

# Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: LAZARD CREDIT FI SRI

Legal entity identifier: 969500FR3TNUVM8YL814

## Environmental and/or social characteristics

### Sustainable investment

means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities.

Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

### Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of sustainable investments with an environmental objective: \_\_\_\_\_ %

in economic activities that of sustainable investments qualify as environmentally with an environmental objective in economic sustainable under the EU activities that qualify as environmentally Taxonomy.

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of sustainable investments with a social objective: %

It promotes Environmental / Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments

with an environmental objective in economic sustainable under the EU activities that qualify as environmentally Taxonomy sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but will not make any sustainable investments



## ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

In implementing its investment strategy, stock analysis and the ESG integration process described below, the portfolio promotes the following environmental characteristics:

### Environmental policy:

- Integration by companies of environmental factors appropriate to the sector, geographic location and any other relevant material factors
- Development of an environmental management strategy and system
- Development of a climate strategy

### Control of environmental impacts:

- Mitigation of and adaptation to global warming
- Responsible water and waste management
- Preservation of biodiversity

### Management of the environmental impact of products and services:

- Eco-design of products or services
- Environmental innovation

In addition, the portfolio promotes the following social characteristics:

### Respect for human rights:

- Prevention of human rights violations
- Respect for the right to safety and security of persons
- Privacy and data protection

### Human resources management:

- Constructive social dialogue
- Training and career management conducive to human development
- Promotion of diversity
- Health, safety and well-being at work

### Value chain management:

- Responsible supply chain management
- Product quality, safety and traceability

This product does not use a specific index to determine its alignment with

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained

the environmental and social characteristics it promotes.

In managing this portfolio, particular attention is paid to the following criteria:

	BANKS	INSURANCE
<b>ENVIRONMENT</b>		
Responsible sourcing of raw materials	█	
Green products and SRI	█	█
Climate Change	█	█
<b>HUMAN RESOURCES</b>		
Diversity & inclusion	█	█
<b>HUMAN RIGHTS</b>		
Non-discrimination	█	█
<b>SOCIETAL COMMITMENT</b>		
Tax transparency	█	█
Financial integration	█	
<b>BUSINESS BEHAVIOUR</b>		
Data Privacy and security	█	█
Information to customers	█	█
Responsible relationship with customers	█	█
Corruption and money laundering	█	█
Responsible lobbying		█
<b>CORPORATE GOVERNANCE</b>		
Boards of directors	█	█
Internal controls & risk management	█	█
Audit independence	█	█
Executive compensation	█	█
Shareholders' rights	█	█

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The achievement of the environmental and social characteristics promoted by this product is measured by sustainability indicators. They are described below.

At the level of valuation in the internal analysis model:

The ESG analysis of directly held securities is based on a proprietary model that relies on an internal ESG grid. Based on the various data provided by our ESG partners (extra-financial analysis agencies, external service providers, etc.), the annual reports of the companies and direct exchanges with them, the analysts responsible for monitoring each stock draw up an internal ESG score.

This score is based on both a quantitative (energy intensity, staff turnover rate, Board independence rate, etc.) and qualitative approach (solidity of environmental policy, employment strategy, competence of directors, etc.).

Each E, S and G pillar is rated from 1 to 5 based on a minimum of five relevant key indicators per dimension.

These internal ESG ratings are built into the valuation models through the Beta used to define the weighted average cost of capital (WACC) for equity management and in the issuer selection process and in the determination of their portfolio weight for bond management.

At the level of monitoring the elements of the investment strategy with an external data provider:

In addition, to confirm the robustness of the internal model, the analyst-managers responsible for investment management compare the portfolio's average ESG rating with that of its reference ESG universe by using Moody's ESG Solutions.

The analysts/managers also monitor four key indicators for the financial sector using Moody's ESG Solutions ratings on the following criteria

- Development of sustainable products and services
- Responsible customer relations
- Prevention of discrimination and promotion of diversity
- Audit and internal controls

These indicators are the subject of quarterly SRI reporting available at [https://www.lazardfreresgestion.fr/FR/Fonds\\_71.html](https://www.lazardfreresgestion.fr/FR/Fonds_71.html).

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The SFDR definition of sustainable investment is based on the selection of indicators that demonstrate a substantial contribution to one or more environmental or social objectives, it being understood that these

investments must not cause significant harm to any of these objectives and that the companies in which the investments are made apply good governance practices.

The environmental indicators used are as follows:

- Carbon footprint (PAI 2)
- Carbon intensity (PAI 3)
- Implied Temperature Increase (ITR)
- Number of “low-carbon” patents held

The social indicators used are as follows:

- % of women in executive management
- Number of training hours for employees
- Coverage of employee benefits
- Diversity policies applied by management

Substantial contribution is measured by applying thresholds per indicator. For example, with regard to the temperature threshold, a company must contribute to limiting the maximum temperature increase to 2 degrees.

A detailed description of the method used to qualify an investment as sustainable is provided on the Lazard Frères Gestion website under the heading “Sustainable investment methodology”.



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anticorruption and antibribery matters.

***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The DNSH principle (Do No Significant Harm) is assessed on the basis of the set of PAI indicators listed in Table 1 of Annex I of Delegated Regulation (EU) 2022/1288 of 6 April 2022. In the event of insufficient coverage of the investment universe for certain indicators, alternative criteria may be used on an exceptional basis (such as for PAI 12, use of an indicator focusing on management attention to diversity). The use of alternative criteria is subject to the independent control of the Risk and Compliance department, within the framework of the ESG Risk Committee. The alternative indicators are also presented on the Lazard Frères Gestion website under the heading “Sustainable investment methodology”.

***How have the indicators for adverse impacts on sustainability factors been taken into account?***

The Principal Adverse Impact (PAI) indicators pertaining to sustainability are considered at two levels:

- on the one hand, they are integrated into the internal analysis of each security monitored, carried out by our analyst-managers in the internal ESG analysis grids.
- in addition, they are used to assess the share of sustainable

investments.

*How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

Compliance with minimum labour and human rights safeguards (OECD Guidelines for Multinational Enterprises and UN Guidelines on Business and Human Rights) and the eight core conventions of the International Labour Organization is a key criterion for verifying that companies in which investments are made are applying good governance practices.

We therefore check whether the company applies a labour rights due diligence policy in accordance with the eight core conventions of the International Labour Organization (PAI 10) as part of our DNSH process. We also ensure that the companies concerned apply good governance practices by setting a minimum external rating on the Governance pillar.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### **Does this financial product consider principal adverse impacts on sustainability factors?**



Yes

The proprietary model for ESG analysis of portfolio companies takes into account all indicators related to the Principal Adverse Impacts (PAI) of companies pertaining to sustainability.

These indicators are built into the internal grids used to calculate the security's ESG rating, which is taken into account in the valuation models through the Beta used to define the weighted average cost of capital for equity management and in the issuer selection process and in the

determination of their portfolio weight for bond management.

No

### What investment strategy does this financial product follow?

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The binding elements used in the investment strategy to achieve the environmental and social objectives promoted by this product cover, for direct holdings in the portfolio:

- Rate of extra-financial analysis

The extra-financial analysis rate of the product's investments in direct holdings is over 90%.

This rate is expressed as a percentage of total assets.

- Portfolio's average ESG rating

The analyst-managers ensure that the weighted average ESG rating of the portfolio is higher than the average of the benchmark universe by using the extra-financial rating repository of Moody's ESG Solutions, after elimination of the lowest 20% of the values.

The portfolio's benchmark ESG universe is as follows:

The Eurozone universe provided by our ESG partners, equi-weighted, restricted to the following

sectors: Diversified Banks, Insurance, Financial Services General, Retail and Specialized Banks.

In addition, the management company carries out exclusions prior to investment:

- Normative exclusions relating to controversial weapons (cluster munitions, anti-personnel mines, biological and chemical weapons) and

- violations of the United Nations Global Compact.
- Sectoral exclusions (tobacco and thermal coal).

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

N/A

- ***What is the policy to assess good governance practices of the investee companies?***

The quality of governance has always been a determining criterion in our investment policy. As such, the G pillar rating within the internal ESG grids is slightly overweighted at 40% of the overall ESG rating of companies, compared to 30% for the E and S pillars.

As part of the ESG analysis of companies, the analyst-managers take into account the following aspects:

- the independence, competence and diversity of the Board of directors or Supervisory Board
- the quality of management
- the quality of financial and extra-financial communication
- the transparency and consistency of executive compensation

In addition, our voting and engagement policies systematically include consideration of good governance criteria.



### ***What is the asset allocation planned for this financial product?***

**Asset allocation** describes the share of investments in specific assets.

The portfolio promotes environmental or social (E/S) characteristics without aiming at sustainable investment.

The minimum proportion of sustainable investments within the meaning of Article 2(17) of the SFDR is 20% of assets.

This minimum includes all investments with an environmental objective, aligned or not with the European Union taxonomy or with a social objective. Some activities

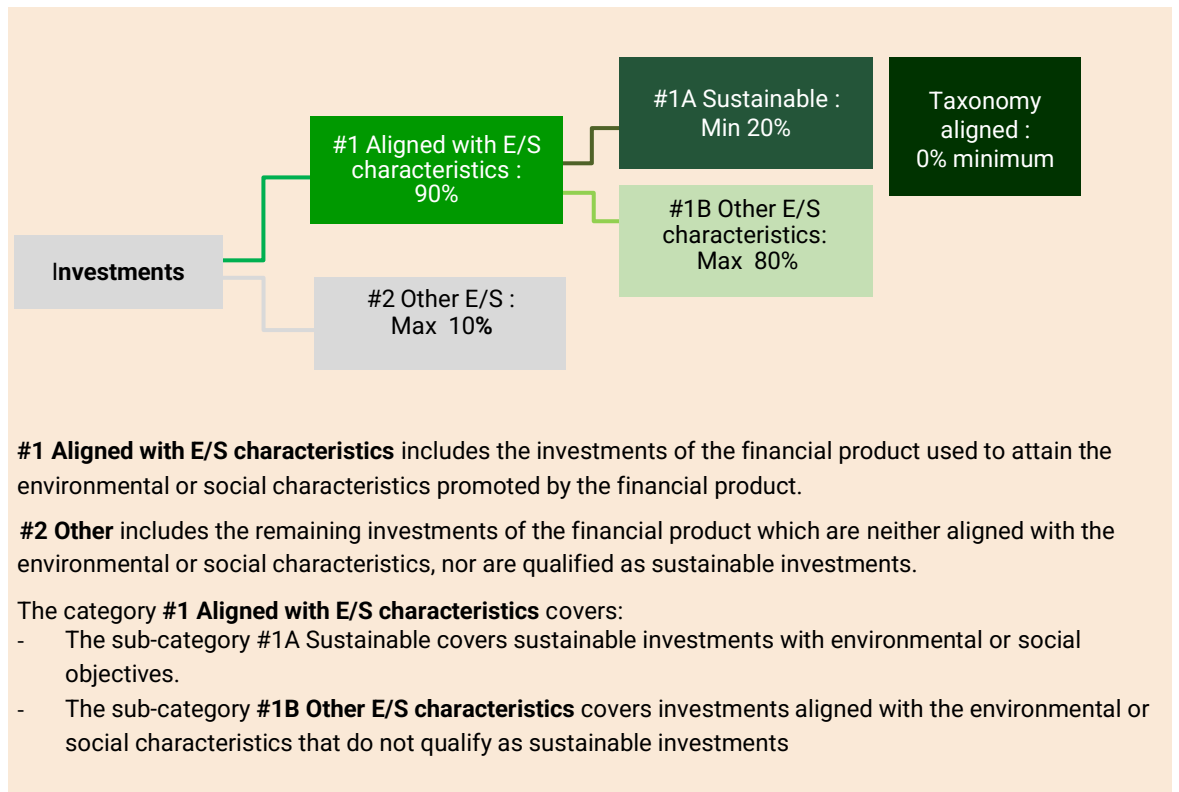


Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

can contribute to more than one objective.

The portfolio will invest at least 90% of its assets in investments aligned with the E/S characteristics.



● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The product does not use derivatives to achieve environmental or social characteristics.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

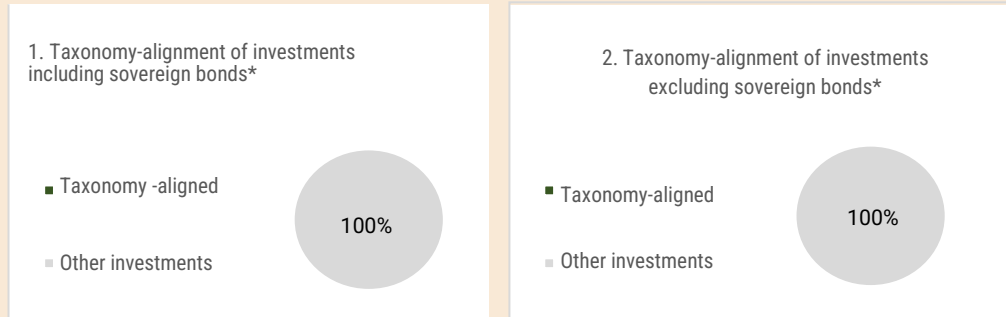
**Transitional activities are activities** for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



***To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?***

The minimum percentage of alignment with the European Union Taxonomy is 0%.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

### ● What is the minimum share of investments in transitional and enabling activities

The minimum percentage of investment in transitional and enabling activities within the meaning of the EU taxonomy is 0%.

### ● What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

This product does not define a minimum share of environmentally sustainable investment not aligned with the European taxonomy.

### ● What is the minimum share of socially sustainable investments?

This product does not define a minimum share of environmentally sustainable investment not aligned with the European taxonomy.

### ● What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Investments included in the "#2 Other" category are exclusively investments in UCIs.

The majority of UCIs selected in addition to directly held securities have an ESG process that is at least equivalent to that described for directly held securities.

For UCIs managed by external management companies, Lazard Frères Gestion reviews their ESG integration processes and mainly selects funds with an ESG integration at least equivalent to that described for directly held securities or promoting environmental or social characteristics within the meaning of Article

are sustainable investments with an environmental objective **that do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

8 of the SFDR.



**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*
- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*
- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*
- *Where can the methodology used for the calculation of the designated index be found?*



**Where can I find more product specific information online?**

More information on the product can be found at:

[https://www.lazardfreresgestion.fr/FR/Fonds\\_71.html](https://www.lazardfreresgestion.fr/FR/Fonds_71.html)