

An aerial photograph of a rowing team in a white boat on a body of water. The water is a deep teal color, and the boat is white. Four rowers are visible, each with a blue oar. The boat is moving towards the bottom of the frame, leaving a white wake behind it. The rowers are wearing dark clothing, and one is wearing a bright green shirt. The overall scene is dynamic and energetic.

# ESG External Ratings *Methodologies*

LAZARD  
FRÈRES GESTION

# *Introduction*

In the context of the objective to reduce greenhouse gas emissions in the European Union, European Regulation (EU) 2019/2088 Sustainable Finance Disclosure Regulation (SFDR) has stipulated new ESG-specific transparency requirements.

Products that « promote environmental or social characteristics or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices » now fall under the « Article 8 » SFDR category and fulfill the enhanced transparency requirements.

The objective of these sustainability-related disclosures is to provide additional information on the « Extra-financial criteria » section of the Prospectus of « Article 8 » SFDR funds.

It explains the methodology used to calculate the ESG scores and the reference universe of each fund in accordance with the regulation.

The indicators mentioned in these disclosures are also used to calculate the scores used in the context of AMF Position/Recommendation 2020-03 regarding the information to be provided by collective investments schemes integrating extra-financial approaches.

For more information, please see the document « [Our Sustainability Policy](#) », available on the website, or contact your sales representative.

# Methodology for calculating ESG indicators

## ISS rating methodology

The ISS « ESG Performance Score » assesses companies' ESG performance based on the analysis of around one hundred criteria, which are weighted according to their materiality.

Fifty percent of the score is derived from four to five environmental and social issues deemed particularly material for the specific sector in question. The weight assigned to each key issue ranges from 5% to 40% of the final score.

Governance (G) criteria are assessed uniformly across all companies, regardless of their industry. The Governance pillar accounts for approximately 10% of the overall Performance Score. Governance issues related to environ-

mental and social matters are directly embedded within the E and S pillars, respectively.

The rating also factors in companies' potential involvement in controversies, considering both the severity of involvement and the effectiveness of the measures implemented to address and mitigate their impact. Additionally, the assessment incorporates an evaluation of the company's positive and negative contributions to the United Nations Sustainable Development Goals (SDGs), adjusting the score based on the nature and significance of these contributions.

Examples of key issues considered under each of the E, S, and G pillars include:

### *Pillar* E

---

Environmental impact of products

---

Climate change and associated risks

---

Pollution prevention

---

Sustainability standards in the supply chain

---

Impacts on land and biodiversity across the value chain

---

Contribution to the energy transition

---

Environmental impacts of raw material extraction

---

Substances of concern

---

Energy and waste management

---

### *Pillar* S

---

Labor standards and working conditions

---

Worker safety and accident prevention

---

Social challenges in the supply chain

---

Customer health and safety

---

Human rights protection and community engagement

---

Socially responsible delivery of services

---

Fair, safe, and non-discriminatory working conditions

---

Product safety

---

### *Pillar* G

---

Board composition and independence

---

Executive remuneration

---

Shareholder rights

---

Business ethics code

---

Compliance procedures

---

# MSCI rating methodology

The MSCI rating is based on 35 key issues, organized into 10 themes in three pillars, E, S, and G. The « Final Industry-Adjusted Company Score » corresponds to the weighted average of 6 to 10 key issues for each company, normalized and adjusted with regard to sector peers. This rating is set between AAA (the highest score) and CCC (the lowest score).

Among the 35 ESG issues, MSCI identifies 6 to 10 key issues for each company. The key issues are determined according to their environmental or social relevance for

each sector, for geographical location, and for the company's various activities. Governance, which includes corporate governance as well as corporate behavior, is evaluated in terms of these two dimensions for all activities. Current controversies or those from the previous three years can also lead to a deduction of the score for each issue.

The 35 ESG issues taken into account by MSCI are the following:

## *Pillar* E

### CLIMATE CHANGE

- Carbon emissions
- Financing of the environmental impact
- Product carbon footprint
- Climate change vulnerability

### NATURAL CAPITAL

- Water stress
- Raw material sourcing
- Biodiversity & land use

### POLLUTION AND WASTE

- Toxic emissions and waste
- Electronic waste
- Packaging material & waste

### ENVIRONMENTAL OPPORTUNITIES

- Opportunities in clean technologies
- Opportunities in renewable energy
- Opportunities in green building

## *Pillar* S

### HUMAN CAPITAL

- Labor management
- Health & safety
- Human capital development
- Supply chain labor standards

### PRODUCT LIABILITY

- Product safety & quality
- Chemical safety
- Financial product safety
- Privacy & data security
- Responsible investment
- Health & demographic risk

### SHAREHOLDER OPPOSITION

- Controversial sourcing
- Community relations

### SOCIAL OPPORTUNITIES

- Access to communications
- Access to finance
- Access to healthcare
- Opportunities in nutrition and health

## *Pillar* G

### CORPORATE GOVERNANCE

- Shareholders & Control board
- Board meetings
- Pay
- Accounting

### CORPORATE BEHAVIOR

- Business ethics
- Tax transparency

# EthiFinance rating methodology

This rating framework is broken down into 5 parts:

## Governance data

*33 criteria organized into 6 categories*

- Risk of dilution of minority shareholders
- Composition of governance bodies
- Operation of governance bodies
- Compensation of executives and directors
- Business ethics
- CSR policy, extra-financial issues and implementation of the DPEF

## Environmental data

*30 criteria organized into 3 categories*

- Environmental policy and environmental management system
- Energy and greenhouse gas
- Water, air, soil and waste

## Economic data

## Social data

*23 criteria organized into 5 categories*

- Characteristics and social policy
- Working conditions
- Development of skills
- Equal opportunity
- Health & safety

## External shareholder data

*14 criteria organized into 2 categories*

- Relations with suppliers
- Relations with customers, relations with civil society, and product responsibility

The criteria are broken down into 3 meta-sectors:

Industry

Distribution

Service

The criteria are applied according to the meta sector to which the issuer belongs.

They are evaluated according to 3 elements: :

Transparency

Performance

Trend

The General Score (/100) given to the issuer is the weighted average of the E, S G and PP scores.





LAZARD  
FRÈRES GESTION