

**SUSTAINABILITY-RELATED DISCLOSURES**  
**LAZARD FIXED INCOME FINANCIAL PRODUCTS**

**Summary**

Lazard is providing these Sustainability-Related Disclosures for the following actively managed financial products pursuant to Article 8(1) of the Sustainable Finance Disclosure Regulation 2019/2088:

Lazard Global Core Fixed Income Strategy

Lazard European High Yield Strategy

Lazard Scandinavian High Quality Bond Strategy

Each of these financial products is offered to investors in the European Union and United Kingdom in the form of segregated mandates by the appropriate Lazard entity. Pursuant to the relevant prospectus, the products also are offered as the following sub-funds of a UCITS sponsored by Lazard Fund Managers (Ireland) Limited: Lazard Global Fixed Income Fund (to be renamed Lazard Global Sustainable Fixed Income Fund subject to regulatory approval), Lazard European High Yield Fund, and Lazard Scandinavian High Quality Bond Fund.

**No Sustainable Investment Objective**

These Lazard financial products promote environmental and/or social characteristics as part of their investment processes, but they do not have as their objective sustainable investment.

**Environmental or Social Characteristics of the Financial Products**

The portfolios for these financial products are managed by distinct investment teams at Lazard Asset Management LLC (the “Investment Manager”). Each team has adopted its own steps to incorporate the consideration of sustainability risks and to promote environmental and social characteristics.

For the **Lazard Global Core Fixed Income** strategy, the Investment Manager takes a disciplined, actively-managed approach to security selection that is rooted in consideration of environmental, social and governmental factors with a view to earning attractive risk-adjusted returns. The investment strategy is founded on a clear, investment-led belief that the world is transitioning to more sustainable practices and that the Fund can seek to maximise total returns by investing in companies and countries that are aligned with such sustainable practices. In giving effect to this investment philosophy, the Investment Manager is focused on investing in labelled and unlabeled bonds from issuers that pursue environmental, social, and/or sustainable initiatives. Labelled green, social, and sustainable bonds are standard Debt Instruments that finance environmentally and/or socially friendly projects; have a focus on sustainable initiatives; and seek to generate a positive impact on environmental and/or social matters. The use of proceeds from a labelled bond are explicitly specified, and the issuer generally follows the voluntary green bond principles, social bond principles or sustainable bond guidelines (driven by the International Capital Market Association). The issuer of such bonds may also engage in a voluntary independent certification process, whereby the bond may be critiqued by an independent third party. In excess of 20% of net assets shall at all times be invested in labelled green, social, or sustainable bonds.

When selecting Investments and determining allocations, the Investment Manager undertakes active analytical assessments of ESG factors which may impact proposed Investments, as the Investment Manager

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believes that such factors may have a material impact on their valuations and financial performance. Key components of the Investment Manager's disciplined approach to ESG integration in the security selection process are:

- Investment in corporate fossil fuel bonds is not permitted;
- The Investment Manager will generally not make investments in bonds issued by companies with the lowest ESG ratings when assessed by reference to the quarterly ESG Watchlist produced by the Investment Manager's Global Risk Management team (which contains ESG ratings for a broad universe of companies) in conjunction with the Investment Manager's proprietary sustainability scorecards and mapping against sustainable development goals. The Investment Manager additionally screens companies so as to ensure, for example, that it does not invest in corporates that contravene the Norges Bank Observation and Exclusion list.
- The Investment Manager generally will not make investments in sovereign issuers that fall within the bottom quartile of the Investment Manager's proprietary ESG analysis and Country Risk Assessment ("CRA") ranking. The Investment Manager's proprietary CRA model, which integrates ESG considerations, incorporates assessments of leaders and laggards for environmental performance and also assess against governance indicators (such as indicators of government effectiveness; of political risks; of the willingness of a country to repay debt) and social indicators (for example, indicators of political stability, or of a country's ability to raise taxes and make reforms). Environmental assessments are often linked with social issues (for example: pollution, food security; water purification; and affordable housing) and the CRA model facilitates the Investment Manager in being able to consider the ESG issues in combination with relevant economic factors. The Investment Manager also monitors Sovereign issuers for their progress towards achieving sustainable development goals.

For the **Lazard European High Yield** strategy, the Investment Manager's consideration of ESG factors - - for example, indicators of environmental sustainability, of human development, of labor rights, rule of law, regulatory quality, accountability, political stability, control of corruption, health and safety, fossil fuel usage, controversial weapon production -- is fully integrated in the investment process as they are deemed to have a potential material impact on valuations and on the financial performance of fixed income securities. As part of this process, the Investment Manager engages with both sovereign and corporate debt issuers on an ongoing basis to better understand both risks and opportunities. Corporate issuers are assessed for ESG practices that may impact on valuations as part of a quarterly analysis undertaken by the Investment Manager. To evaluate sovereign issuers, the Investment Manager has created a proprietary CRA model which allows the Investment Manager to incorporate select metrics and proprietary weightings to derive a comparative scoring system for country analysis and comparison. The indicators reviewed include economic risks, external metrics, and ESG factors. The ESG considerations within the CRA are important to the Investment Manager's evaluation of sovereign bonds, providing insight into the ability and willingness of a country to repay debt and function within the global markets. The Investment Manager's scoring is informed by data such as company reports and extra-financial sources, data and information from the sources described elsewhere in this disclosure, as well as by the Investment Manager's engagement

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with senior management of the issuers. A very weak ESG score will cause the Investment Manager to conduct additional analysis to understand the potential financial risks associated with the investment.

For the **Lazard Scandinavian High Quality Bond** strategy, the Investment Manager's proprietary research on each issuer under consideration for investment includes assessment against a proprietary sustainability scoring model for discrete environmental, socio-economic and corporate governance issues. Comprehensive assessments are conducted, one for private issuers and another for public issuers, which are captured in the sustainability scoring model. At a minimum, issuers who, in the Investment Manager's opinion, do not meet basic issuer-specific ESG requirements, will be excluded from the strategy's investment universe. The scoring model is designed to identify issuers with strong or weak practices relating to labor relations, employee health/safety, community impact, sustainability of raw materials, supply chain and similar resources, sustainability of product and services, management accountability, corruption controls and regulatory compliance, among other matters. The Investment Manager's scoring is informed by data such as company reports and extra-financial sources, data and information from the sources described elsewhere in this disclosure, as well as by the Investment Manager's engagement with senior management of the issuers. A very weak ESG score will cause the Investment Manager to conduct additional analysis to understand the potential financial risks associated with the investment.

In addition to the foregoing, the Investment Manager applies an ESG exclusion policy to the UCITS financial products offered by Lazard Fund Managers (Ireland) Limited, which prohibits those funds from investing in or seeking exposure to the securities of issuers involved in the manufacture or production of controversial weapons (i.e. weapons of mass destruction, nuclear weapons, biological weapons, chemical weapons, depleted uranium weapons, cluster munitions or landmines). Such exclusions are available to be applied to segregated mandate versions of the financial products.

### **Investment Strategies**

Descriptions of the investment strategies for each of the financial products follow:

- The Lazard Global Core Fixed Income strategy seeks to enhance returns by rotating through global bond and credit markets, taking currency risk when appropriate. The portfolios invest in global investment grade government, agency/supranational, corporate, municipal, mortgage and asset-backed bonds. The strategy seeks to outperform benchmarks such as the Bloomberg Barclays Global Aggregate Index or Citigroup World Government Bond Index. Lazard's relative value approach is driven by our macro view of global interest rates, yield curves, sector spreads and currencies, combined with an opportunistic, but disciplined security selection process.
- The Lazard European High Yield strategy invests in corporate bonds from the Non-Investment Grade universe and focuses primarily on fundamental bottom-up security selection. The portfolio typically holds between 80-100 securities across the full market spectrum. Security selection as a result of our credit analysis is the main performance driver.
- The Lazard Scandinavian High Quality strategy is a diversified bond portfolio and invests in all bond segments. The investment universe comprises Scandinavian issuers issuing in local or hard currency and global issuers issuing in Scandinavian local currencies. The strategy combines a bottom-up fundamental analysis and security selection with a top-down asset allocation. An in-depth security analysis based on quantitative and qualitative factors seeks to identify investment opportunities. The strategy aims to produce attractive medium-term to long-term investment returns while maintaining a very high credit rating profile.

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The Investment Manager's bottom-up fundamental analysis of companies/issuers held in these financial products includes an assessment of their governance practices, which assessment can be based in either qualitative or quantitative criteria. The Investment Manager's analysis may result in various outcomes, including without limitation an adjustment to its valuation of an issuer's securities, a decision to overweight or underweight exposure to those securities in the relevant financial product portfolio, or a decision to avoid investment in the securities. The Investment Manager's assessment relating to the governance practices of an issuer will evolve as it continues to conduct fundamental research concerning that issuer, its industry/sector, and other interested entities and stakeholders.

For further information concerning the investment strategy for each financial product, please refer to the relevant UCITS prospectus or approved marketing material for segregated mandates.

### **Proportion of Investments**

The financial products are expected to have direct exposure to investee entities through holding bonds and other fixed income securities issued by those entities. Depending upon their investment guidelines, the products also may have indirect exposure to such bonds and other fixed income securities through investments in derivative instruments. The financial products also will have direct and derivative exposure to various global markets currencies.

Promotion of environmental and social characteristics is designed to be achieved by applying the relevant investment process to the portfolios of each financial product, and Lazard has not identified a minimum portion of each portfolio that would be used to attain such environmental and social characteristics. The financial products have not committed to making any sustainable investments. Where the financial products employ derivatives to obtain indirect exposure to bonds or other fixed income securities, the investment decision related to such derivative investments is a product of the above-referenced investment strategy.

### **Monitoring of Environmental or Social Characteristics**

The Investment Manager's investment personnel responsible for the discretionary management of the financial product portfolios have the primary responsibility for monitoring the environmental and social characteristics designed to be promoted by the financial products, using the data and potential systems available to those personnel. The investment team may be assisted in its monitoring efforts by the firm's ESG research personnel.

### **Methodologies**

Please see the section "Environmental or Social Characteristics of the Financial Products" above for a description of the methodologies used by the Investment Manager to attempt to attain the social and environmental characteristics promoted by the financial products.

### **Data Sources and Processing**

The Investment Manager has access to ESG data from both internal and external resources, which allows it to assess the Sustainability Risks associated with prospective or existing investments for these financial products. This data includes:

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- a) The Investment Manager's proprietary Materiality Mapping<sup>1</sup> analysis, which evaluates ESG issues facing specific industry groups.
- b) Trucost<sup>2</sup>, part of S&P Global, provides environmental ratings and research enabling the Investment Manager to assess a company's environmental impact and the overall environmental footprint of investment portfolios.
- c) Sustainalytics ESG Research<sup>3</sup>, provides the Investment Manager with research that enhances the Investment Manager's understanding of a company's ESG practices, and also with risk ratings that allow for systematic comparison of ESG performance across companies.
- d) The Investment Manager's ESG watchlist, produced quarterly by its Global Risk Management team, which contains ESG ratings for a universe of more than 5,500 companies.
- e) Proprietary research reports in respect of issuers prepared by the Investment Manager, each of which includes an evaluation of the ESG impacts and/or attributes of potential investments for the Fund. Analysis in these reports is derived from, among other sources, engagement with the senior management of the issuers.

When selecting investments for each financial product, the Investment Manager may employ some combination of the above-referenced data as well as other data (developed or acquired by the individual investment team). The Investment Manager's analysis may result in various outcomes, including without limitation an adjustment to its valuation of an issuer's securities, a decision to overweight or underweight exposure to those securities in the relevant financial product portfolio, or a decision to avoid investment in the securities. The Investment Manager's assessment relating to an investment for a financial product will evolve as it continues to conduct fundamental research concerning that issuer, its industry/sector, and other interested entities and stakeholders.

### **Limitations to Methodologies and Data**

The effectiveness of Lazard's fundamental research processes depend in large part upon the experience and skill of our investment personnel and the quality of data and information available to those personnel. While the Investment Manager's fundamental research techniques are designed to accurately assess the ESG profile and Sustainability Risks of issuers, there is no guarantee that such techniques will identify all matters relevant to the team's assessment or ongoing investment due diligence. Similarly, while Lazard presumes that the data it acquires from third-parties and develops using proprietary research is reliable and comprehensive, it is possible that such data will be impacted by inaccuracies or limitations that may be imperceptible to Lazard.

### **Due Diligence**

The Investment Manager's relevant investment personnel are responsible for conducting ongoing due diligence on the securities held in the portfolios of the financial products. The Investment Manager's due diligence is grounded largely in the investment team's fundamental research analysis applied to the

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<sup>1</sup> The Investment Manager's proprietary Materiality Mapping analysis uses as its foundation the Sustainability Accounting Standards Board (SASB)'s Materiality Map™

<sup>2</sup> Copyright © 2018 S&P Trucost Limited, an affiliate of S&P Global Market Intelligence.

<sup>3</sup> Sustainalytics© 2020.

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securities and issuers in their investment universe. The investment team's fundamental analysis is based upon data acquired by Lazard, data and research tools developed by the team, and engagement with securities issuers and other stakeholders, among other things. The portfolios of the financial products are actively managed by the Investment Manager's personnel, and their review of those portfolios is ongoing.

### **Engagement Policies**

The Investment Manager's global Sustainable Investment and ESG (environmental, social and governance) Integration Policy outlines its approach and commitment to incorporating environmental, social, and corporate governance considerations in investment processes to safeguard the interests of its clients and other relevant stakeholders, including investors in the financial products described herein.

As set forth in the Policy, engagement with issuers is an integral part of Lazard's investment process. Investment professionals conduct meetings with the issuers of debt securities as a regular part of the research process and in order to understand how companies are using their capital and conducting their business. During such meetings, investment professionals may engage on a variety of issues, including ESG matters. Our engagements on ESG issues with is predominately informed by our proprietary materiality mapping framework and company level assessments, as well as data developed by our individual investment teams. This helps analysts and portfolio managers focus upon the governance, human and natural capital issues that are most material and relevant to the long-term financial success of an issuer. This includes both how a company invests in its human capital – including employees, suppliers, their customers and the community – as well as its approach to natural capital, including its dependency and use of natural resources and its approach to manage climate change risk.

### **No Reference Benchmark**

The financial products do not designate an index as a reference benchmark aligned with the environmental or social characteristics they may promote. To the extent the financial products employ indices, they are used for performance measurement.

**These Sustainability-Related Disclosures are published by Lazard Asset Management, Lazard Asset Management Limited, Lazard Asset Management Deutschland and Lazard Fund Managers (Ireland) Limited (collectively "Lazard") based upon its good faith interpretation of the EU Sustainable Finance Disclosure Regulation for financial products related to Article 8(1) of the Regulation and relevant guidance thereunder. Our disclosures are subject to change due to developments relating to, but not limited to, business practices, information availability, technology, standards, community expectations, and the Regulation itself.**