advanced (Score of 60-100)  
 Convincing  
 Underway  
 Low
- Calculation of the company's five relative scores by domain within its sector
 

The absolute scores of companies in the same sector are classified within each domain to obtain a relative score of between -2 and +2.

5% companies with the lowest scores  
 5% companies with the highest scores
- Calculation of the company's overall SRI score
 

This corresponds to the average relative score of the five domains, weighted according to the weights defined by LAZARD FRERES GESTION. Each company thus obtains a Global SRI score of between -2 and +2.

Human resources	Environment	Human rights	Customer-supplier relations	Social commitment	Governance
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FILTER: Obtain a score  $\geq 0$  in Human Resources  
 FILTER: Obtain an overall SRI score  $\geq 0$

The company's overall SRI rating is determined on the basis of Vigeo's quantitative data for the five ESG criteria (Human Resources, Environment, Human Rights, Customer-Supplier Relations, Social Commitment), to which Lazard Frères Gestion adds its own weighting based on the level of importance we give them, as defined below:

Criteria	Weighting	Rating
Human Resources	40%	
Respect for the Environment	30%	AVERAGE
Human Rights	10%	WEIGHTED
Social Commitment	10%	POSITIVE
Customer/Supplier Relationships	10%	



➤ **Vigeo: Details of the analysis conducted based on these five criteria**

(Human Resources, Environment, Customer/Supplier Relations, Human Rights and Social Commitment)

**Condition 1** : note Ressources Humaines ≥ 0

**Condition 2** : note moyenne pondérée ≥ 0



<p>Human resources</p> <p>Management of companies' human capital:</p> <ul style="list-style-type: none"> <li>- Training</li> <li>- Security</li> <li>- Job reclassification in the event of redundancy plans</li> <li>- Remuneration policy</li> </ul>	<p>Respect for the environment</p> <p>Environmental policy:</p> <ul style="list-style-type: none"> <li>- Management of production sites</li> <li>- Rehabilitation of these sites</li> <li>- Level of information provided on this criterion</li> </ul>	<p>Human rights</p> <p>Risk prevention:</p> <ul style="list-style-type: none"> <li>- Prevention of discrimination</li> </ul>
<p>Customer-supplier relations</p> <p>Supplier management:</p> <ul style="list-style-type: none"> <li>- Establishment of cartels/price agreements</li> <li>- Identification of compliance by suppliers in relation to certain practices (child labour, etc.)</li> </ul>	<p>Social commitment</p> <p>Integration of the company in its civil environment:</p> <ul style="list-style-type: none"> <li>- Participation in development in general and in that of certain activities in particular</li> <li>- Support for education in a particular region, for example</li> <li>- Engagement in favour of the economic and social development of the surrounding area</li> </ul>	

➤ **Lazard Frères Gestion: Details of the analysis of the Governance criterion**

**Condition 3: Satisfactory governance**

Corporate governance is a major criterion in the fund manager's stock selection process. Their assessment must be systematic and must satisfy the management company's requirements, notably that of protecting the company concerned from any internal conflict of interest.

The fund 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.

They examine in detail the management remuneration policies (calculation methods) to ensure they do not introduce any bias into decisions regarding investment, capital allocation or the day-to-day operational management of the company.

- Management remuneration must be linked to medium- and long-term profit targets for the company.
  - The capital allocation policy must also benefit the company and its minority shareholders.
  - It must not benefit any one major shareholder. Under no circumstances should there be a conflict of interest between the managers, the directors, the major shareholder(s), if any, and the minority shareholders.
- How ESG criteria are taken into account in the investment decision-making process

To switch from an ESG **investment universe** to an ESG **portfolio**, we first apply the extra-financial filter, then the financial filter. Each of the two filters must be satisfied. Neither can compensate the other:

1. Our extra-financial filter is applied to all Eurozone stocks with a market capitalisation above €2 billion, based on five key themes (environmental and social) defined in partnership with Vigeo-Eiris. Each theme is rated based on a rating scale comprising five levels (from -2, companies with no involvement in SRI, to +2, pioneer companies).  
The required conditions are as follows:
  - **Condition 1: obtain a positive score in Human Resources:** a company's financial performance can be affected by neglect of its human capital. The quality of general working conditions, fostering of employer-employee relations, job enhancement and skills training are the main factors examined.
  - **Condition 2: obtain a positive weighted average rating:** Lazard Frères Gestion requires each of the five areas of extra-financial analysis to be weighted according to their importance:
    - 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 compliance with certain best practices by suppliers (prohibition of child labour, etc.).
    - Human rights (10%): Prevention of human rights risks, particularly regarding discrimination.
    - Social commitment (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.
  - **Condition 3: Show satisfactory governance.** The company's governance policy must, according to the management company, guarantee the fair treatment of minority shareholders and prevent conflicts of interest.  
**Corporate governance is directly integrated into the general stock-picking process, regardless of whether SRI is involved.**
2. **The financial filter**, which is used across all our equity funds, is based on the following three pillars: **profitability, growth and valuation.**

We establish the company's profitability and growth criteria by calculating its "fair value" (discounting of flows, historical multiples, valuation of financial productivity).

The preferred multiples and valuation method are an analysis of the Enterprise Value/Operating Income ratio and the discounting of cash flows.

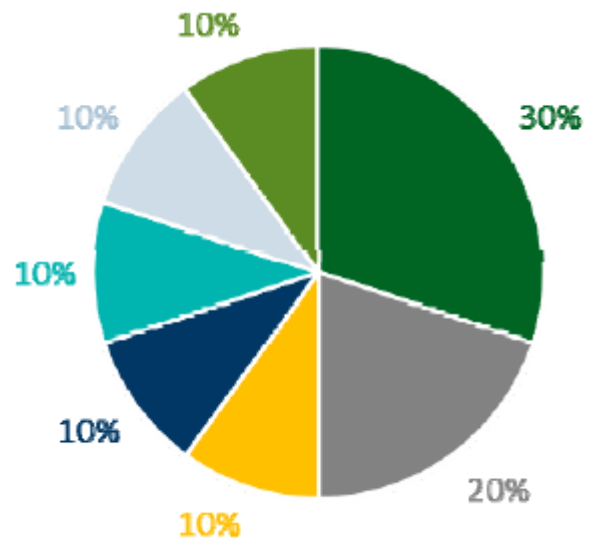
In the latter method, cash flows are discounted using the WACC, the weighted average cost of capital.

This cost comprises the **cost of equity** and the **cost of debt**. The cost of equity depends on the company's profile, in particular its specific risks. **This specific risk** includes, among other things, the cyclical nature of the company's activity, its geographical location, and its compliance with **ESG criteria**, which may also impact the company's financial evaluation if they are not sufficiently taken into account.

In this way, we integrate **ESG criteria** into the cost of capital (WACC) via the **Beta**.  
The Beta is calculated internally using a methodology specific to Lazard Frères Gestion.

The beta is a measurement of all of the company's risks, and our methodology weights the factors as follows:

- **Cyclicité secteur (30%)**
- **Levier financier (20%)**
- **Respect des critères ESG (10%)**
- **Mix produits (10%)**
- **Mix géographique (10%)**
- **Levier opérationnel (10%)**
- **Prédictibilité du management (10%)**



- Cyclical nature of the sector (30%)
- Financial leverage (20%)
- Compliance with ESG criteria (10%)
- Product mix (10%)
- Geographical mix (10%)
- Operating leverage (10%)
- Predictability of management (10%)

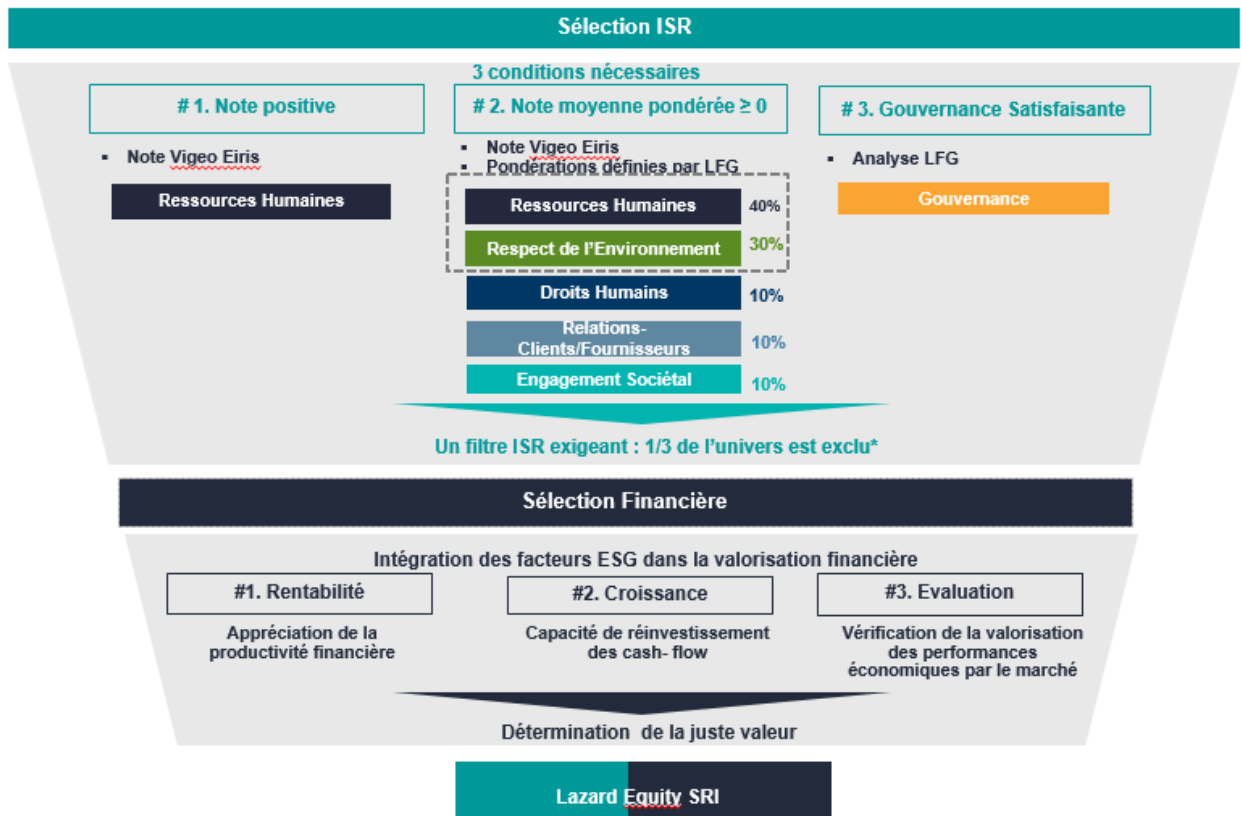
The valuation and hence the determination of the upside for each previously-selected security makes it possible to determine the weight of each security in the portfolio.

The manager ensures compliance with the portfolio's risk constraints, such as maximum over-exposure to a security or sector.

The ESG criteria used in the Beta definition are derived from Lazard Frères Gestion's own assessment based on the application of its ESG policy. Consequently, the methodologies for analysing and evaluating the E and S criteria, as defined above, may vary, particularly in terms of the climate.

Energy costs, regulatory risks and potential technological shocks are factored into the investment assumptions of the analysts/fund managers, 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.



Investment universe (Eurozone equities)		
SRI selection		
Three conditions to be met		
1. Positive score - Vigeo Eiris Score	2. Weighted average score $\geq 0$ - Vigeo Eiris Score - Weightings defined by LFG	3. Satisfactory governance - LFG Analysis
Human Resources	Human Resources Respect for the environment Human rights Customer-supplier relations Social commitment	Governance
A demanding SRI filter: 1/3 of the universe is excluded*		
Financial Selection		
1. Profitability  Assessment of financial productivity	2. Growth  Capacity to reinvest cash flow	3. Valuation  Verification of the valuation of economic performances by the market
Calculation of the fair value		
Lazard Equity SRI		

- Monitoring of ESG indicators

➤ Carbon footprint

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

- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion 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:

<p style="text-align: center;"><i>Intensité carbone d'un portefeuille</i></p> $= \sum \left[ \left( \frac{\text{Émissions (scope 1 + 2)}}{\text{Chiffre d'Affaires}} \right) \text{ de chaque titre } \times \text{ poids de chaque titre} \right]$
---

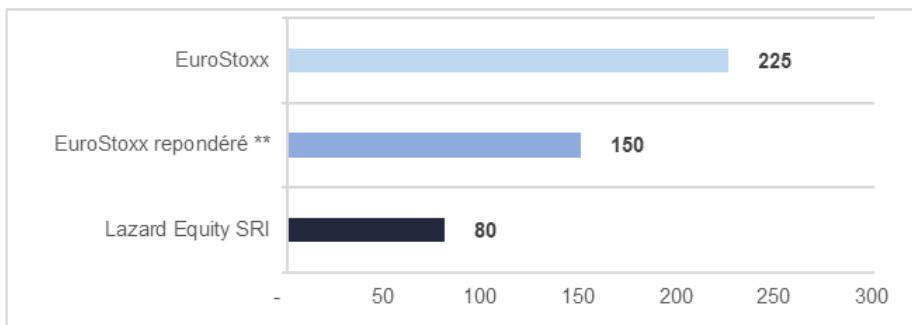
Portfolio's carbon intensity score

$\frac{\text{Emissions (scope 1 + 2)}}{\text{Revenue}}$

of each security x weighting of each security

- A company's CO2 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 defined a method that involves neutralising these gaps by re-weighting 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 CO2 eq./€m of income)**



EuroStoxx reweighted\*\*

Date: 30/09/2019  
 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

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

Portfolio's energy transition score  
 Energy transition score of each security x weighting of each security

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

**Energy Transition Score**

LAZARD EQUITY SRI	Advanced	60
EuroStoxx	Convincing	52

## **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.

- **USE OF FINANCIAL INSTRUMENTS MANAGED BY THE MANAGEMENT COMPANY OR AN AFFILIATED COMPANY**

The table of financial instruments managed by the management company or an affiliated company can be found in the notes to the UCI's annual financial statements.

- **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: 95,26%.

- **INFORMATION ON DISTRIBUTED INCOME ELIGIBLE FOR THE 40% ALLOWANCE (FOR DISTRIBUTING UCIs)**

Pursuant to the provisions of Article 41 sexdecies H of the French General Tax Code, income on distributing shares is subject to an allowance of 40%.

- **REMUNERATION**

The fixed and variable remuneration paid during the financial year ended on December 31<sup>st</sup>, 2018 by the management company to its personnel, pro rata their investment in the management of the AIFs, excluding the management of the UCITS and discretionary mandates, can be obtained on request by post from the UCI legal department of Lazard Frères Gestion, and are indicated 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, taking its earnings 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 31/12/2018: fixed-term and permanent contracts of LFG and LFG-Belgium**

(including interns and apprentices and excluding LFG-Courtage)

Headcount at 31-12-2018 LFG, LFG-Belgium	Fixed annual remuneration in 2018 in €k	Variable remuneration awarded for 2018 (cash and deferred) in €k
160	14 542	19 267



**“Identified employees”**

Category	Number of employees	Aggregated fixed and variable remuneration in 2018 (including deferred) in €k
Senior management	3	3 958
Other	47	18 457
Total	50	22 416

Note: the amounts are stated excluding charges

- **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](http://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 00  
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## Lazard Equity SRI

Financial year ended September 30<sup>th</sup>, 2019

### 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 the management company, 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 30<sup>th</sup>, 2019.

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 SICAV 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 1<sup>st</sup>, 2018 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.

## Specific verifications

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

### ■ 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 documents sent to shareholders on the company's financial position and the annual financial statements, or its consistency with the annual financial statements.

### ■ Corporate governance report

We certify that the information required under Article L.225-37-4 of the French Commercial Code is provided in the board of directors' report on corporate governance.

## 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.



## Statutory auditor's responsibilities concerning the audit of the annual financial 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 (*Code de commerce*), 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 company, and the related information provided in the annual financial statements;
- ▶ it assesses the appropriateness of the management company's application of the accounting policy for a going concern and, based on the information collected, whether there is a significant uncertainty linked to events or circumstances that is likely to call into question the Fund'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 overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris La Défense, December 20<sup>th</sup>, 2019

The statutory auditor  
ERNST & YOUNG et Autres

[signature]

Bernard Charrue

## **Lazard Equity SRI**

Shareholders' meeting to approve the financial statements  
for the financial year ended September 30<sup>th</sup>, 2019

### **Statutory auditor's special report on related-party agreements**

ERNST & YOUNG et Autres



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TSA 14444  
92037 Paris - La Défense, Cedex, France

Tel.: +33 (0) 1 46 93 60 00  
www.ey.com/fr

## Lazard Equity SRI

Shareholders' meeting to approve the financial statements for the financial year ended September 30<sup>th</sup>, 2019

### Statutory auditor's special report on regulated agreements

To the shareholders' meeting of Lazard Equity SRI,

In our capacity as statutory auditors of your company, we hereby present to you our report on related party agreements.

We are required to report to you, based on the information we have been provided, on the characteristics, the main terms and the details of the benefits for the company, of any agreements disclosed to us or that we may have discovered during our audit, without being required to comment on their relevance or substance, or to identify any other agreements. It is your responsibility, pursuant to the terms of Article R. 225-31 of the French Commercial Code (*Code de commerce*), to assess the benefits of entering into these agreements, prior to approving them.

We are also required, where applicable, to report to you as provided for in Article R. 225-31 of the French Commercial Code on the performance over the past year of any agreements already approved by the shareholders' meeting.

We have performed those checks that we considered necessary in accordance with the professional guidance issued by the national auditing body (*Compagnie nationale des commissaires aux comptes*) relating to this operation.

### Agreements submitted for the approval of the shareholders' meeting

We hereby inform you that we have not been advised of any agreement authorised during the past financial year to be submitted for the approval of the shareholders' meeting pursuant to Article L. 225-38 of the French Commercial Code.





## Agreements already approved by the shareholders' meeting

We hereby inform you that we have not been advised of any agreement already approved by the shareholders' meeting that remained effective during the past financial year.

Paris-La Défense, December 20<sup>th</sup>, 2019

The statutory auditor  
ERNST & YOUNG et Autres

Bernard Charrue

## 6 ANNUAL FINANCIAL STATEMENTS

- BALANCE SHEET in euros**

### ASSETS

	30/09/2019	28/09/2018
<b>Net non-current assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>180 684 742,85</b>	<b>186 288 911,63</b>
<b>Equities and similar securities</b>	<b>172 454 831,60</b>	<b>183 884 334,67</b>
Traded on a regulated or equivalent market	172 454 831,60	183 884 334,67
Not traded on a regulated or equivalent market		
<b>Bonds and similar securities</b>		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
<b>Debt securities</b>		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
<b>Undertakings for collective investment</b>	<b>8 229 911,25</b>	<b>2 404 576,96</b>
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	8 229 911,25	2 404 576,96
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		
<b>Temporary securities transactions</b>		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market		
Other transactions	<b>501 742,90</b>	<b>413 722,45</b>
<b>Other financial instruments</b>		
<b>Receivables</b>		
<b>Currency forward exchange transactions</b>	<b>501 742,90</b>	<b>413 722,45</b>
<b>Other</b>	<b>93 189,77</b>	<b>150 641,04</b>
<b>Financial accounts</b>	<b>93 189,77</b>	<b>150 641,04</b>
<b>Total assets</b>	<b>181 279 675,52</b>	<b>186 853 275,12</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	30/09/2019	28/09/2018
<b>Shareholders' equity</b>		
<b>Capital</b>	171 779 917,38	175 290 996,40
<b>Undistributed net capital gains and losses recognised in previous years (a)</b>	2 529 849,78	2 519 878,47
<b>Retained earnings (a)</b>	74,77	106,12
<b>Net capital gains and losses for the year (a, b)</b>	2 197 910,99	5 397 042,76
<b>Net income for the year (a, b)</b>	4 526 794,45	3 196 634,48
<b>Total shareholders' equity (= amount representing net assets)</b>	<b>181 034 547,37</b>	<b>186 404 658,23</b>
<b>Financial instruments</b>		
<b>Sales of financial instruments</b>		
<b>Temporary securities transactions</b>		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or equivalent market		
Other transactions		
	<b>245 128,15</b>	<b>448 616,89</b>
<b>Liabilities</b>		
<b>Currency forward exchange transactions</b>		
<b>Other</b>	<b>245 128,15</b>	<b>448 616,89</b>
<b>Financial accounts</b>		
<b>Bank overdrafts</b>		
<b>Borrowings</b>		
<b>Total liabilities and shareholders' equity</b>	<b>181 279 675,52</b>	<b>186 853 275,12</b>

(a) Including accrued income

(b) Less interim dividends paid for the financial year

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

	30/09/2019	28/09/2018
<b>Hedging transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		
<b>Other transactions</b>		
<b>Commitments on regulated or similar markets</b>		
<b>Commitments on OTC markets</b>		
<b>Other commitments</b>		

- **INCOME STATEMENT in euros**

	30/09/2019	28/09/2018
<b>Income from financial transactions</b>		
Income from deposits and financial accounts		
Income from equities and similar securities	7 343 575,84	5 517 762,46
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of securities		
Income from forward financial instruments		
Other financial income		
<b>Total (1)</b>	<b>7 343 575,84</b>	<b>5 517 762,46</b>
<b>Expenses related to financial transactions</b>		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments	1 646,89	2 217,46
Expenses related to financial liabilities		
Other financial charges	<b>1 646,89</b>	<b>2 217,46</b>
<b>Total (2)</b>	<b>7 341 928,95</b>	<b>5 515 545,00</b>
<b>Income from financial transactions (1 - 2)</b>		
Other income (3)	2 381 118,85	2 352 889,60
Management fees and depreciation and amortisation (4)		
	<b>4 960 810,10</b>	<b>3 162 655,40</b>
<b>Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)</b>	-434 015,65	33 979,08
Income adjustment for the financial year (5)		
Interim dividends paid on net income for the financial year (6)	<b>4 526 794,45</b>	<b>3 196 634,48</b>

## NOTES TO THE FINANCIAL STATEMENTS

### ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with regulation 2014-01, as amended, of the French accounting standards body (*Autorité des Normes Comptables* - ANC).

The general accounting principles apply:

- 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.

○ **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).

○ **Fixed-income securities**

Fixed-income securities are for the most part marked to market based on either Bloomberg prices (BGN)<sup>®</sup> 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.

○ **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:

○ **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 currencies
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 Fund'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:

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

- 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:

<b>Expenses charged to the SICAV</b>	<b>Basis</b>	<b>Rate</b>	
Financial management fees	Net assets	C and D shares: 1,265% including tax PC EUR shares: 0,815% including tax RC EUR shares: 2% including tax RD EUR shares: 2% including tax PC H-GBP shares: 0,865% including tax PC H-USD shares: 0,865% including tax RC H-USD shares: 2% including tax PC H-CHF shares: 0.865% including tax RC H-CHF shares: 2% including tax Maximum rate	
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 0,035% including tax Maximum rate	
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. tax
		Futures and other transactions	None
Performance fee	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.

The SICAV paid exceptional charges amounting to €19 598,40 on debt collection in relation to withholding tax on dividends received from foreign companies.

The SICAV paid an amount of €1 478,22 related to the AMF contribution.

### **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:**

<b><i>Distributable income</i></b>	<b><i>C, PC, RC shares</i></b>	<b><i>D, RD shares</i></b>
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**

	<b>30/09/2019</b>	<b>28/09/2018</b>
<b>Net assets at start of year</b>	<b>186 404 658,23</b>	<b>179 888 094,69</b>
Subscriptions (including subscription fees retained by the Fund)	42 268 289,60	29 552 995,43
Redemptions (net of redemption fees retained by the Fund)	-50 231 524,87	-17 410 931,50
Realised capital gains on deposits and financial instruments	10 201 071,02	5 915 441,92
Realised capital losses on deposits and financial instruments	-6 662 631,71	-283 704,80
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction charges	-1 081 708,05	-505 206,78
Exchange rate differences		
Changes in valuation difference of deposits and financial instruments	-4 324 849,88	-13 390 622,24
Valuation difference for financial year N	19 008 963,22	23 333 813,10
Valuation difference for financial year N-1	-23 333 813,10	-36 724 435,34
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	-113 097,41	-238 653,63
Dividends paid in the previous financial year	-386 469,66	-285 410,26
Net profit/loss for the financial year prior to income adjustment	4 960 810,10	3 162 655,40
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		
<b>Net assets at end of year</b>	<b>181 034 547,37</b>	<b>186 404 658,23</b>

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

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

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
<b>Assets</b>								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts							93 189,77	0,05
<b>Liabilities</b>								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
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	%
<b>Assets</b>										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary securities transactions										
Financial accounts	93 189,77	0,05								
<b>Liabilities</b>										
Temporary securities transactions										
Financial accounts										
<b>Off-balance sheet items</b>										
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**

	Amount:		Amount:		Amount:		Other currencies	
	Amount:	%	Amount:	%	Amount:	%	Amount:	%
<b>Assets</b>								
Deposits								
Equities and similar securities								
Bonds and similar securities								
Debt securities								
UCIs								
Temporary securities transactions								
Receivables								
Financial accounts								
<b>Liabilities</b>								
Sales of financial instruments								
Temporary securities transactions								
Financial accounts								
<b>Off-balance sheet items</b>								
Hedging transactions								
Other transactions								

- RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE

	Debit/credit item	30/09/2019
Receivables	Deferred settlement sale	483 816,58
	Subscription receivables	17 926,32
<b>Total receivables</b>		<b>501 742,90</b>
Liabilities	Redemptions payable	41 583,36
	Management fees	203 544,79
<b>Total liabilities</b>		<b>245 128,15</b>

- **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In units	In amounts
<b>C shares</b>		
Shares subscribed during the financial year	19 733,829	32 001 198,05
Shares redeemed during the financial year	-27 224,908	-45 400 450,20
Net balance of subscriptions/redemptions	-7 491,079	-13 399 252,15
<b>PC EUR shares</b>		
Shares subscribed during the financial year	1 034,760	9 988 038,94
Shares redeemed during the financial year	-92,713	-913 240,03
Net balance of subscriptions/redemptions	942,047	9 074 798,91
<b>RC EUR shares</b>		
Shares subscribed during the financial year	81,137	79 577,54
Shares redeemed during the financial year		
Net balance of subscriptions/redemptions	81,137	79 577,54
<b>D shares</b>		
Shares subscribed during the financial year	140,143	190 447,37
Shares acquired during the year	-3 000,000	-3 915 840,00
Net balance of subscriptions/redemptions	-2 859,857	-3 725 392,63
<b>RD EUR shares</b>		
Shares subscribed during the financial year	10,000	9 027,70
Shares acquired during the year	-2,000	-1 994,64
Net balance of subscriptions/redemptions	8,000	7 033,06

- **SUBSCRIPTION AND/OR REDEMPTION FEES**

	In amounts
<b>C shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>PC EUR shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>RC EUR shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>D shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	
<b>RD EUR shares</b>	
Redemption fees acquired	
Subscription fees acquired	
Total fees acquired	

- MANAGEMENT FEES**

	<b>30/09/2019</b>
<b>C shares</b>	
Guarantee fees	
Fixed management fees	2 033 840,07
Percentage of fixed management fees	1,29
Variable management fees	
Retrocessions of management fees	
<b>PC EUR shares</b>	
Guarantee fees	
Fixed management fees	76 648,42
Percentage of fixed management fees	0,84
Variable management fees	
Retrocessions of management fees	
<b>RC EUR shares</b>	
Guarantee fees	
Fixed management fees	1 025,25
Percentage of fixed management fees	2,03
Variable management fees	
Retrocessions of management fees	
<b>D shares</b>	
Guarantee fees	
Fixed management fees	249 608,88
Percentage of fixed management fees	1,29
Variable management fees	
Retrocessions of management fees	
<b>RD EUR shares</b>	
Guarantee fees	
Fixed management fees	397,83
Percentage of fixed management fees	2,03
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**

	<b>30/09/2019</b>
Securities held under repurchase agreements	
Borrowed securities	

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

	<b>30/09/2019</b>
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**

	<b>ISIN code</b>	<b>Description</b>	<b>30/09/2019</b>
Equities			
Bonds			
Negotiable debt securities			
UCIs			8 229 911,25
	FR0011291657	LAZARD EURO SHORT TERM MONEY MARKET	8 229 911,25
Forward financial instruments			



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

	30/09/2019	28/09/2018
<b>Remaining amounts to be allocated</b>		
Retained earnings	74,77	106,12
Net income	4 526 794,45	3 196 634,48
<b>Total</b>	<b>4 526 869,22</b>	<b>3 196 740,60</b>
	30/09/2019	28/09/2018
<b>C shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	3 661 914,17	2 717 570,14
<b>Total</b>	<b>3 661 914,17</b>	<b>2 717 570,14</b>
	30/09/2019	28/09/2018
<b>PC EUR shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	405 895,80	92 361,66
<b>Total</b>	<b>405 895,80</b>	<b>92 361,66</b>
	30/09/2019	28/09/2018
<b>RC EUR shares</b>		
<b>Appropriation</b>		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 888,31	434,13
<b>Total</b>	<b>1 888,31</b>	<b>434,13</b>
	30/09/2019	28/09/2018
<b>D shares</b>		
<b>Appropriation</b>		
Distribution	456 731,80	386 023,99
Balance brought forward for the financial year	49,24	90,64
Accumulation		
<b>Total</b>	<b>456 781,04</b>	<b>386 114,63</b>
<b>Information on shares with dividend rights</b>		
Number of shares	13 366,456	16 226,313
Dividend per unit	34,17	23,79
<b>Tax credits</b>		
Tax credit attached to the distribution of earnings	46 810,88	47 442,98

	30/09/2019	28/09/2018
<b>RD EUR shares</b>		
<b>Appropriation</b>		
Distribution	389,84	259,98
Balance brought forward for the financial year	0,06	0,06
Accumulation		
<b>Total</b>	<b>389,90</b>	<b>260,04</b>
<b>Information on shares with dividend rights</b>		
Number of shares	22,000	14,000
Dividend per share	17,72	18,57
<b>Tax credits</b>		
Tax credit attached to the distribution of earnings	55,68	29,68

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

	30/09/2019	28/09/2018
<b>Remaining amounts to be allocated</b>		
Undistributed net capital gains and losses recognised in previous years	2 529 849,78	2 519 878,47
Net capital gains and losses for the year	2 197 910,99	5 397 042,76
Interim dividends paid on net capital gains/losses for the financial year		
<b>Total</b>	<b>4 727 760,77</b>	<b>7 916 921,23</b>

	30/09/2019	28/09/2018
<b>C shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 800 139,88	4 608 846,03
<b>Total</b>	<b>1 800 139,88</b>	<b>4 608 846,03</b>

	30/09/2019	28/09/2018
<b>PC EUR shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	170 015,50	123 703,50
<b>Total</b>	<b>170 015,50</b>	<b>123 703,50</b>

	30/09/2019	28/09/2018
<b>RC EUR shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	1 296,35	309,75
<b>Total</b>	<b>1 296,35</b>	<b>309,75</b>

	30/09/2019	28/09/2018
<b>D shares</b>		
Appropriation		
Distribution		113 097,40
Undistributed net capital gains and losses	2 755 751,22	3 070 781,41
Accumulation		
<b>Total</b>	<b>2 755 751,22</b>	<b>3 183 878,81</b>
<b>Information on shares with dividend rights</b>		
Number of shares	13 366,456	16 226,313
Dividend per unit		6,97

	30/09/2019	28/09/2018
<b>RD EUR shares</b>		
Appropriation		
Distribution		
Undistributed net capital gains and losses	557,82	183,14
Accumulation		
<b>Total</b>	<b>557,82</b>	<b>183,14</b>

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

	30/09/2015	30/09/2016	29/09/2017	28/09/2018	30/09/2019
<b>Global net assets in euros</b>	<b>144 364 088,14</b>	<b>145 183 539,36</b>	<b>179 888 094,69</b>	<b>186 404 658,23</b>	<b>181 034 547,37</b>
<b>LAZARD EQUITY SRI C</b>					
Net assets in euros	124 676 869,50	125 538 226,06	156 015 683,66	159 390 762,10	148 388 866,92
Number of units	88 977,153	88 207,135	88 206,271	92 680,820	85 189,741
Net asset value per unit in euros	1 401,22	1 423,22	1 768,75	1 719,78	1 741,86
Accumulation per share pertaining to net capital gains/losses in euros	109,43	30,28	92,62	49,72	21,13
Accumulation per share pertaining to net income in euros	19,69	21,07	21,29	29,32	42,98
<b>LAZARD EQUITY SRI PC EUR</b>					
Net assets in euros			10 353,16	4 287 922,64	14 054 447,22
Number of units			1,000	424,055	1 366,102
Net asset value per share in euros			10 353,16	10 111,71	10 287,99
Accumulation per share pertaining to net capital gains/losses in euros			151,26	291,71	124,45
Accumulation per share pertaining to net income in euros			-4,86	217,80	297,11
<b>LAZARD EQUITY SRI RC EUR</b>					
Net assets in euros				24 035,43	106 335,74
Number of units				23,860	104,997
Net asset value per share in euros				1 007,35	1 012,75
Accumulation per share pertaining to net capital gains/losses in euros				12,98	12,34
Accumulation per share pertaining to net income in euros				18,19	17,98

\* 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**

	30/09/2015	30/09/2016	29/09/2017	28/09/2018	30/09/2019
<b>Global net assets in euros</b>	<b>144 364 088,14</b>	<b>145 183 539,36</b>	<b>179 888 094,69</b>	<b>186 404 658,23</b>	<b>181 034 547,37</b>
<b>LAZARD EQUITY SRI D</b>					
Net assets in euros	19 687 218,64	19 645 313,29	23 862 057,87	22 687 745,40	18 462 934,80
Number of units	16 051,000	16 198,801	16 232,941	16 226,313	13 366,456
Net asset value per share in euros	1 226,54	1 212,76	1 469,97	1 398,20	1 381,28
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	206,16
Accumulation per share pertaining to net capital gains/losses in euros					
Distribution per share pertaining to net income in euros	17,18	17,82	17,58	23,79	34,17
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros				2,923	*
<b>LAZARD EQUITY SRI PC EUR</b>					
Net assets in euros				14 192,66	21 962,69
Number of units				14,000	22,000
Net asset value per share in euros				1 013,76	998,30
Undistributed net capital gains and losses per share in euros				13,08	25,35
Distribution per share pertaining to net income in euros				18,57	17,72
Retained earnings per share pertaining to net income in euros					
Tax credit per share in euros				1,236	*

\* Tax credit per unit 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
<b>Equities and similar securities</b>				
<b>Equities and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ALLIANZ SE	EUR	37 300	7 976 605,00	4,41
BMW BAYERISCHE MOTOREN WERKE	EUR	55 000	3 552 450,00	1,96
DEUTSCHE BOERSE AG	EUR	18 900	2 710 260,00	1,50
DEUTSCHE TELEKOM AG	EUR	378 900	5 832 786,60	3,22
MERCK KGA	EUR	40 100	4 144 335,00	2,29
MUENCHENER RUECKVERSICHERUNG AG	EUR	15 000	3 561 000,00	1,97
SAP SE	EUR	73 000	7 875 240,00	4,35
SIEMENS AG-REG	EUR	73 000	7 172 250,00	3,96
<b>TOTAL GERMANY</b>			<b>42 824 926,60</b>	<b>23,66</b>
<b>BELGIUM</b>				
KBC GROUPE	EUR	42 000	2 504 040,00	1,39
UNION CHIMIQUE BELGE/ UCB	EUR	34 100	2 271 060,00	1,25
<b>TOTAL BELGIUM</b>			<b>4 775 100,00</b>	<b>2,64</b>
<b>SPAIN</b>				
BANCO SANTANDER S.A.	EUR	730 000	2 727 645,00	1,51
<b>TOTAL SPAIN</b>			<b>2 727 645,00</b>	<b>1,51</b>
<b>FINLAND</b>				
WAERTSILAE CORPORATION	EUR	201 200	2 067 330,00	1,14
<b>TOTAL FINLAND</b>			<b>2 067 330,00</b>	<b>1,14</b>
<b>FRANCE</b>				
AIR LIQUIDE	EUR	38 000	4 962 800,00	2,74
AMUNDI	EUR	35 000	2 240 000,00	1,24
ATOS	EUR	41 000	2 651 880,00	1,46
AXA	EUR	228 000	5 342 040,00	2,95
BNP PARIBAS	EUR	129 000	5 762 430,00	3,18
BUREAU VERITAS	EUR	147 000	3 248 700,00	1,79
CAPGEMINI SE	EUR	28 000	3 026 800,00	1,67
CARREFOUR	EUR	276 000	4 432 560,00	2,45
EIFFAGE	EUR	48 000	4 565 760,00	2,52
ESSILORLUXOTTICA	EUR	34 000	4 496 500,00	2,48
IMERYS EX IMETAL	EUR	103 000	3 798 640,00	2,10
LEGRAND SA HOLDING	EUR	39 000	2 553 720,00	1,41
L'OREAL	EUR	23 800	6 114 220,00	3,38
LVMH (LOUIS VUITTON - MOET HENNESSY)	EUR	19 900	7 256 535,00	4,02
MICHELIN - CATEGORY B	EUR	28 300	2 897 920,00	1,60
ORANGE	EUR	340 000	4 894 300,00	2,70
PUBLICIS GROUPE SA	EUR	96 800	4 367 616,00	2,41
REXEL	EUR	230 000	2 258 140,00	1,25
SAINT-GOBAIN	EUR	140 000	5 040 000,00	2,78
SANOFI	EUR	77 000	6 549 620,00	3,62
SCHNEIDER ELECTRIC SA	EUR	30 500	2 455 250,00	1,36
SOCIETE GENERALE SA	EUR	175 000	4 399 500,00	2,43

Description of security	Currency	Quantity No. or nominal	Present value	% Net assets
VINCI (EX SGE)	EUR	23 500	2 322 270,00	1,28
<b>TOTAL FRANCE</b>			<b>95 637 201,00</b>	<b>52,82</b>
<b>LUXEMBOURG</b>				
APERAM	EUR	95 000	2 122 300,00	1,17
<b>TOTAL LUXEMBOURG</b>			<b>2 122 300,00</b>	<b>1,17</b>
<b>NETHERLANDS</b>				
AKZO NOBEL	EUR	50 300	4 114 037,00	2,27
ASML HOLDING NV	EUR	10 200	2 317 950,00	1,28
HEINEKEN	EUR	49 000	4 858 840,00	2,68
ING GROEP NV	EUR	463 000	4 446 652,00	2,46
UNILEVER NV	EUR	119 000	6 562 850,00	3,63
<b>TOTAL NETHERLANDS</b>			<b>22 300 329,00</b>	<b>12,32</b>
<b>TOTAL Equities and similar securities traded on a regulated or equivalent market</b>			<b>172 454 831,60</b>	<b>95,26</b>
<b>TOTAL Equities and similar securities</b>			<b>172 454 831,60</b>	<b>95,26</b>
<b>Undertakings for collective investment</b>				
<b>General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>				
<b>FRANCE</b>				
LAZARD EURO SHORT TERM MONEY MARKET	EUR	4 125	8 229 911,25	4,55
<b>TOTAL FRANCE</b>			<b>8 229 911,25</b>	<b>4,55</b>
<b>TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries</b>			<b>8 229 911,25</b>	<b>4,55</b>
<b>TOTAL Undertakings for collective investment</b>			<b>8 229 911,25</b>	<b>4,55</b>
<b>Receivables</b>			<b>501 742,90</b>	<b>0,28</b>
<b>Liabilities</b>			<b>-245 128,15</b>	<b>-0,14</b>
<b>Financial accounts</b>			<b>93 189,77</b>	<b>0,05</b>
<b>Net assets</b>			<b>181 034 547,37</b>	<b>100,00</b>

LAZARD EQUITY SRI PC EUR	EUR	1 366,102	10 287,99
LAZARD EQUITY SRI RC EUR	EUR	104,997	1 012,75
LAZARD EQUITY SRI Action RD EUR	EUR	22,000	998,30
LAZARD EQUITY SRI D	EUR	13 366,456	1 381,28
LAZARD EQUITY SRI C	EUR	85 189,741	1 741,86

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

**BREAKDOWN OF INTEREST: D**

	<b>NET OVERALL</b>	<b>CURRENCY</b>	<b>NET PER UNIT</b>	<b>CURRENCY</b>
Revenue subject to non-definitive withholding tax				
Equities eligible for a tax allowance and subject to non-definitive withholding tax	372 790,46	EUR	27,89	EUR
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income	83 941,34	EUR	6,28	EUR
Amounts paid out in relation to capital gains and losses		EUR		EUR
<b>TOTAL</b>	<b>456 731,80</b>	<b>EUR</b>	<b>34,17</b>	<b>EUR</b>

**BREAKDOWN OF INTEREST: RD EUR**

	<b>NET OVERALL</b>	<b>CURRENCY</b>	<b>NET PER UNIT</b>	<b>CURRENCY</b>
Revenue subject to non-definitive withholding tax				
Equities eligible for a tax allowance and subject to non-definitive withholding tax	289,52	EUR	13,16	EUR
Other income not eligible for a tax allowance and subject to non-definitive withholding tax				
Non-declarable and non-taxable income	100,32	EUR	4,56	EUR
Amounts paid out in relation to capital gains and losses				
<b>TOTAL</b>	<b>389,84</b>	<b>EUR</b>	<b>17,72</b>	<b>EUR</b>



## 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. 484 947 627

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

FINANCIAL YEAR ENDED SEPTEMBER 30<sup>th</sup>, 2019

#### Second resolution

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

**€4 526 869,22** Distributable income relating to net income  
**€4 727 760,77** 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:** €3 661 914,17
- PC shares: **Accumulation:** €405 895,80
- RC shares: **Accumulation:** €1 888,31
- D shares: **Distribution:** €456 731,80
- D shares: **Retained:** €49,24
- RD shares: **Distribution:** €389,84
- RD shares: **Retained:** €0,06

a) Each shareholder holding "D" shares on the detachment date will receive a dividend of **€34,17** which will be detached on **January 22<sup>nd</sup>, 2020** and paid on **January 24<sup>th</sup>, 2020**.

b) Each shareholder holding "RD" shares on the detachment date will receive a dividend of **€17,72** which will be detached on **January 22<sup>nd</sup>, 2020** and paid on **January 24<sup>th</sup>, 2020**.

#### 2. Distributable amount pertaining to net capital gains and losses

- C shares: **Accumulation:** €1 800 139,88
- PC shares: **Accumulation:** €170 015,50
- RC shares: **Accumulation:** €1 296,35
- D shares: **Retained:** €2 755 751,22
- RD shares: **Retained:** € 557,82

#### For information: Dividends paid over the last five financial years

Year ended:	Amount per unit/share
28/09/2018	€23,79 D shares
28/09/2019	€18,57 RD shares
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