

French open-end investment fund (SICAV)

LAZARD EQUITY SRI

ANNUAL REPORT

at September 30th, 2020

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 SICAV's portfolio, plus income generated by temporary cash holdings and 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 distributed independently of each other, in whole or in part.

For the C, PC EUR, RC EUR, PC H-GBP, PC H-USD, RC H-USD, PC H-CHF and RC H-CHF shares, distributable income shall be fully accumulated, with the exception of those amounts subject to distribution by law.

For the D and RD EUR shares, net income 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, 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.

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

As PC H-GBP shares are hedged against foreign exchange risk, the share's performance may be impacted by possible hedging costs.

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

As PC H-USD and RC H-USD shares are hedged against foreign exchange risk, the shares' performance may be impacted by possible hedging costs.

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

As PC H-CHF and RC H-CHF shares are hedged against foreign exchange risk, the shares' performance may be impacted by possible hedging costs.

- **BENCHMARK**

The Euro Stoxx (net dividends reinvested) is an index of around 300 stocks, covering the largest listed companies in the Eurozone by market capitalisation.

The performance history is available on Bloomberg under code "SXXT" and on the website www.stoxx.com.

- **INVESTMENT STRATEGY**

1. **Strategies used**

To support his 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.

For the portfolio construction and the assessment of extra-financial criteria, the management team relies in part on the services provided by analysis firm Vigeo Eiris. Additional information is also included in the management company's transparency code, which can be consulted on the website www.lazardfreresgestion.fr.

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

- A) The extra-financial rating filter:

Governance analysis is carried out internally, as we believe the management company's analysts-managers are best equipped to understand the quality of a company's governance.

Five criteria (Human Resources, Environment, Client-Supplier Relations, Human Rights and Societal Engagement) are analysed based on the management company's specific weighting for each criterion, which we believe offers the best expertise in these areas.

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" rating 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.

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 ++) will depend on the normal distribution of scores of companies in that sector. That is, 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 5% highest-rated 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 5% lowest-scored companies below the sector median

A rating 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. Its 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 remuneration policies for the company's managers and directors 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 profitability targets for the company; it should not be linked to criteria of size or growth without taking account of profitability. 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 consider this approach to be essential 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
- ☒ over-the-counter

• The manager intends to seek exposure to:

- ☒ shares
- ☐ Interest rates
- ☒ foreign exchange
- ☐ credit
- ☐ other

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

- ☒ hedging
- ☐ exposure
- ☐ arbitrage

- **Types of instruments used:**

- ☒ **futures:**

- ☒ equity and equity index
- ☐ interest rate
- ☒ currency

- ☒ **options:**

- ☒ equity and equity index
- ☐ interest rate
- ☒ currency

- ☒ **swaps:**

- ☒ equity swaps
- ☐ interest rate swaps
- ☒ currency swaps

- ☒ **currency forwards**

- ☐ **credit derivatives**

- **Derivatives strategy to achieve the investment objective:**

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

4. Securities with embedded derivatives

None.

5. Deposits:

Up to 10% of the SICAV's assets may be held in deposits, for management purposes.

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 201 3-06 issued by the French financial markets authority (Autorité des Marchés Financiers - AMF), the SICAV may receive collateral in the form of securities (such as bonds or other securities issued or guaranteed by a State or issued by international financing agencies and bonds or securities issued by high quality corporate issuers), or cash.

Any cash collateral received is reinvested in accordance with the applicable rules.

All such assets must be from high-quality issuers that are not an entity of the counterparty or its group, and must be liquid and diversified with low volatility.

Discounts may be applied to the collateral received; they take into account the quality of credit and the price volatility of the securities.

- **RISK PROFILE**

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

■ **Risk of capital loss:**

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

■ **Risk associated with managing and allocating discretionary assets:**

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

■ **Equity market risk:**

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

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

■ **Risk associated with investment in the futures markets:**

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

■ **Foreign exchange risk:**

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

■ **Interest rate risk (on an ancillary basis):**

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

• **GUARANTEE OR PROTECTION**

None.

• **ELIGIBLE SUBSCRIBERS AND TYPICAL INVESTOR PROFILE**

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

Information on US investors

The SICAV is not registered as an investment vehicle in the United States and its shares are not and will not be registered under the Securities Act of 1933 and, therefore, they may not be offered or sold in the United States to Restricted Persons, as defined hereafter.

A Restricted Person is (i) any person or entity located in the United States (including US residents), (ii) any corporation or any other entity subject to the laws of the United States or any state thereof, (iii) any US military personnel or any employee of a US government department or agency located outside the United States, or (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 1st, 2014, if the SICAV invests directly or indirectly in US assets, the capital and income arising from such investments may be subject to withholding tax of 30%.

To avoid paying the 30% withholding tax, France and the United States have entered into an intergovernmental agreement under which non-US financial institutions ("foreign financial institutions") agree to institute procedures for identifying direct or indirect investors who qualify as US taxpayers and to provide certain information about these investors to the French tax authorities, which will disclose said information to the US tax authority, the Internal Revenue Service.

As a foreign financial institution, the SICAV undertakes to comply with the FATCA and to take all appropriate measures pursuant to the aforementioned intergovernmental agreement.

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

It has been decided in the Board of Directors of the **LAZARD EQUITY SRI** SICAV (ISIN code: FR0000003998), which met on November 14th, 2019, and in order to take account of the AMF's request, to provide details in the prospectus in order to indicate the name of the data provider with whom we have an agreement to monitor the assessment of non-financial criteria for securities that may be included in the SICAV's portfolio.

➤ **Effective date: 19/12/2019**

Corporate governance (CSR) section

I. List of appointments

Directors' names	Number of offices held	List of offices and functions
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 Chief Executive Officer and board member of Lazard Equity SRI Deputy Chief Executive Officer and board member of Lazard Alpha Europe
François de Saint-Pierre Managing Director of Lazard Frères Gestion SAS	5	Chairman of the 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 Norden Family Board Member of: -Lazard Small Caps Euro -Lazard Equity SRI -Lazard Funds
Régis Bégue Managing Director of Lazard Frères Gestion SAS	4	Chairman and Chief Executive Officer of the SICAVs: -Lazard Alpha Europe -Lazard Alpha Euro -Norden Small Board member of Lazard Equity SRI
Monica Nescaut Managing Director of Lazard Frères Gestion SAS	4	Member of the Boards of Directors of the SICAVs: -Norden -Lazard Small Caps Euro -Lazard Funds -Lazard Equity SRI
Fabienne de La Serre Vice President of Lazard Frères Gestion	5	Member of the Boards of Directors of the SICAVs: . Mahe, Lazard Patrimoine Croissance, Adélaïde, Lazard Equity SRI . Board member and Chief Executive Officer of the SICAV Guilactions
Paul Castello Managing Director of Lazard Frères Gestion SAS	5	Member of the Boards of Directors of the SICAVs: . Lazard Euro Short Duration . Lazard Equity SRI . Norden Small . Lazard Convertible Global . Lazard Funds

II. Directors' fees

Members of the Board of Directors	Directors' fees paid by the SICAV
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 Santé Prévoyance	€ 2.286
IRP AUTO Prévoyance-Santé	€ 2.286
C.F.D.T.	€ 2.286
Jean-Pierre Thomas	€ 2.286
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 Nescaut <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 L.225-37-4 para.2 of the French Commercial Code (Code de commerce)

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 30th, 2020.

IV. Table of currently valid delegations of powers granted by the shareholders' meeting, as stipulated in Article L.225-37-4 para.3 of the French Commercial Code

No delegation of authority pursuant to Article L.225-37-4 paragraph 3 of the French Commercial Code was granted or was ongoing during the financial year ended September 30th, 2020.

V. Method of operation of the general 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 performance of the C share (FR0000003998) over the period was: -8,11%.

The performance of the PC-EUR share (FR00132041179) over the period was: -7,69%.

The performance of the RC-EUR share (FR0013204187) over the period was: -8,78%.

The performance of the D share (FR0010990606) over the period was: -8,11% (*dividends reinvested*).

The performance of the RD share (FR0013318730) over the period was: -8,78% (*dividends reinvested*).

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

The benchmark's performance over the period was: -6,19%.

ECONOMIC ENVIRONMENT

Economy

While the dissipation of Sino-American trade tensions had allowed the world economy to begin a recovery in the second half of 2019, this movement was abruptly halted by the outbreak of the coronavirus epidemic in the first quarter of 2020. The epidemic, which was initially limited to China, then turned into a pandemic. To contain it, many countries adopted lockdown measures and closed their borders to varying degrees, leading to a drastic economic and financial shock. This context has led central banks and public authorities to take support measures on an unprecedented scale. The improvement in the health situation enabled a gradual lifting of restrictions from mid-February in China and from the end of April in the United States and Europe, enabling a strong rebound in global activity from May onwards. The process of reopening the US economy was interrupted by a resumption of the epidemic between mid-June and end-July. In Europe, the end of the lockdown was followed by a resumption of the epidemic from mid-August, leading to new targeted and localised restriction measures.

In the United States, GDP fell by 9,0% year-on-year in Q2 2020. The composite PMI rose from 51,0 to 54,3 over twelve months, with a low of 27,0 in April. The unemployment rate rose from 3,7% to 7,9% with a peak of 14,7% in April. Consumption fell by 3,2% year-on-year and the savings rate reached 14,1% of disposable income in September. Year-on-year inflation slowed from +1,7% to +1,3% in headline terms and from +2,4% to +1,7% excluding food and energy. The Federal Reserve announced a raft of support measures: a cumulative cut in its key rate by 150 basis points to 0%-0,25%, an unlimited purchasing programme for Treasuries and mortgage-backed securities, a programme of loans for businesses and local authorities. In September, Jerome Powell said that the Fed would tolerate inflation in excess of 2% to compensate for periods of lower inflation. US Congress adopted an unprecedented fiscal stimulus plan equivalent to 10,7% of GDP.

In the Eurozone, GDP declined by -14,7% year-on-year in Q2 2020. The decline was more pronounced in countries with the strictest lockdown measures: -18,9% in France, -18,0% in Italy, -21,5% in Spain compared to -11,3% in Germany. The Eurozone composite PMI rose from 50,1 to 50,4 over twelve months, with a low of 13,6 in April. The unemployment rate in the Eurozone hit a record low of 7,2% in March before rising gradually to 8,1% in August. Year-on-year inflation slowed from +0,8% to -0,3% in headline terms and from +1,0% to +0,2% excluding food and energy. The ECB announced a €120bn increase in its asset purchase programme (APP), a new €1 350bn purchase programme (PEPP) and an increase in its TLTRO loans. In July, EU countries reached an agreement on a European recovery plan of €750 billion, equivalent to 5,4% of GDP.

In China, GDP grew by 3,2% year-on-year in Q3 2020. The Caixin composite PMI rose from 51,9 to 54,5 year-on-year, with a low of 27,5 in February. In August, industrial production increased by +5.6% year-on-year, investment by +9.3% and retail sales by +0.5%. The unemployment rate rose from 5,2% to 5,6% with a peak of 6,2% in February. Year-on-year inflation slowed from +3,0% to +2,4% in headline terms and from +1,5% to +0,5% excluding food and energy. The Chinese central bank lowered its key interest rate by 35 basis points to 2,95% and reduced the level of mandatory reserves for large banks by 100 basis points to 12,50%. The government announced support measures amounting to 4,8% of GDP.

Markets

Equities had ended 2019 well, supported by the resumption of activity and the reduction of uncertainties relating to the trade war and Brexit. Sentiment began to deteriorate at the end of January 2020, after the implementation of lockdown measures in China. The markets collapsed from mid-February when the epidemic began to spread outside China. The movement was extremely drastic and very rapid, with the Euro Stoxx losing almost 40% in just one month.

Rapid action by central banks and public authorities led to a stabilisation in mid-March before the markets bounced back strongly in the second quarter of 2020, driven by the gradual lifting of restrictive measures in Europe and the United States, the absence of a resumption of the epidemic in countries that had eased their lockdown measures and the strengthening of monetary and fiscal support measures.

In the third quarter, equities were initially boosted by the publication of better-than-expected economic figures, hopes of new measures to stimulate activity and advances in the search for a COVID-19 vaccine. They fell from early September on the back of a drop in US technology shares and concerns about further lockdowns in Europe and amid political uncertainty in the US.

In the end, year-on-year, the MSCI World index in dollars was up +8,5% and the S&P 500 in dollars was up +13,0%. The Euro Stoxx in euros fell by -6,1%.

Government bond yields fell in the US. The 10-year Treasury yield fell from 1,66% to 0,68%, with an all-time low of 0,54% on March 10th. The German 10-year government bond yield rose from -0,57% to -0,52% over the same period. Peripheral countries' credit spreads against Germany were virtually stable in Italy (-1 basis point), Spain (+5 basis points) and Portugal (+5 basis points). Greek yields tightened by 37 basis points.

In the European credit segment, credit margins widened significantly in the first quarter of 2020 before tightening sharply. According to the ICE Bank of America indices, they rose from 111 basis points to 118 basis points year-on-year for high-quality issuers, with a high of 234 in early April, and from 366 basis points to 472 basis points for high-yield issuers, with a high of 866 in late March.

On the foreign exchange market, the euro appreciated by +7,5% against the dollar, by +5,0% against the yen and by +2,3% against the pound sterling. It depreciated 0,7% against the Swiss franc. Emerging currencies fell on average by -9.6% against the dollar, according to the JPMorgan index.

The price of a barrel of Brent fell from \$63 to \$42, with a low point of \$19 on April 21st. From the end of January, fears of a decline in global demand triggered a downward movement. Oil prices collapsed in March after Russia refused to support OPEC in a coordinated reduction in oil production. An agreement was finally reached on April 12.

MANAGEMENT POLICY

Lazard Equity SRI (*C share*) recorded a performance of -8,11% over financial year 2020 versus -6,19% for the benchmark index, the Euro Stoxx with net dividends reinvested, representing an underperformance of 192bp.

The main stock market indices ended 2019 at levels not seen since 2009, even hitting new all-time highs in the United States. In the fourth quarter, most of the geopolitical risks subsided, contributing to a sharp market acceleration after a summer soft patch. The hope of a so-called phase 1 partial agreement between Beijing and Washington contributed greatly to renewed investor appetite for risky assets. And it was at the last session of the year that Donald Trump announced that he would sign a first agreement with China on January 15th, 2020. After a series of twists and turns and long months of dithering, Brexit was soon to be ratified. Following numerous setbacks and postponements, Boris Johnson won a large victory in the early general elections, allowing him to negotiate freely with Europe during the transition period following a Brexit that was scheduled for January 31st, 2020 at the latest. In addition, markets were once again able to benefit from central banks' accommodative policies. The Fed once again cut its rates, bringing its target range to 1,50%-1,75%. As for the ECB, its QE was officially relaunched in early November and Mario Draghi was replaced by Christine Lagarde. Against this backdrop, Lazard Equity SRI ended the last quarter of 2019 on an increase of 5,66% compared with an increase of 5,35% for the Euro Stoxx net dividends reinvested. The portfolio was mainly affected by an unfavourable selection effect in the retail, telecommunications, healthcare and media sectors. More specifically, *Publicis* (-10,5%), *Carrefour* (-6,9%), *Orange* (-7,0%) and *Unilever* (-6,4%) were the worst performers. In contrast, the fund's outperformance over the quarter was due in part to good selection and allocation in industrial

goods, banking and agri-foods. In addition, the lack of exposure to utilities, as well as to energy, was a way to stand out and outperform the benchmark index. More specifically, Lazard Equity SRI benefited mainly from gains in *Société Générale* (+23,4%), *Aperam* (+29,6%), *Siemens* (+18,6%) and the absence of *Anheuser-Busch* (-15,9%).

The first three months of 2020 were explosive. We need to go back to the 2008 crisis to find disruptions and volatility levels of the same magnitude. However, the start of the year was marked by general optimism. Good news in the previous quarter, such as the lull in the trade war, the fading fears of a hard Brexit and central banks' accommodative monetary policy, continued to boost investor sentiment. Investors really panicked from mid-February onwards. Global markets then fell drastically and volatility spiked. Everything changed when Covid-19, initially announced as a flu-like disease involving only one region of China, became a pandemic. In an attempt to contain it, the affected countries declared a lockdown of the population, bringing the global economy to a sudden halt. Political and monetary authorities took drastic and unprecedented measures (fiscal, tax and monetary), enabling the financial markets to bounce back at the end of the quarter without regaining what had been lost. Against this backdrop, Lazard Equity SRI ended the first quarter of 2020 with a sharp fall of 25,10% versus -24,75% for the Euro Stoxx net dividends reinvested. The banking, utilities, construction and commodity sectors were the main negative contributors to relative performance. The fund was hurt mainly by the poor performances of *Société Générale* (-50,5%), *BNP* (-47,9%), *Imerys* (-39,2%) and *Saint-Gobain* (-39,3%). Conversely, it benefited from a positive allocation and stock-picking effect in consumer products and services, healthcare and automotive. The portfolio also benefited from its stock-picking in industrial goods and its lack of exposure to energy. Lazard Equity SRI benefited in particular from the rise in *UCB* (+2,9% over the holding period) and the absence of *Airbus* (-54,5%), *Anheuser Bush Inbev* (-44,3%) and *Safran* (-41,8%).

For almost all stock markets, the second quarter of 2020 was one of the best quarters in ten years. The financial markets took off, seemingly ignoring the still troubled general environment and a worrying global economic situation. This rise was mainly fuelled by the liquidity poured in by the central banks, the fall in interest rates to levels close to zero and the numerous government fiscal support measures. All this restored confidence and a bit of visibility to investors anticipating a V-shaped economic recovery. But this rebound was not enough to cancel out the sharp fall recorded in March. Against this backdrop, Lazard Equity SRI ended the second quarter of 2020 with a gain of 18,50% versus 17,55% for the Euro Stoxx (net dividends reinvested), i.e. an outperformance of 95bp. The technology, banking, retail and consumer products and services sectors weighed on the SICAV's relative performance. Its gains were held back by *Orange* (-2,7%), *Carrefour* (-3,1%) and *Société Générale* (-3,6%). On the other hand, the lack of exposure to energy and good stock-picking in commodities and buildings and construction materials contributed positively. Industrial goods and financial services also contributed positively. More specifically, the rises staged by *Saint-Gobain* (+44,6%), *Imerys* (+40,4%), *Rexel* (+50%) and the absence of *Total* (-2,1%) and *Wirecard* (-94,5%) were noteworthy.

The global economy continued its slow recovery in the third quarter, although the situation remains worrying. Equity markets reflected an uncertain economy. After rising markedly for most of the quarter, they posted losses in September as they were hit by the resurgence of the Covid-19 pandemic, the economic downturn and rising geopolitical risks. Central banks continued to shore up the economy by keeping interest rates low while promising not to raise them for a long time. As for Brexit, the United Kingdom and the European Union are still struggling to agree on a trade agreement. Against this backdrop, Lazard Equity SRI ended the third quarter of 2020 down 2,01% against a slight increase of 0,67% for the Euro Stoxx net dividends reinvested. Banking, insurance, financial services and retail slowed the fund's gains. More specifically, *Société Générale* (-23,5%), *Banco Santander* (-26,4%), *Orange* (-16,5%) and *BNP* (-12,4%) were the largest negative contributors to the relative performance. On the other hand, the lack of exposure to energy, our stock-picking in healthcare, chemicals and technology helped dampen the fall. More specifically, Lazard Equity SRI benefited mainly from the performances of *Merck* (+20,6%), *Saint-Gobain* (+12,4%) and the absence of *Bayer* (-19,0%) and *Total* (-12,0%).

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	57 139 250,65	63 614 972,13
SOCIETE GENERALE SA	6 672 419,30	3 679 227,27
ASML HOLDING NV	4 504 951,80	3 444 060,43
BNP PARIBAS	4 445 275,09	2 890 518,91
UNION CHIMIQUE BELGE/ UCB	3 075 116,29	3 984 543,62
IMERYS EX IMETAL	3 599 585,85	3 362 777,72
BANCO SANTANDER S.A.	6 080 328,25	737 539,46
HEINEKEN	0 414 211,90	5 033 274,68
SAINT-GOBAIN	2 984 455,00	3 166 988,91
L'OREAL	1 547 328,00	4 378 643,13

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

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

d) Operating income and expenses related to efficient management techniques

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

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

4. REGULATORY INFORMATION

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

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

The information can be consulted on the management company's website: www.lazardfreresgestion.fr

- **BROKERAGE FEES**

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

- **EXERCISING VOTING RIGHTS**

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

- **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 sustainable 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 a sovereign asset.

Information about ESG criteria is available on the website: www.lazardfreresgestion.fr.

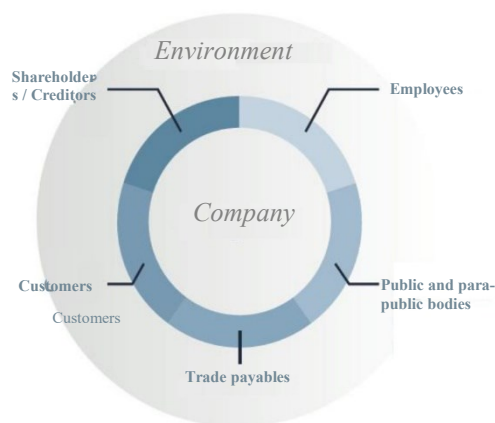
- **REPORTING OBLIGATIONS UNDER ARTICLE 173**

General procedure for incorporating ESG criteria

Lazard Frères Gestion aims to offer its customers conviction-based management with a long-term investment perspective. Our investment process is characterised by active management based on stock-picking that aims to optimise the risk/return ratio, particularly by taking into account environmental, social and governance (ESG) parameters.

We have always attached paramount importance to governance as the cornerstone of a credible financial and non-financial strategy. Above all, we invest in companies that we want to support over the long term, with clear development models, effective control bodies and quality management with which we establish a strong relationship of trust over the course of our meetings.

Lazard Frères Gestion is convinced that companies that have integrated ESG issues into their strategy offer an additional guarantee of long-term performance. They are better able to take their stakeholders into account, which is essential for companies' value creation and long-term competitiveness. We traditionally consider five stakeholders:



It was with the aim of assessing the degree of integration of ESG challenges by companies and respect for stakeholders that non-financial analysis naturally enriched our financial analysis.

ESG analysis takes into account the parameters that we believe are essential to the company's solidity, stability and financial sustainability. It enables us to identify major ESG issues, detect potentially damaging risks for the company and its investors, but also future opportunities.

It is therefore important to select companies that integrate the following non-financial issues into their development model:

E

ENVIRONMENTAL ISSUES

Any company wishing to ensure its economic sustainability must protect the natural capital by constantly seeking to limit and/or optimise the environmental and climate impacts of its activities, products and services.

A company's environmental analysis consists of an analysis of its activities, products and services likely to have a significant impact (positive or negative) on the environment.

S

SOCIAL ISSUES

"Human capital" is one of the company's two drivers along with financial capital. Valuing, caring for and developing this human capital throughout the value chain must be part of a company's strategy.

Monitoring and analysing multiple indicators makes it possible to understand the company's social policy and to identify potential risks.

G

GOVERNANCE ISSUES

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

Governance is analysed using numerous quantitative and qualitative indicators to objectively assess its architecture and quality.

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

We attach particular importance to developing proprietary models built on our expertise with a constant concern to provide tangible added value in the selection of securities in the portfolio.

At the end of 2019, Lazard Frères Gestion therefore wanted to implement a **proprietary ESG** analysis and **rating** model that complies with this principle.

Based on the various data provided by our ESG partners (Vigeo Eiris, Ethix, Trucost, Carbon Delta), Bloomberg, the CSR reports of each company, the Vigeo controversy monitoring tool and the comments of our analysts-managers, the analysts responsible for each security draw up an internal ESG rating based on a quantitative and qualitative approach: for each E, S and G pillar, around fifteen key indicators are monitored and then aggregated in a summary rating (from 1 for the least good issuers to 5 for the best).

ESG analysis methodology and results

■ ESG analysis methodology

The methodology for the ESG assessment of issuers has changed during the financial year. The ESG analysis filter on the quality of corporate governance historically carried out on the basis of qualitative analysis is now based on a quantitative governance rating ranging from 0 to 5.

The ESG assessment methodology for issuers then becomes a combination of a quantitative assessment of the ESG criteria provided by Vigeo and a **quantitative** assessment of the Governance criterion carried out by Lazard Frères Gestion.

➤ VIGEO: ES Quantitative assessment

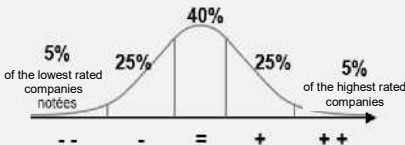
# 1.Condition		# 2.Condition
Areas	Score ≥ 0	Weighted average rating ≥ 0 weight defined by Lazard Frères Gestion
Human Resources	✓	40%
Respect for the environment		30%
Customer/Supplier Relationships		10%
Human Rights		10%
Social Commitment		10%


1. NON-FINANCIAL ANALYSIS
Carried out by Vigeo Eiris in the 5 areas subdivided into 34 criteria

2. CALCULATION OF ABSOLUTE RATING per company per area
Weighting of criteria according to their importance within the sector of the company being assessed

3. CALCULATION OF THE RELATIVE RATING by company by area
According to its classification within its business sector

4. CALCULATION OF THE COMPANY'S OVERALL ESG RATING
Average relative scores for the 5 areas, weighted by the weights defined by **Lazard Frères Gestion** Each company thus obtains an Overall ESG rating of between -- and ++





Advanced (Score of 60-100)
Convincing (Score of 50-59)
Initiated (Score of 30-49)
Low (Score of 0-29)

++
Pioneering company
+
Company ahead of the curve
=
Company in the middle range
-
Lagging company
--
Company not affected

The five possible rating levels are recoded as follows in order to be able to calculate the Overall ESG rating:

++	becomes	+2
+	becomes	1
=	becomes	0
-	becomes	-1
--	becomes	-2

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

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.

GOVERNANCE PILLAR

Area	Objectives	Criteria
Board of Directors or Supervisory Board	<ul style="list-style-type: none"> - Independence of the Board - Competence and diversity of the Board - Limitation on combining mandates 	<ul style="list-style-type: none"> - BD capable of controlling and advising executive officers to ensure a balance of power: <ul style="list-style-type: none"> ▪ Separation of the positions of Chairman and Chief Executive Officer ▪ Diversity and complementarity of expertise ▪ Significant proportion of independent members allowing for objective and impartial control over management
Quality of management	<ul style="list-style-type: none"> - Quality of strategy - Business ethics - Effectiveness of audit and control mechanisms 	<ul style="list-style-type: none"> - Formulation and implementation of a strategy consistent with the external environment and internal resources - Prevention of all forms of corruption, from private actors to public officials - Internal control system capable of identifying and assessing the company's risks while ensuring confidence in the independence and objectivity of the external auditors
Quality of financial and non-financial communication	<ul style="list-style-type: none"> - Confidence in forecasts and transparency - Accessibility of management 	<ul style="list-style-type: none"> - History of profit warnings - Disclosure of quantitative data and qualitative explanations giving a true and fair view of the company's current situation and its prospects on financial and non-financial issues
Executive compensation	<ul style="list-style-type: none"> - Clear formulation of executive compensation - Transparency of compensation - Consistency with results obtained 	<ul style="list-style-type: none"> - Compensation policy describes its principles, mechanisms and details the various components - Integration of ESG objectives into compensation - Compensation in line with strategy, linked to the company's performance and the trend in the value of the company's share over the long term

- How ESG criteria are taken into account in the investment decision-making process

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

1. Our **non-financial filter** is applied to all Eurozone shares 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:

- o **Condition 1: having a Human Resources rating 0** (Vigeo rating)

A company's financial performance can be impacted by lack of attention to human resources issues. The quality of general working conditions, fostering of employer-employee relations, job enhancement and skills training are the main factors examined.

- o **Condition 2: having a weighted average rating 0** (Lazard weighting applied to Vigeo relative ratings) Lazard Frères Gestion requires each of the five areas of non-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 supplier good practice in certain areas (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.

o **Condition 3: having a Governance rating > 2** (Lazard rating)

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.

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.

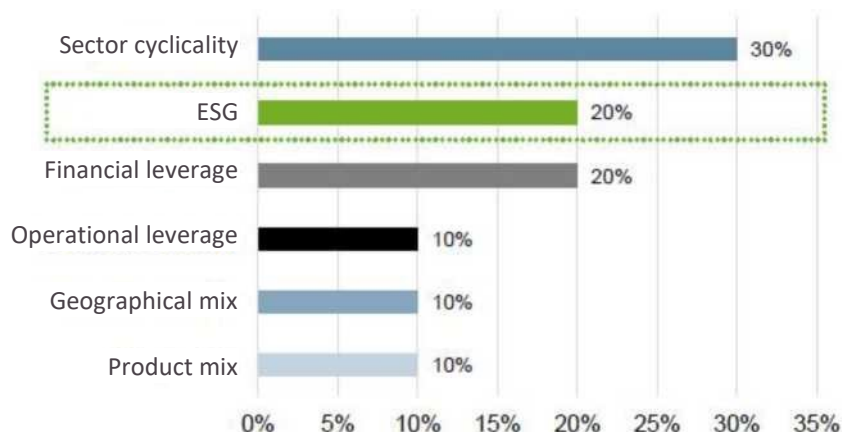
In the latter method, cash flows are discounted using the WACC, the weighted average cost of capital.

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**.

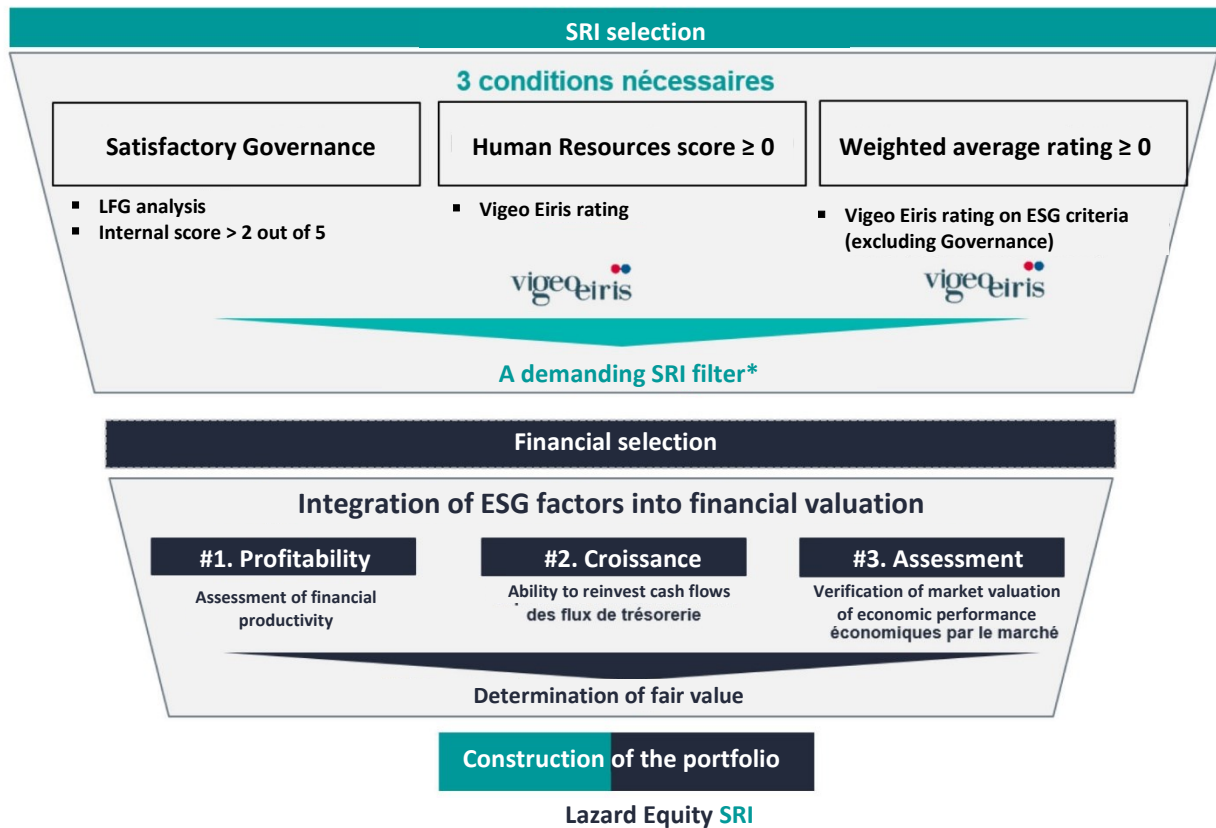
The Beta is calculated internally using a methodology specific to Lazard Frères Gestion.

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



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.



■ Monitoring of ESG indicators

➤ Carbon footprint

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

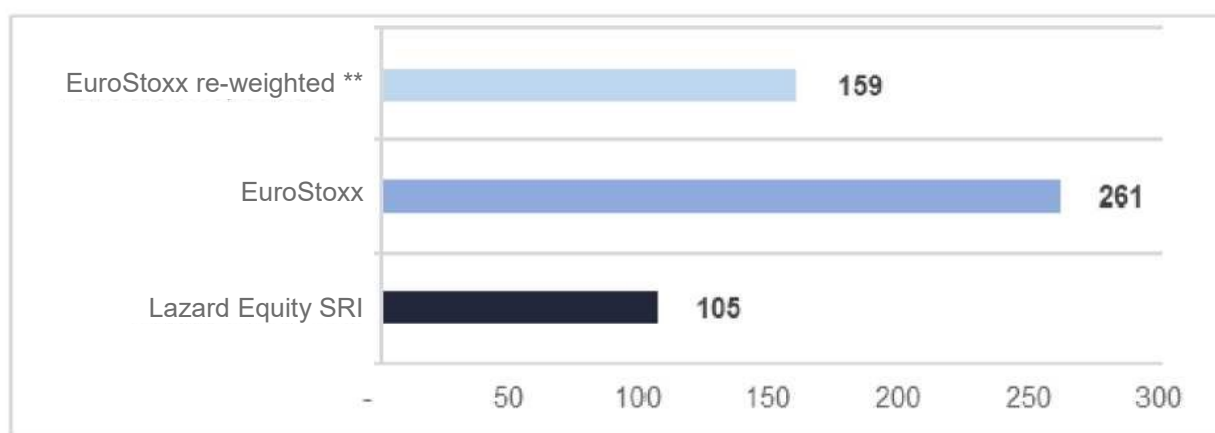
- To obtain the data needed to calculate the carbon footprint, we decided to establish a partnership with TRUCOST in 2016.
- LAZARD Frères Gestion decided to use the carbon intensity indicator, which is expressed in CO2 equivalent tonnes per million euros of revenue.
- The carbon footprint assessment 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 revenue of each position. We thus get the following formula:

Intensité carbone d'un portefeuille

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

- A company's CO2 emission levels are highly dependent on its business area. Some sectors are structurally higher "emitters" than others.
- Lazard Frères Gestion's fundamental stock picking approach entails sector exposure gaps between the funds and their benchmark indices.
- To make up for these sector biases, we have defined a method that involves neutralising these gaps by re-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 revenue (tonnes of CO2 eq./€m of revenue)



Date: 30/09/2020

Fund coverage ratio: 99,7%

Index coverage ratio: 98,5%

➤ 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 emitter 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.

This rating is now delegated to our partner Vigeo Eiris.

For this, specific climate change criteria are analysed as are the main energy transition objectives of the companies and the relevant sectors. The score measures 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

Score Transition Énergétique d'un portefeuille

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

It is based on the scoring 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

Eurostoxx	Convincing	54
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Integration of the results of the ESG analysis into the investment process

- Voting at shareholders' meetings

We actively vote at the general meetings (GMs) of all our portfolio companies.

In 2020, we voted at 39 of the 41 GMs for which Lazard Equity SRI held voting rights, i.e. an exercise rate of 95%:

39 general meetings,
i.e. 693 resolutions

51% of general
meetings with at
least one vote
Against

7,2% votes
Against

Our first dissenting vote concerned capital increases that could lead to a risk of excessive capital dilution and therefore have a negative impact on minority shareholders.

We also included in this category all possible financial transactions during the takeover bid period. Lazard Frères Gestion is committed to the principle of neutrality of the Board of Directors during a takeover bid period. We have therefore systematically voted against all resolutions that do not comply with this principle.

The second and third dissenting vote concerned the appointment of directors and the remuneration of executives.

We voted against the appointment or re-election of directors who did not offer all the guarantees of independence and expertise expected by Lazard Frères Gestion.

Our main grounds for opposition with regard to remuneration were as follows:

- o Insufficient transparency or stringency of performance criteria
- o Lack of moderation with unjustified increases

- Implementation of an engagement strategy relating to 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.

These exchanges provide an opportunity to identify and share best practices, particularly with regard to governance, human rights, social, societal and environmental issues. We encourage companies to take these issues into account by formulating concrete areas for improvement. In this way, we encourage them to adopt best practices and to be more transparent about the resources put in place and the results obtained.

Lazard Frères Gestion publishes a report covering the various initiatives undertaken and their outcome. This document is available at the following address: http://www.lazardfreresgestion.fr/FR/Notre-approche-ESG-ISR-Actionnariat_116.html

- **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: 98,69%.

- **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 31st, 2019 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 stated in the company's annual report. The total variable remuneration is set by the Lazard Group based on different criteria, including the Lazard Group's financial performance over the past year and taking its results into account. The General Management decides on the total remuneration amount that will be split between the fixed and variable components, complying with the policy to maintain a complete separation between the fixed and variable components. All risks are incorporated into the calculation of the variable remuneration. It is then individualised and determined partly based on the performance of each identified member of staff.

Population at 31/12/2019: Fixed-term and permanent contracts at LFG and LFG-Belgium (i.e. excluding interns and trainees and excluding LFG-Courtage)

headcount at 31/12/2019 LFG, LFG-Belgique	Fixed annual remuneration for 2019 in €	Variable remuneration for 2019 (Cash paid in 2020 and deferred in 2020) in euros
174	15,947,054	19,567,356

“Identified employees”

Category	Number of employees	Aggregated fixed and variable remuneration 2019 (including deferred) in euros
Senior management	3	4,100,006
Other	48	18,940,465
Total	51	23,040,471

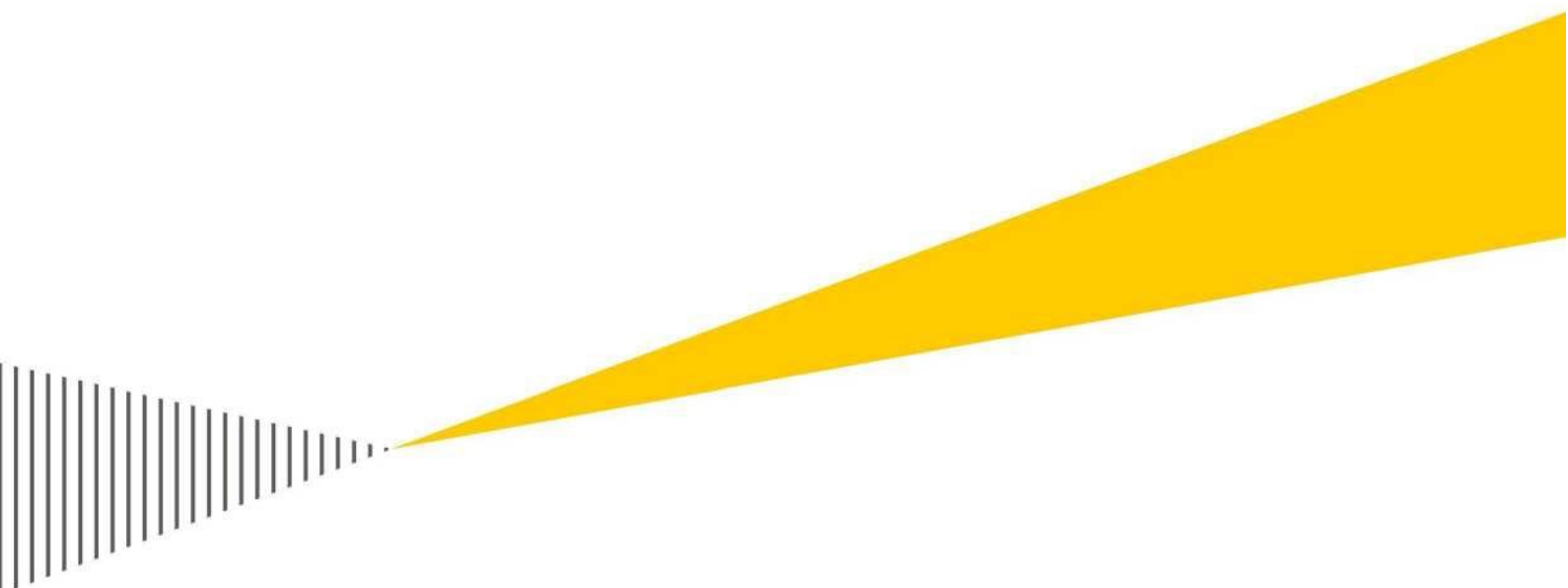
Note: the amounts are stated excluding charges

- **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 unitholders to:

LAZARD FRERES GESTION SAS
25, Rue de Courcelles - 75008 Paris, France
www.lazardfreresgestion.fr.

5. CERTIFICATION BY THE STATUTORY AUDITOR



Lazard Equity SRI

Financial year ended September 30th, 2020

Statutory auditor's report on the annual financial statements

ERNST & YOUNG et Autres



ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex

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

Lazard Equity SRI

Financial year ended September 30th, 2020

Statutory auditor's report on the annual financial statements

To the shareholders' meeting of Lazard Equity SRI,

Opinion

In accordance with the terms of our appointment by your board of directors, we conducted our audit of the accompanying annual financial statements of the undertaking for collective investment Lazard Equity SRI, as a French open-end investment company (SICAV), for the financial year ended September 30th, 2020. These financial statements were approved by the board of directors on the basis of available information in the context of the evolving Covid-19 crisis.

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

Basis of our opinion

■ Audit standards

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

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

■ Independence

We conducted our audit in accordance with the rules of independence applicable to us on the period from October 1st, 2019 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, approved under the conditions described above, 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.

- Information on corporate governance

We certify that the information required under Article L.225-37-4 of the French Commercial Code is provided in the section of the board of directors' management 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. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole are free from material misstatement. Reasonable assurance means a high but not absolute level of assurance that an audit performed in accordance with professional standards is free of material misstatement. Anomalies may stem from fraud or errors and are considered material when it can reasonably be expected that, taken individually or together, they could influence the economic decisions of users of the financial statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our audit assignment does not consist in guaranteeing the viability or quality of the management of your 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 assesses the risks that the annual financial statements may contain material misstatements, whether from fraud or error, defines and implements audit procedures to resolve these risks, and collects all elements deemed necessary and appropriate in order to give its opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than that resulting from an error because fraud may involve collusion, falsification, deliberate omissions, false statements or by-passing of internal controls;
- ▶ it takes due note of the internal control relevant to the audit in order to define audit procedures that are appropriate to the circumstances, and not with a view to expressing an opinion on the efficiency of the internal control;
- ▶ it assesses the appropriateness of the accounting methods used and the reasonable nature of the accounting estimates made by the management, and the related information provided in the annual financial statements;
- ▶ It assesses the appropriateness of the management's application of the accounting policy for a going concern and, based on the information collected, whether there is any significant uncertainty linked to events or circumstances that is likely to call into question the SICAV's capacity to continue operating as a going concern. This assessment is based on the information collected up to the date of the report, bearing in mind nevertheless that subsequent circumstances or events could jeopardise the continuity of operation. If the statutory auditor observes the existence of a material uncertainty, it shall draw the attention of the readers of its report to the information provided in the annual financial statements on the subject of this uncertainty, or if this information has not been provided or is not relevant, it shall qualify its opinion or decline to certify the financial statements;



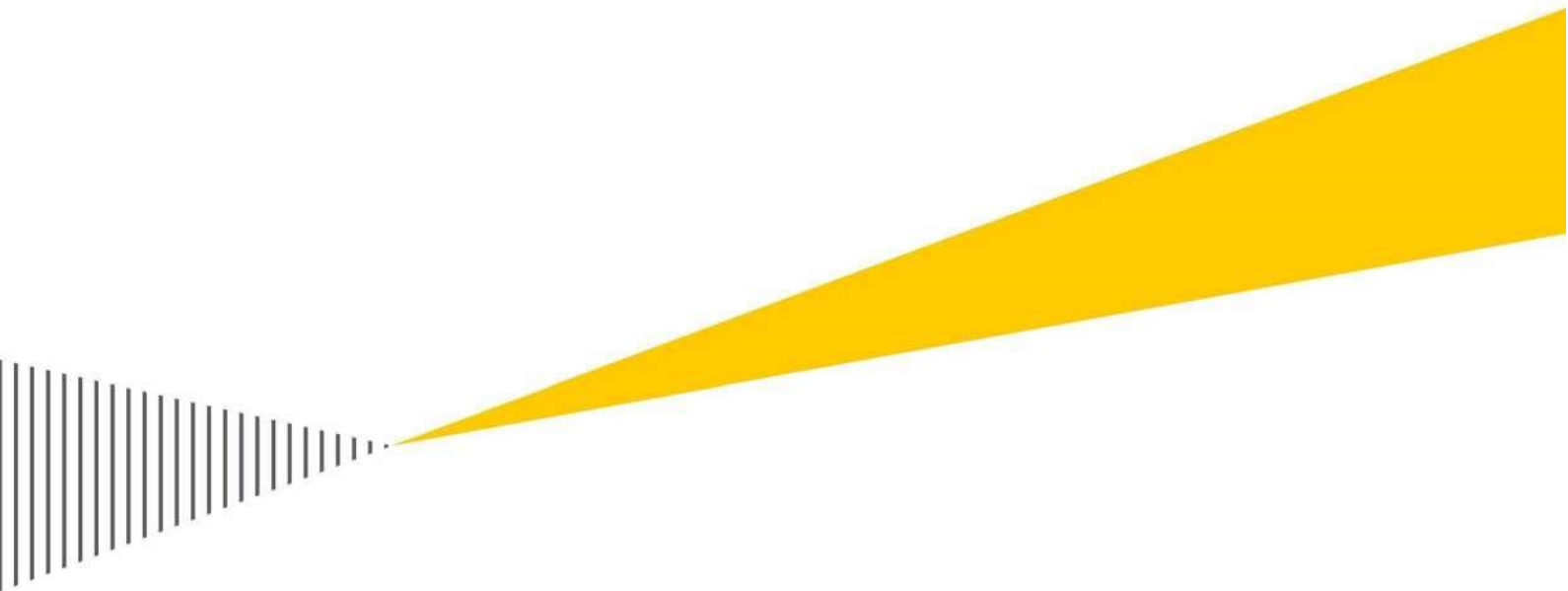
- ▶ it assesses the overall presentation of the annual financial statements and whether they provide a true picture of the underlying operations and events.

Paris-La Défense, December 18th, 2020

The statutory auditor
ERNST & YOUNG et Autres

[Illegible Signature]

David Koestner



Lazard Equity SRI

Shareholders' meeting to approve the financial statements for the financial year ended September 30th, 2020

Statutory auditor's special report on regulated agreements

ERNST & YOUNG et Autres



ERNST & YOUNG et Autres
Tour First
TSA 14444
92037 Paris-La Défense cedex

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 30th, 2020

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 or signed 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 18th, 2020

The statutory auditor
ERNST & YOUNG et Autres

[Illegible Signature]

David Koestner

6. ANNUAL FINANCIAL STATEMENTS

• BALANCE SHEET *in euros*

ASSETS

	30/09/2020	30/09/2019
Net non-current assets		
Deposits		
Financial instruments	171 434 949,88	180 684 742,85
Equities and similar securities	169 700 725,00	172 454 831,60
Traded on a regulated or equivalent market	169 700 725,00	172 454 831,60
Not traded on a regulated or equivalent market		
Bonds and similar securities		
Traded on a regulated or equivalent market		
Not traded on a regulated or equivalent market		
Debt securities		
Traded on a regulated or equivalent market		
Negotiable debt securities		
Other debt securities		
Not traded on a regulated or equivalent market		
Undertakings for collective investment	1 734 224,88	8 229 911,25
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries	1 734 224,88	8 229 911,25
Other funds aimed at non-professionals and their equivalent in other countries that are Member States of the EU		
General purpose funds aimed at professional investors and their equivalent in other EU Member States and listed securitisation vehicles		
Other funds aimed at professional investors and their equivalent in other Member States of the EU and unlisted securitisation entities		
Other non-European entities		
Temporary securities transactions		
Receivables on securities purchased under repurchase agreements		
Receivables on loaned securities		
Borrowed securities		
Securities sold under repurchase agreements		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Other financial instruments		
Receivables	12 145,33	501 742,90
Currency forward exchange transactions		
Other	12 145,33	501 742,90
Financial accounts	349 182,97	93 189,77
Cash and cash equivalents	349 182,97	93 189,77
Total assets	171 796 278,18	181 279 675,52

LIABILITIES AND SHAREHOLDERS' EQUITY

	30/09/2020	30/09/2019
Shareholders' equity		
Share capital	167 156 673,66	171 779 917,38
Undistributed net capital gains and losses recognised in previous years (a)	55 088,48	2 529 849,78
Retained earnings (a)	1,22	74,77
Net capital gains and losses for the year (a, b)	2 688 486,60	2 197 910,99
Net income for the year (a, b)	1 560 136,46	4 526 794,45
Total shareholders' equity (= amount representing net assets)	171 460 386,42	181 034 547,37
Financial instruments		
Sales of financial instruments		
Temporary securities transactions		
Liabilities on securities sold under repurchase agreements		
Liabilities on borrowed securities		
Other temporary transactions		
Forward financial instruments		
Transactions on a regulated or equivalent market		
Other transactions		
Liabilities	335 891,76	245 128,15
Currency forward exchange transactions		
Other	335 891,76	245 128,15
Financial accounts		
Bank overdrafts		
Borrowings		
Total liabilities and shareholders' equity	171 796 278,18	181 279 675,52

(a) Including accrued income

(b) Less interim dividends paid for the financial year

- OFF-BALANCE SHEET ITEMS *in euros*

	30/09/2020	30/09/2019
Hedging transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		
Other transactions		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

• **INCOME STATEMENT *in euros***

	30/09/2020	30/09/2019
Income from financial transactions		
Income from deposits and financial accounts		
Income from equities and similar securities	3 888 490,34	7 343 575,84
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		
Total (1)	3 888 490,34	7 343 575,84
Expenses related to financial transactions		
Expenses related to temporary purchases and sales of securities		
Expenses related to forward financial instruments		
Expenses related to financial liabilities	3 243,22	1 646,89
Other financial charges		
Total (2)	3 243,22	1 646,89
Income from financial transactions (1 - 2)	3 885 247,12	7 341 928,95
Other income (3)		
Management fees and depreciation and amortisation (4)	2 270 504,90	2 381 118,85
Net income for the financial year (L. 214-17-1) (1 - 2 + 3 - 4)	1 614 742,22	4 960 810,10
Income adjustment for the financial year (5)	-54 605,76	-434 015,65
Interim dividends paid on net income for the financial year (6)		
Net income (1 - 2 + 3 - 4 + 5 - 6)	1 560 136,46	4 526 794,45

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING RULES AND PRINCIPLES

The annual financial statements are presented in accordance with Regulation 20141, 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.

Information on the impact of the COVID-19 crisis

The financial statements were approved by the Board of Directors on the basis of available information in the context of the evolving Covid-19 crisis.

Asset valuation rules

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

- o **Shares and similar securities** are valued on the basis of the last known price on their main market.

If applicable, prices are translated into euros using the exchange rate prevailing in Paris on the valuation day (as published by WM Closing).

- o **Fixed-income securities:**

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

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

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

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

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

- o **Negotiable debt securities:**

- **Negotiable debt securities with a residual maturity of more than three months:**

Negotiable debt securities traded in large volumes are valued at market price.

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

Benchmark rate	
Negotiable debt securities in euros	Negotiable debt securities in other 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 SICAV's currency) multiplied by the number of contracts multiplied by the delta multiplied by the face value of the underlying security. The commitment value for swaps is equal to the face value of the contract (in the SICAV's currency).

Management fees

Management fees are calculated on each valuation day.

The annual management fee rate is applied to gross assets (equal to net assets before deduction of the day's management fees) using the following formula:

$$\frac{\text{Gross assets} \times \text{operating and management fees rate}}{\frac{\text{x no. of days between the calculated NAV and the previous NAV}}{365 \text{ (or 366 in a leap year)}}}$$

- 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:

<i>Expenses charged to the SICAV</i>	<i>Basis</i>	<i>Rate</i>	
Financial management fees	Net assets	C and D shares: 1,265% including tax PC EUR shares: 0,815% incl. taxes RC EUR shares: 2% incl. taxes RD EUR shares: 2% incl. taxes 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% incl. taxes 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.

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:

<i>Share(s)</i>	<i>Allocation of net income</i>	<i>Allocation of net realised capital gains or losses</i>
Equity LAZARD EQUITY SRI RD EUR	Distribution	Accumulation and/or Distribution and/or Retention as decided by the SICAV
LAZARD EQUITY SRI C shares	Accumulation	Accumulation
LAZARD EQUITY SRI D shares	Distribution	Accumulation and/or Distribution and/or Retention as decided by the SICAV
EQUITY SRI PC EUR shares	Accumulation	Accumulation
QUITY SRI RC EUR shares	Accumulation	Accumulation

- **CHANGE IN NET ASSETS *in euros***

	30/09/2020	30/09/2019
Net assets at start of year	181 034 547,37	186 404 658,23
Subscriptions (including subscription fees retained by the Fund)	55 443 982,12	42 268 289,60
Redemptions (net of redemption fees retained by the Fund)	-49 223 759,25	-50 231 524,87
Realised capital gains on deposits and financial instruments	12 857 122,22	10 201 071,02
Realised capital losses on deposits and financial instruments	-8 932 539,16	-6 662 631,71
Realised capital gains on forward financial instruments		
Realised capital losses on forward financial instruments		
Transaction charges	-1 360 097,62	-1 081 708,05
Exchange rate differences		
Changes in valuation difference of deposits and financial instruments	-19 597 329,69	-4 324 849,88
Valuation difference for financial year N	-588 366,47	19 008 963,22
Valuation difference for financial year N-1	-19 008 963,22	-23 333 813,10
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
Dividends paid in the previous financial year	-457 694,06	-386 469,66
Net profit/loss for the financial year prior to income adjustment	1 614 742,22	4 960 810,10
Interim dividend(s) paid on net capital gains/losses during the financial year		
Interim dividend(s) paid on net income during the financial year		
Other items		
Net assets at end of year	171 378 974,15	181 034 547,37

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

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

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

	Fixed rate	%	Variable rate	%	Revisable rate	%	Other	%
Assets								
Deposits								
Bonds and similar securities								
Debt securities								
Temporary securities transactions								
Financial accounts							349 182,97	0,20
Liabilities								
Temporary securities transactions								
Financial accounts								
Off-balance sheet items								
Hedging transactions								
Other transactions								

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

	< 3 months	%	3 months-1 year	%	1-3 years	%	3-5 years	%	> 5 years	%
Assets										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary securities transactions										
Financial accounts	349 182,97	0,20								
Liabilities										
Temporary securities transactions										
Financial accounts										
Off-balance sheet items										
Hedging transactions										
Other transactions										

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

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

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

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

	Debit/credit item	30/09/2020
Receivables	Subscription receivables	12 145,33
Total receivables		12 145,33
Liabilities	Deferred settlement purchase	113 424,33
	Redemptions payable	27 015,12
	Management fees	195 452,31
Total liabilities		335 891,76
Total liabilities and receivables		-323 746,43

• **NUMBER OF SECURITIES ISSUED OR REDEEMED**

	In shares	In amounts
C shares		
Shares subscribed during the financial year	17 634,275	31 278 590,21
Shares redeemed during the financial year	-15 666,370	-27 665 652,27
Net balance of subscriptions/redemptions	1 967,905	3 612 937,94
Number of shares outstanding at the end of the financial year	87 183,287	
PC EUR shares:		
Shares subscribed during the financial year	2 242,115	21 829 559,17
Shares redeemed during the financial year	-337,548	-3 307 052,22
Net balance of subscriptions/redemptions	1 904,567	18 522 506,95
Number of shares outstanding at the end of the financial year	3 273,624	
RC EUR shares		
Shares subscribed during the financial year	2 110,402	2 218 204,33
Shares redeemed during the financial year	-1 752,718	-1 402 270,27
Net balance of subscriptions/redemptions	357,684	815 934,06
Number of shares outstanding at the end of the financial year	462,681	
D shares		
Shares subscribed during the financial year		
Shares redeemed during the financial year	-13 111,000	-16 805 928,21
Net balance of subscriptions/redemptions	-13 111,000	-16 805 928,21
Number of shares outstanding at the end of the financial year	256,132	
RD EUR shares		
Shares subscribed during the financial year	115,000	117 628,41
Shares redeemed during the financial year	-47,000	-42 856,28
Net balance of subscriptions/redemptions	68,000	74 772,13
Number of shares outstanding at the end of the financial year	90,000	

• **SUBSCRIPTION AND/OR REDEMPTION FEES**

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

- **MANAGEMENT FEES**

	30/09/2020
C shares	
Guarantee fees	
Fixed management fees	1 877 099,45
Percentage of fixed management fees	1,30
Variable management fees	
Retrocessions of management fees	
PC EUR shares	
Guarantee fees	
Fixed management fees	184 399,33
Percentage of fixed management fees	0,85
Variable management fees	
Retrocessions of management fees	
RC EUR shares	
Guarantee fees	
Fixed management fees	7 956,29
Percentage of fixed management fees	2,03
Variable management fees	
Retrocessions of management fees	
D shares	
Guarantee fees	
Fixed management fees	199 895,92
Percentage of fixed management fees	1,30
Variable management fees	
Retrocessions of management fees	
RD EUR shares	
Guarantee fees	
Fixed management fees	1 153,91
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**

	30/09/2020
Securities held under repurchase agreements	
Borrowed securities	

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

	30/09/2020
Financial instruments given as security and retained under their original classification	
Financial instruments received as security and not recorded on the balance sheet	

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

	ISIN	Description	30/09/2020
Equities			
Bonds			
Negotiable debt securities			
UCIs			1 734 224,88
	FR0011291657	LAZARD EURO SHORT TERM MONEY MARKET	1 734 224,88
Forward financial instruments			
Total group securities			1 734 224,88

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

	30/09/2020	30/09/2019
Remaining amounts to be allocated		
Retained earnings	1,22	74,77
Net income	1 560 136,46	4 526 794,45
Total	1 560 137,68	4 526 869,22

	30/09/2020	30/09/2019
C shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	1 154 727,29	3 661 914,17
Total	1 154 727,29	3 661 914,17

	30/09/2020	30/09/2019
PC EUR shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	402 499,90	405 895,80
Total	402 499,90	405 895,80

	30/09/2020	30/09/2019
RC EUR shares		
Appropriation		
Distribution		
Balance brought forward for the financial year		
Accumulation	257,10	1 888,31
Total	257,10	1 888,31

	30/09/2020	30/09/2019
D shares		
Appropriation		
Distribution	2 609,99	456 731,80
Balance brought forward for the financial year	0,70	49,24
Accumulation		
Total	2 610,69	456 781,04
Information on shares with dividend rights		
Number of shares	256,132	13 366,456
Dividend per share	10,19	34,17
Tax credits		
Tax credit attached to the distribution of earnings		46 810,88

	30/09/2020	30/09/2019
RD EUR shares		
Appropriation		
Distribution	42,30	389,84
Balance brought forward for the financial year	0,40	0,06
Accumulation		
Total	42,70	389,90
Information on shares with dividend rights		
Number of shares	90,000	22,000
Dividend per share	0,47	17,72
Tax credits		
Tax credit attached to the distribution of earnings		55,68

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

	30/09/2020	30/09/2019
Remaining amounts to be allocated		
Undistributed net capital gains and losses recognised in previous years	55 088,48	2 529 849,78
Net capital gains and losses for the year	2 688 486,60	2 197 910,99
Interim dividends paid on net capital gains/losses for the financial year		
Total	2 743 575,08	4 727 760,77

	30/09/2020	30/09/2019
C shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	2 188 763,63	1 800 139,88
Total	2 188 763,63	1 800 139,88

	30/09/2020	30/09/2019
PC EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	486 639,84	170 015,50
Total	486 639,84	170 015,50

	30/09/2020	30/09/2019
RC EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		
Accumulation	6 726,56	1 296,35
Total	6 726,56	1 296,35

	30/09/2020	30/09/2019
D shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		2 755 751,22
Accumulation	57 878,32	
Total	57 878,32	2 755 751,22

	30/09/2020	30/09/2019
RD EUR shares		
Appropriation		
Distribution		
Undistributed net capital gains and losses		557,82
Accumulation	3 566,73	
Total	3 566,73	557,82

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

	30/09/2016	29/09/2017	28/09/2018	30/09/2019	30/09/2020
Global net assets in euros	145 183 539,36	179 888 094,69	186 404 658,23	181 034 547,37	171 460 386,42
LAZARD EQUITY SRI C					
Net assets in euros	125 538 226,06	156 015 683,66	159 390 762,10	148 388 866,92	139 547 132,61
Number of shares	88 207,135	88 206,271	92 680,820	85 189,741	87 183,287
Net asset value per share in EUR	1 423,22	1 768,75	1 719,78	1 741,86	1 600,61
Accumulation per share pertaining to net capital gains/losses in euros	30,28	92,62	49,72	21,13	25,10
Accumulation per share pertaining to net income in euros	21,07	21,29	29,32	42,98	13,24
LAZARD EQUITY SRI PC EUR					
Net assets in euros		10 353,16	4 287 922,64	14 054 447,22	31 087 624,35
Number of shares		1,000	424,055	1 366,102	3 273,624
Net asset value per share in EUR		10 353,16	10 111,71	10 287,99	9 496,39
Accumulation per share pertaining to net capital gains/losses in euros		151,26	291,71	124,45	148,65
Accumulation per share pertaining to net income in euros		-4,86	217,80	297,11	122,95
LAZARD EQUITY SRI RC EUR					
Net assets in euros			24 035,43	106 335,74	427 430,09
Number of shares			23,860	104,997	462,681
Net asset value per share in EUR			1 007,35	1 012,75	923,81
Accumulation per share pertaining to net capital gains/losses in euros			12,98	12,34	14,53
Accumulation per share pertaining to net income in euros			18,19	17,98	0,55

* 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**

	30/09/2016	29/09/2017	28/09/2018	30/09/2019	30/09/2020
Global net assets in euros	145 183 539,36	179 888 094,69	186 404 658,23	181 034 547,37	171 460 386,42
LAZARD EQUITY SRI D					
Net assets in euros	19 645 313,29	23 862 057,87	22 687 745,40	18 462 934,80	317 601,78
Number of shares	16 198,801	16 232,941	1 6 226,31 3	13 366,456	256,132
Net asset value per share in EUR	1 212,76	1 469,97	1 398,20	1 381,28	1 239,99
Distribution per share pertaining to net capital gains/losses in euros	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 income in euros					225,97
Distribution per share pertaining to net income in euros	17,82	17,58	23,79	34,17	10,19
Retained earnings per share pertaining to net income in euros					
Tax credit per share EUR			2,923		*
LAZARD EQUITY SRI RD EUR					
Net assets in euros			14 192,66	21 962,69	80 597,59
Number of shares			14,000	22,000	90,000
Net asset value per share in EUR			1 013,76	998,30	895,52
Undistributed net capital gains and losses per share in euros			13,08	25,35	
Accumulation per share pertaining to income in euros					39,63
Distribution per share pertaining to net income in euros			18,57	17,72	0,47
Retained earnings per share pertaining to net income in euros					
Tax credit per share EUR			1,236		*

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

- **INVENTORY in euros**

Description of security	Currency	Quantity No. or nominal	Present value %	Net assets
Equities and similar securities				
Equities and similar securities traded on a regulated or similar market				
GERMANY				
ALLIANZ SE-REG	in euros	37 140	6 076 846,80	3,55
BMW BAYERISCHE MOTOREN WERKE	in euros	37 000	2 293 630,00	1,34
DEUTSCHE BOERSE AG	in euros	19 310	2 892 638,00	1,69
DEUTSCHE TELEKOM AG	in euros	404 600	5 781 734,00	3,37
MERCKKGA	in euros	39 000	4 857 450,00	2,83
MUENCHENER RUECKVERSICHERUNG AG	in euros	10 720	2 321 952,00	1,35
SAP SE	in euros	73 000	9 691 480,00	5,66
SIEMENS AG-REG	in euros	42 000	4 530 960,00	2,64
SIEMENS ENERGY AG	in euros	21 500	494 500,00	0,29
SIEMENS ENERGY AG RTS	in euros	21 500		
TOTAL GERMANY			38 941 190,80	22,72
AUSTRIA				
ERSTE GROUP BANK	in euros	176 000	3 146 000,00	1,83
TOTAL AUSTRIA			3 146 000,00	1,83
BELGIUM				
UNION CHIMIQUE BELGE/ UCB	in euros	19 500	1 891 500,00	1,10
TOTAL BELGIUM			1 891 500,00	1,10
SPAIN				
BANCO SANTANDER S.A.	in euros	2480090	3 967 151,96	2,31
TOTAL SPAIN			3 967 151,96	2,31
FINLAND				
WAERTSILAE CORPORATION	in euros	236 110	1 586 186,98	0,93
TOTAL FINLAND			1 586 186,98	0,93
FRANCE				
AIR LIQUIDE	in euros	50 000	6 775 000,00	3,96
ALSTOM	in euros	88 900	3 780 028,00	2,20
AMUNDI	in euros	29 000	1 745 800,00	1,02
ATOS SE	in euros	39 740	2 734 112,00	1,59
AXA	in euros	287 000	4 527 712,00	2,64
BNP PARIBAS	in euros	173 000	5 358 675,00	3,13
BUREAU VERITAS	in euros	189330	3 646 495,80	2,13
CARREFOUR	in euros	311 800	4 260 747,00	2,48
DANONE	in euros	65 700	3 627 954,00	2,12
EIFFAGE	in euros	39 700	2 771 854,00	1,62
ESSILORLUXOTTICA	in euros	45 610	5 297 601,50	3,09
IMERYX EX IMETAL	in euros	114 000	3 620 640,00	2,11
L'OREAL	in euros	13 000	3 608 800,00	2,10
LVMH (LOUIS VUITTON - MOET HENNESSY)	in euros	16 530	6 602 082,00	3,85
MICHELIN - CATEGORY B	in euros	43 800	4 017 336,00	2,34
ORANGE	in euros	457460	4 064 074,64	2,37
PEUGEOT	in euros	115 500	1 790 250,00	1,04
PUBLICIS GROUPE SA	in euros	148 394	4 092 706,52	2,39
REXEL	in euros	159 300	1 710 882,00	1,00

Description of security	Currency	Quantity No. or nominal	Present value %	Net assets
SAINT-GOBAIN	in euros	141 000	5 077 410,00	2,96
SANOFI	in euros	93 000	7 935 690,00	4,64
SCHNEIDER ELECTRIC SA	in euros	41 600	4 411 680,00	2,57
SOCIETE GENERALE SA	in euros	375700	4 252 172,60	2,48
VINCI (EX SGE)	in euros	53 310	3 812 731,20	2,22
TOTAL FRANCE			99 522 434,26	58,05
LUXEMBOURG				
APERAM	in euros	104 200	2 504 968,00	1,46
TOTAL LUXEMBOURG			2 504 968,00	1,46
NETHERLANDS				
AKZO NOBEL	in euros	55 400	4 787 668,00	2,79
ASML HOLDING NV	in euros	15 000	4 720 500,00	2,75
STMICROELECTRONICS NV	in euros	60 100	1 577 625,00	0,92
UNILEVER NV	in euros	137000	7 055 500,00	4,12
TOTAL NETHERLANDS			18 141 293,00	10,58
TOTAL Equities and similar securities traded on a regulated or equivalent market			169 700 725,00	98,98
TOTAL Equities and similar securities			169 700 725,00	98,98
Undertakings for collective investment				
General UCITS and general AIFs aimed at non-professionals and their equivalent in other countries				
FRANCE				
LAZARD EURO SHORT TERM MONEY MARKET	in euros	872	1 734 224,88	1,01
TOTAL FRANCE			1 734 224,88	1,01
TOTAL general UCITS and general AIFs aimed at non-professionals and their equivalent in other countries			1 734 224,88	1,01
TOTAL Undertakings for collective investment			1 734 224,88	1,01
Receivables			12 145,33	0,01
Liabilities			-335 891,76	-0,20
Financial accounts			349 182,97	0,20
Net assets			171 460 386,42	100,00

LAZARD EQUITY SRI C	in euros	87 183,287	1 600,61	
LAZARD EQUITY SRI RC EUR	in euros	462,681	923,81	
LAZARD EQUITY SRI RD EUR	in euros	90,000	895,52	
LAZARD EQUITY SRI D	in euros	256,132	1 239,99	
LAZARD EQUITY SRI PC EUR	in euros	3 273,624	9 496,39	

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

BREAKDOWN OF INTEREST

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

BREAKDOWN OF INTEREST

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

TEXT OF RESOLUTIONS

LAZARD EQUITY SRI

French open-end investment company (*Société d'Investissement à Capital Variable*)

Registered office: 121, Boulevard Haussmann, 75008 Paris, France

Paris Trade and Companies Register No. 484 947 627

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

FINANCIAL YEAR ENDED 30 September 2020

Second resolution

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

€1 560 137,68 Distributable income relating to net income

€2 743 575,08 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:** €1 154 727,29
- PC shares: **Accumulation:** €402 499,90
- RC shares: **Accumulation:** €257,10
- D shares: **Distribution:** €2,609,99
- D shares: **Retained:** €0,70
- RD shares: **Distribution:** €42,30
- RD shares: **Retained:** €0,40

a) Each shareholder holding "D" shares on the detachment date will receive a dividend of **€10,19** which will be detached on: January 20th, 2021 and paid on: January 22nd, 2021.

b) Each shareholder holding "D" shares on the detachment date will receive a dividend of **€0,47** which will be detached on: January 20th, 2021 and paid on: January 22nd, 2021.

2. Distributable amount pertaining to net capital gains and losses

- C shares: **Accumulation:** €2 188 763,63
- PC shares: **Accumulation:** €486 639,84
- RC shares: **Accumulation:** €6 726,56
- D shares: **Retained:** €57 878,32
- RD shares: **Retained:** €3 566,73

For information: Dividends paid over the last five financial years

Year ended:	Amount per unit/share
at 30/09/2019	€17,72 share category "RD"
at 28/09/2018	€18,57 share category "RD"

at 30/09/2019	€34,17 share category "D"
at 28/09/2018	€23,79 share category "D"
at 29/09/2017	€17,58 share category "D"
at 30/09/2016	€17,82 share category "D"
at 30/09/2015	€17,18 share category "D"