



Eurosif Transparency Code

Pictet Asset Management, May 2022

Highlights

› Pictet-Global Sustainable Credit



The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in February 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- › The order and exact wording of the questions should be followed;
- › Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- › Funds should report data in the currency that they use for other reporting purposes;
- › Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- › Responses should be updated at least on an annual basis and should have a precise publication date;
- › Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;

Signatories are solely responsible for the answers to the questions and should state this in their response.



Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Pictet Asset Management. We have been involved in SRI since 1999 and welcome the European SRI Transparency Code. Our full response to the European SRI Transparency Code can be accessed below:

<https://www.forum-ng.org/de/qualitaet-und-standards/transparenz-kodex/unterzeichnerinnen-transparenzkodex>

These is our fourth statement of commitment and covers the period June 2022 to May 2023.

Compliance with the Transparency Code

Pictet Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Pictet Asset Management meets the full recommendations of the European SRI Transparency Code.

June 2022



Eurosif classification of Sustainable and Responsible Investment¹ strategies

Sustainability Themed Investment: Investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability themed investments inherently contribute to addressing social and/or environmental challenges such as climate change, eco-efficiency and health. Funds are required to have an ESG analysis or screen of investments in order to be counted in this approach.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances². Investments are often project specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

¹ Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

² Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgibin/iowa/investing/index.html>, 2012



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1. LIST OF FUNDS COVERED BY THE CODE

NAME OF THE FUND(S): PICTET-GLOBAL SUSTAINABLE CREDIT

Dominant/preferred SRI strategy	Asset Class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
(Please choose a maximum of 2 strategies)					
<input type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration X Exclusions X Impact Investing <input type="checkbox"/> Norms-Based Screening <input checked="" type="checkbox"/> Leading to exclusions <input checked="" type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro X International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	X Controversial weapons X Alcohol X Tobacco X Arms X Nuclear power <input type="checkbox"/> Human rights <input type="checkbox"/> Labour rights X Gambling X Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation X CO2 intensive (including coal) X Genetic engineering X Other: unconventional oil & gas production X Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions X SVVK- ASIK exclusion list	USD 1004m	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel X “Towards Sustainability” Febelfin Label	https://www.am.pictet/en



Source: Pictet Asset Management - June 2022

2. General information about the fund management company

2.1. Name of the fund management company managing the fund(s) to which this code applies.

Pictet Asset Management SA
60 Route des Acacias
1211 Geneva 73
www.am.pictet.com

Contact persons:

- Audrey Laurencet
Email: alaurencet@pictet.com
Tel.: +41 58 323 1643
- Manesh Mistry
Email: mmistry@pictet.com
Tel.: +41 58 323 1868

2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

Please provide a hyperlink to any of the company's sustainable investment webpages.

<https://www.am.pictet/en/globalwebsite/global-articles/company/responsible-investment>

We are convinced that Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients.

For decades, sustainability has been central to our way of thinking. Since the Pictet Group was founded in 1805, we have aimed to ensure the prosperity of our clients over the long term. In doing so, we have instinctively considered the interests of future generations.

Pictet Asset Management believes in responsible capitalism and takes an enlarged view of the economy and its interactions with civil society and the natural environment.

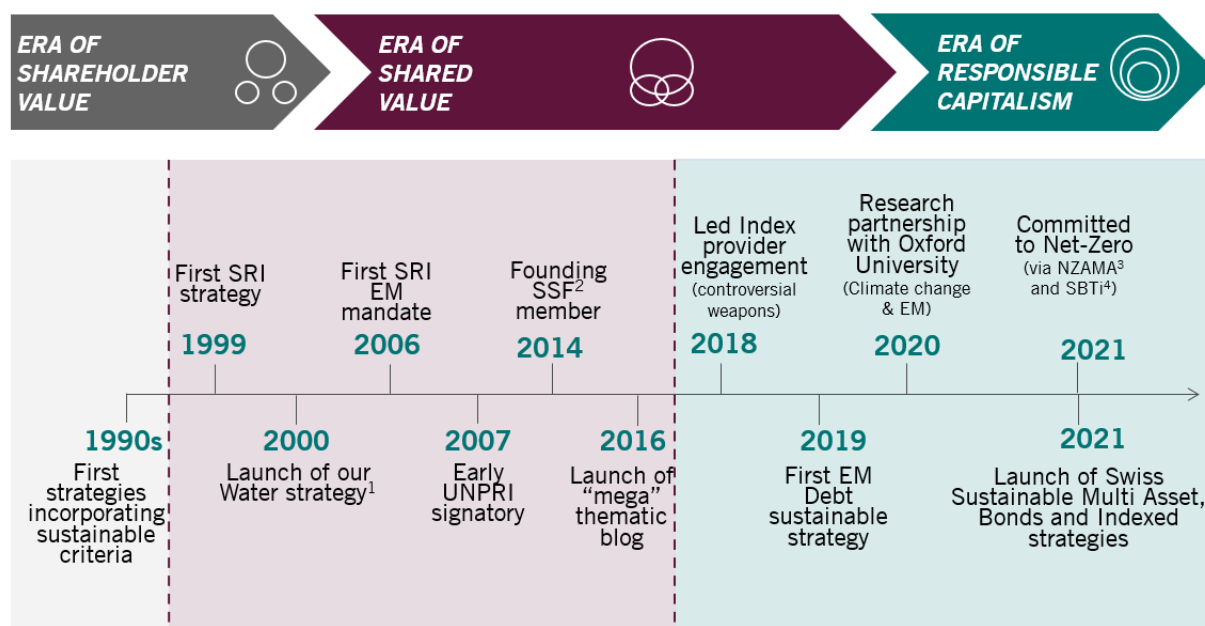
Consistent with our fiduciary duty to act in the best interests of our clients and our adherence to the UN Principles for Responsible Investment (UN PRI), we are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks. We also aim include ESG aspects in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

Pictet Asset Management has over 20 years' experience in responsible investment mainly in active and passive equities and, to a lesser extent, fixed income and balanced solutions.

In coherence with the commitment of the Pictet Group to sustainability, Pictet Asset Management began looking at responsible investment in 1997. We launched our first Sustainable Equities strategy in 1999 and in 2000 we launched our Water fund, which is today the largest in its sector.

Pictet Asset Management was also an early adopter of the Principles for Responsible Investment (UNPRI) in 2007.

ESG at Pictet Asset Management over time



¹Our first environmental strategy and the first water strategy in the market, ² Swiss Sustainable Finance, ³ Net-Zero Asset Manager Alliance, ⁴Science Based Targets initiative

Source: Pictet Asset Management, 25.02.2022

Source: Pictet Asset Management – April 2022

2.3 How does the company formalise its sustainable investment process?

Please provide a link to the sustainable investment policy.

<https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment-policy.pdf>

Please provide a link to the voting rights policy.

<https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment-policy.pdf>

Please provide a link to the engagement policy³.

<https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment-policy.pdf>

Our commitment to responsible investment is driven by five main pillars, which help us ensure sustainable development is taken into account in our long-term strategy.

Five main pillars

³ Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES



Source: Pictet Asset Management – April 2022

1. ESG integration into investment processes and risk management

Integration of ESG factors and sustainability risks has become the norm in our investment processes. Across research, investment decisions and risk management, we include environmental, social and governance factors when evaluating both corporate and sovereign issuers.

2. Responsible products and solutions

We have been on this responsible investment journey for more than two decades. From the mid-90s onwards, we launched Socially Responsible Investment strategies that take into account a company's environmental and social impact, as well as its financial prospects. Since then we have developed a complete range of investment strategies that embed ESG factors across all asset classes.

How ESG factors are embedded in our investment strategies

	ESG APPROACH	EXAMPLES
ESG INTEGRATED (ART. 6 ¹)	Integrate material ESG risks and opportunities into investment decisions to complement financial analysis. Portfolios may invest in securities with high sustainability risks.	Equities - Developed Markets, Emerging Markets, Indexation Fixed Income - Developed Markets Credit, Emerging Markets Credit, Multi Asset - Dynamic allocation Alternatives - Equity Market Neutral, Global Credit Hedge Funds
ESG BINDING (ART. 8 ¹)	Promote environmental or social characteristics, but do not have sustainability as their primary objective. A tilted or best-in-class approach can be applied.	Equities - Family, Japanese Equity Opportunities, Japanese Equity Selection, Quest Emerging Sustainable, Quest Europe Sustainable Fixed income - Sustainable Emerging Debt, Short-Term Money Market, Global Bonds Multi Asset - Global opportunities
POSITIVE IMPACT (ART. 9 ¹)	Aim to deliver a financial return alongside achieving a positive and measurable impact by investing in companies that provide solutions to environmental and/or social problems.	Equities - Biotech, Clean Energy, Global Environmental Opportunities, Global Thematic Opportunities, Health, Human Nutrition, Smart City, Timber, Water Fixed income - Global Sustainable Credit

Source: Pictet Asset Management – April 2022

3. Active Ownership



Engagement

As active managers we can add value or mitigate risks by engaging with sovereign and corporate issuers on ESG topics. These can range from encouraging good governance practices to mitigating social and environmental impacts. Through our engagement, we aim both to exercise our responsibilities as investors and to contribute to shaping a more sustainable, prosperous, healthy and equitable society.

Proxy Voting

Voting rights are exercised systematically to protect and promote the rights and interests of our clients as shareholders. We do not always support the management of companies and may vote against them from time to time.

For actively managed funds, we aim to vote on 100% of equity holdings. For passive strategies, we aim to vote on 100% of equity holdings for Swiss index strategies, and on average 80% of assets under management for other index strategies. In our Responsible Investment Report, we present key figures and commentary on our proxy voting and ESG engagement activities.

4. Client disclosure

Transparency and detailed reporting differentiate true integration from box-ticking. In our dedicated fund reports, ESG characteristics are measured at the portfolio level and compared with the benchmark.

5. Research and thought-leadership

We are committed advocates of responsible investing and play an active role in supporting organisations that promote responsible finance and sustainable investments. We also see it as our mission to educate investors about responsible and sustainable investment practices, which is why we use our experience across key environmental and social themes to publish targeted research and help raise awareness and capital for a sustainable transition.

2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?⁴

Pictet Asset Management considers Sustainability Risks relevant for the vast majority of asset classes. The investment process integrates ESG criteria based on proprietary and third-party research to evaluate investment risks and opportunities. Our investment teams have access to an agreed set of indicators for each type of Sustainability Risks.

Our products apply both firm-wide and fund-specific exclusions to limit exposure to Sustainability Risks. Please refer to our responsible investment policy on www.assetmanagement.pictet for more information on exclusions.

⁴ Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)



In addition, we actively engage with our holdings and systematically exercise our voting rights to supplement our monitoring of Sustainability Risks. Please refer to our active ownership report on www.assetmanagement.pictet for more information on our engagement approach.

Regarding climate change, key risks and opportunities which we consider fall into two categories:

- › **Transition Risk:** Transition risks may negatively affect the value of investments by impairing assets or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.
- › **Physical Risk:** Physical risks may negatively affect the value of investments by impairing assets, productivity or revenues, or by increasing liabilities, capital expenditures, operating and financing costs.

2.5 How many employees are directly involved in the company's sustainable investment activity?

At **Pictet Group** level, we have a Group Investment Stewardship & Sustainability Board (GSSB) which is responsible for driving and coordinating sustainability, ESG and stewardship strategy across the firm. The Group function sets framework conditions, ensures alignment in ESG integration and active ownership policy, and optimal dissemination of best practices across the Group. Dedicated specialist teams are responsible for driving initiatives within business lines. The GSSB is chaired by Laurent Ramsey, Group Partner and CEO of Pictet Asset Management and comprises specialists and C-suite representatives from relevant corporate functions and all four business lines (Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services, Pictet Alternative Advisors).

Pictet Asset Management's ESG Team leads and co-ordinates implementation of our responsible investment policy, including ESG integration in investment processes, ownership practices, risk management and reporting tools. The ESG Team (7 people) reports directly to Sébastien Eisinger, Managing Partner Pictet Group, Co-CEO Pictet Asset Management and Head of Investments.

In 2020, we have set up a network of over 50 ESG Champions made up of investment, sales and marketing professionals, whose role is to lead ESG activities within their teams and work closely with the dedicated ESG Team in developing new initiatives. This group of diverse professionals is instrumental in strengthening and scaling up ESG activities across the firm.

Issuer-specific research on material ESG factors is carried out as part of the research process of all investment teams based on a combination of third-party research and proprietary assessment.



12.6 Is the company involved in any RI initiatives?

GENERAL INITIATIVES	ENVIRONMENTAL/CLIMATE INITIATIVES	SOCIAL INITIATIVES	GOVERNANCE INITIATIVES
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility X EFAMA RI WG* <input type="checkbox"/> European Commission's HighLevel Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) X PRI - Principles For Responsible Investment X SIFs - Sustainable Investment Fora X Other (please specify) <i>(i) Copenhagen Institute for Future Studies: Member, Research Partnership: Megatrends Research</i> <i>(ii) Swiss Sustainable Finance Founding member: Board representative</i> <i>(iii) Investment Association: Member of the Sustainability and Responsible Investment Committee</i>	X CDP – Carbon Disclosure Project (carbon) X Climate Bond Initiative <input type="checkbox"/> Green Bond Principles X IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition X Other (please specify) <i>(i) Swiss Climate Foundation: Corporate sponsor</i> <i>(ii) FTSE Environmental Market: Member of the Advisory Committee</i> <i>(iii) Stockholm Resilience Centre: Research Partnership: Planetary Boundaries Framework</i> <i>(iv) Climate Action 100+; Mining and Tailings Safety Initiative; Investor Initiative for Sustainable Forestry, FAIRR: Collaborative Engagement</i> <i>(v) Oxford University: Smith School for Enterprise and the Environment: Research Partnership: Climate Change and EM</i> <i>(iii) SBTi signatory</i> <i>(iv) NZAM signatory</i> <i>(v) TFND member</i> <i>(vi) TCFD signatory</i>	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh X Other (please specify) <i>(i) EMpower: Partnership</i>	X ICGN – International Corporate Governance Network X Other (please specify) <i>(i) Japan Stewardship code</i>

Source: Pictet Asset Management – April 2022

*Member of the Stewardship Market Integrity & ESG Investment Standing Committee

2.7 What is the total number of SRI assets under the company's management?

Below our AUM split as at end of March 2022:

ESG integrated strategies CHF 110bn

ESG Binding strategies CHF 85bn

Positive Impact strategies CHF 48bn



Total AUM

CHF 243bn



3. GENERAL INFORMATION ABOUT THE SRI FUND(S) THAT COME UNDER THE SCOPE OF THE CODE

3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

Pictet-Global Sustainable Credit aim to achieve a positive environmental and social impact by mainly investing in companies supporting the energy transition, circular economy, energy efficiency, water quality and supply, healthcare and social integration, as well as in ESG labelled bonds and in companies with low environmental footprint with considerations of, but not limited to, carbon intensity. To achieve this objective, the fund aims to invest a minimum of 50% of the capital into sustainable investments, including labelled corporate bonds. (i.e. green, social, sustainable, and SLBs). The fund is classified as Article 9 of the EU Sustainable Finance Disclosure Regulation and is rated AAA by MSCI ESG (March 2022).

Combined with a strict exclusion policy, the fund opts for a “best-in-class” strategy based on both financial and extra-financial factors. The investment process integrates an analysis of ESG factors, using appropriate information sources, to define the investment universe and evaluate companies. Through a bottom up, “best-in-class” approach, the fund aims at selecting issuers with strong financial sustainability and ESG credentials so that they can navigate both the credit cycle and the ESG risks. The fund not only aims to investing into issuers that do have sound business practices with low extra financial material risks but also aims at identifying companies that thanks to their reliable and responsible business models may emerge across time as leaders in their respective sectors. Overall, the fund aims at a significantly lower carbon footprint and to outperform the Bloomberg Barclays Global Corporate Index.

GUIDELINES & CONSTRAINTS*

INVESTMENT CHARACTERISTICS AND INTERNAL GUIDELINES

Targeted number of issuers (average)	100
Targeted number of issues (average)	150-200
Minimum rating (at time of purchase)	BB-
Maximum in BB	50%
Issuer limit per position	AAA-A 4% max BBB 3% max BB 2% max
Duration	4Y-7Y
Maximum per sector	25%
Excluded sectors	Please see above
Minimum issue size	EUR/USD 300m
Securities Lending	Not permitted
Forex Exposure	No



GUIDELINES & CONSTRAINTS*

INVESTMENT CHARACTERISTICS AND INTERNAL GUIDELINES

Use of Derivatives	Limited for efficient portfolio management (duration management, hedging and sources of performance), ancillary use of credit default swaps and indices**
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* Not formal limits and may change without notice. Please refer to the fund prospectus for formal limits.

Companies on the Pictet Controversial List created by the Pictet Sustainability Board are excluded














** the underlying corporate of Single name CDS follows the same financial and ESG scorecard than for cash bond as our filters are implemented at the issuer level

Source: Pictet Asset Management, June 2022

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Our ESG analysis is based on proprietary research, undertaken by our in-house teams, as well as external research from specialized providers. Pictet Asset Management has selected a range of providers to get access to ESG data. Each provider was selected for its leading edge on specific ESG datasets. The role of ESG providers is mainly to collect data provided by companies. The investment team does not use aggregate scores of ESG providers.

ESG Data Sources

RESEARCH PROVIDERS	LEADING EDGE
 	Corporate governance and proxy voting research
 	Creative accounting
 	Corporate governance, ESG Ratings & Controversies, Activity-based screening, Corporate Engagement
	Controversy news flow
	Carbon data, Fossil fuels, Green Economy
 Four Twenty Seven	Physical climate risk
	Green revenue
	Environmental and social indicators
 	Country ESG data

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Source: Pictet Asset Management – March 2022

3.3. What ESG criteria are taken into account by the fund(s)?

Besides Pictet Controversial list, we start excluding activities that we deem not compatible with an ESG portfolio. Please find below the comprehensive list of exclusions:

Company Exclusions based on Controversial Activities and Revenue Thresholds



ACTIVITY	LEVEL 3 EXCLUSIONS ⁵	PICTET-GLOBAL SUSTAINABLE CREDIT
Thermal Coal Extraction	>25%	>10%*
Thermal Coal Power Generation	>25%	>25%
Oil & Gas Production	>25%	>25%
Oil Sands Extraction	>10%	>10%*
Shale Energy Extraction	>10%	>10%*
Arctic Oil & Gas Exploration	>10%	>10%*
Nuclear Power Generation	>50%	>25%*
Production of controversial weapons	>0%	>0%
Military Contracting Weapons	>10%	>5%
Military Contracting Weapon-Related Products and/or Services	>50%	>5%
Small Arms Civilian Customers (Assault Weapons)	>10%	>5%
Small Arms Civilian Customers (Non-Assault Weapons)	>10%	>5%
Small Arms Military/Law Enforcement Customers	>25%	>5%
Small Arms Key Components	>25%	>5%
Alcohol Products Production	-	>5%
Alcohol Distribution	-	>10%
Tobacco Products Production	>10%	>5%
Tobacco Distribution	-	>10%
Adult Entertainment Production	>10%	>5%
Gambling Operations	>10%	>5%

⁵ Level 3 exclusions refer to the strict level of exclusion applying to “Positive tilt” and “Best-in-class” art. 8 funds and “Positive Impact” art.9 funds



ACTIVITY	LEVEL 3 EXCLUSIONS ⁵	PICTET-GLOBAL SUSTAINABLE CREDIT
Genetically Modified Plants and Seeds Development	>25%	>25%
Genetically Modified Plants and Seeds Growth	>25%	>25%
Pesticides Production	>10%	>10%
Pesticides Retail	>10%	>10%

Other Energy-related Exclusions & Company Exclusions based on Absolute level of CO2 emissions

ACTIVITY	LEVEL 3 EXCLUSIONS	PICTET-GLOBAL SUSTAINABLE CREDIT
Electricity Generation	-	393g CO2/kWh*
Conventional Oil and Gas*		>40% in renewable energy or natural gas

Company Exclusions based on Breaches of International Norms

CRITERIA	LEVEL 3 EXCLUSIONS	PICTET-GLOBAL SUSTAINABLE CREDIT
Companies in severe breach of UN Global Compact Principles on human rights, labour standards, environmental protection and anti-corruption	Yes	Yes

Country Exclusions based on International Sanctions

CRITERIA	LEVEL 3 EXCLUSIONS	PICTET-GLOBAL SUSTAINABLE CREDIT
Countries subject to hard sanctions by Switzerland, the European Union and the US Office of Foreign Assets Control.	Yes	Yes

*Please refer to "Towards Sustainability" Febelfin label

Please notice that the fund exclusion list is likely to evolve throughout the year. The Toward Sustainability Febelfin Belgium Label is going to impose some stricter restrictions and – subject to the renewal of the label - we



will apply this more stringent restrictions. Some examples will be the reduction of the thermal coal revenue threshold from 10% to 5%, or the reduction of the 393g CO₂/kWh max for Electricity Generation to 374g CO₂/kWh.

We follow a Best-in-Class approach through a 3-step investment process.

At the 1st and 2nd steps of our investment process, ESG and Responsibility investing practices are integrated in a quantitative manner:

- › Step 1: financial scorecard encompassing various key ratios (i.e. balance sheet strength, income statement, liquidity, Capex and R&D) taking a longer term perspective. We assign a different weight to each ratio depending on the sector. We only retain companies with the best scores for each sector (best-in class), i.e. first 2 quartiles.
- › Step 2 ESG-related scorecard: as for the financial scorecard, the number and the weight of each sector is adjusted to each sector as a way to capture the E, S and G challenges and risks of each industry. For instance, we put a stronger emphasis on governance for financials and on environmental factors for utilities or basic industries. Controversies - either environmental or social - are an integral part of the scorecard. At the end of the second step, companies with the best ESG scores (first 2 quartiles) will be considered as part of the eligible universe.

Despite of the above, we may *from time to time* invest in names, falling on the 3rd or 4th quartile of our scorecard, if we believe these names will transit into better quartile through time. For instance, we are invested in Iberdrola. Iberdrola is a AAA rated company by MSCI and especially a key player in energy transition. This company falls under the 4th quartile of our scorecard because of social/governance small problems. We have decided still to invest in the company given its key role in energy transition and because we believe the governance issues might improve through time.

- › At Step 3, we opt for a more qualitative discussion regarding the issuers that are eligible to the fund. In addition, we perform some relative value analysis among different eligible issuers and for the same issuer (i.e. maturity, seniority, currency). Substitution trades are proposed and implemented for the same issuers (i.e. move from EUR to USD-denominated bonds, move from senior to hybrid debt) or between two issuers. The investment team also discusses recent engagement with issuers. Eventually, based on relative value and issuer recommendations, the portfolio is built by the investment team with an aim to get a lower carbon footprint.

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?⁶

The fund has a hard exclusion of Thermal Coal based on 10% and 25% revenues for extraction and power generation, respectively. The fund also carries an exclusion for unconventional Oil & Gas (10% production) and conventional oil and gas (25% revenues) In addition, we exclude companies whose carbon emission intensity exceeds roughly 393 gCO₂/kWh. The fund also complies with the requirements of the “Towards Sustainability” Febelfin. **These exclusions will evolve throughout the year and become more stringent, subject to the renewal of our Febelfin label.**

At the second step of our investment process, embedded in our scorecard, we assess among others CO₂ emissions for some sectors. We also take into account in the quantitative score of the issuers the involvement

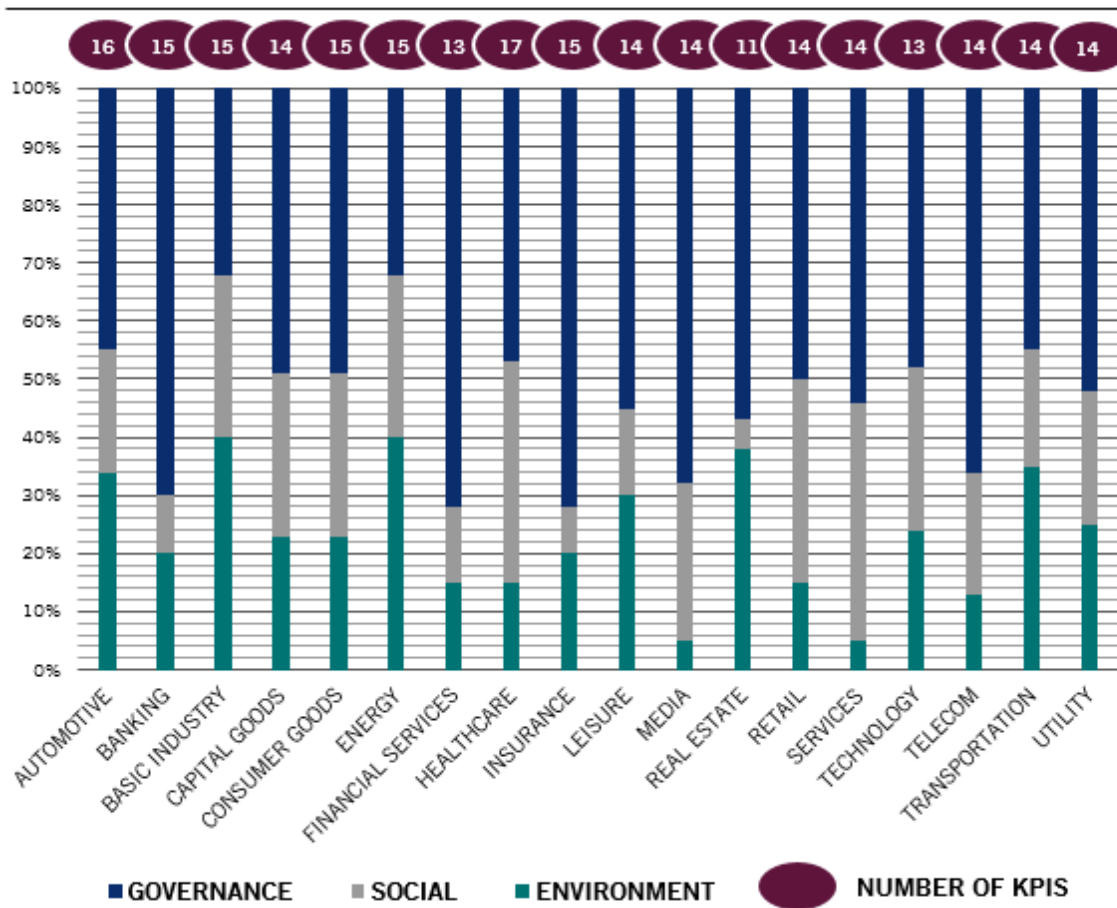
⁶ Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):
<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

into highly polluting fossil fuels and energy (i.e. oil and coal). Beyond quantitative scores, we also review the overall strategy of issuers primarily in the energy and basic industry sectors and assess progress on carbon footprint and overall environmental strategy. Eventually when we construct the portfolio, the investment team opts for a tilt towards lower carbon footprint. Besides carbon footprint, the Fixed Income Risk Team is also working hand in hand with Four Twenty Seven to run scenarios on climate risks.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

Our ESG analysis is first centered on a quantitative score encompassing a broad full range of ESG indicators. The number, nature and weight of ESG indicators are adjusted by sector and are reflecting at credit standpoint. For instance, we may approach differently governance than equity investors. For utilities, we focus mostly on carbon footprint as part of the environmental factors. In Basic Industries and Energy, our KPIs focus on coal reserves or oil reserves, respectively. Social factors include incidents and fatality rates. At Step 1 and Step 2 of the investment process, we keep the two first quartile (Best-in-class per sector) of each sector. Once again, we may nonetheless invest in companies falling under the 3rd and/or 4th quartile if we strongly believe that the companies will move to a better quartile down the road, showing strong commitment to do so. By doing so, we are therefore able to better finance the energy and social transition.

Proprietary split between E, S and G KPIs by sector



Source: Pictet Asset Management, May 2022
KPI: Key ESG Performance indicators



3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies?

The Group Investment Stewardship & Sustainability Board (SSB), which decides on the controversial weapons exclusion list, meets 2x/year.

ESG evaluation of issuers is reviewed on an ongoing basis as ESG third-party providers update their assessments of companies under their coverage. Alerts on downgrades on ESG rating by ESG providers are reported and may trigger further investigations.

In the step 2 of our investment process, we use our proprietary ESG framework based on quantitative analysis. We use a scorecard that assesses the controversies. We are taking the maximum controversies score (either E, S or G) depending on sectors. This allows us to have a dynamic approach to controversies as these are subject to change over time.

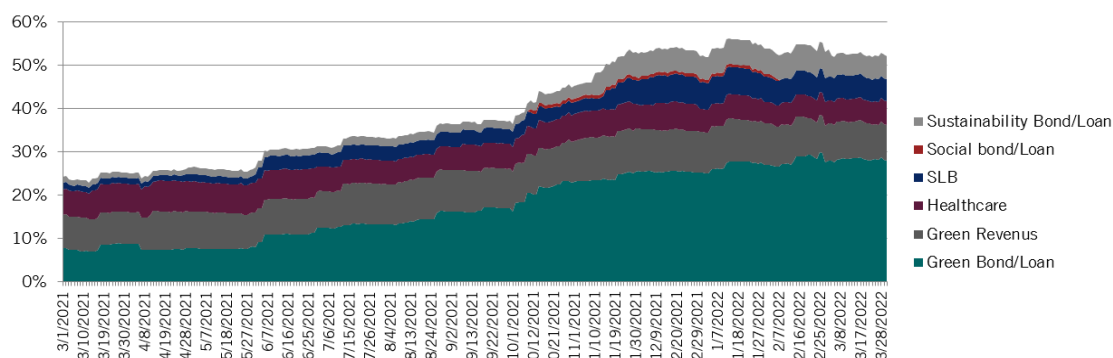
Furthermore, in the step 3 of our investment process, we apply a qualitative analysis. We have a forward-looking approach based on recent news flow incl. controversies. Thus, we can go deeper on some specific issues. The idea is to assess if the controversies have the potential to be material in terms of balance sheet strength or firm reputation. There is no hard rule and we assess reputational risks, litigation risks and financial impacts among others.

As for any breach, should an issuer no longer meet the requirement of the fund, the investment team has up to the end of the following month to dispose of the bonds.

3.6. What is your definition of sustainable investment?

Being an Article 9 SFDR fund, we set ourselves some internal guidelines to help achieving our aims of positive environmental and social impacts. Therefore, we want to have a minimum of 50% invested in sustainable investments. We define sustainable investments as either 1) investment in labelled bonds, 2) investment in bonds from issuers with a minimum of 20% green revenue according to FTSE, or 3) investment in bonds from issuers involved in an environmentally or socially friendly sector, with the likes of the healthcare sector.

Article 9 internal constraints – min 50% exposure to sustainable investment



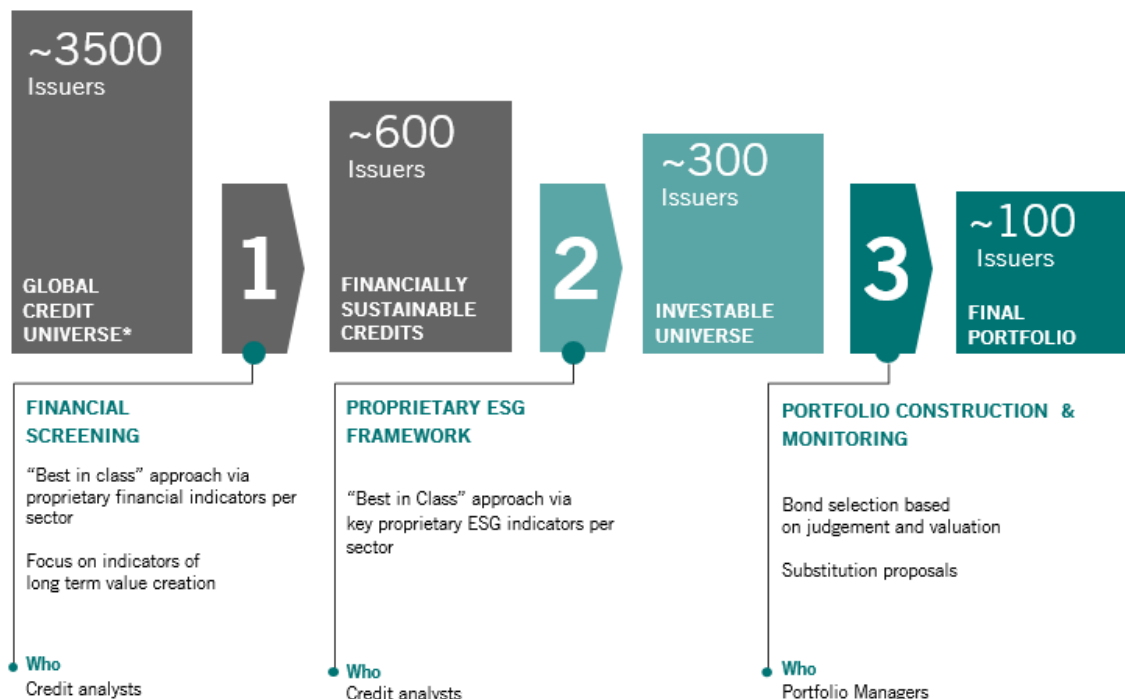
Source: Pictet Asset Management, as of 31.03.2022

4. INVESTMENT PROCESS

4.1. How are the results of the ESG research integrated into portfolio construction?

The overall investment universe is made of USD19Tr of Global Investment Grade and BB-rated bonds.

We then apply our list of exclusions. Basically, we apply the most stringent exclusions between the fund specific exclusions, the Febelfin Label exclusions and the Pictet Asset Management exclusions. By doing so, we reduce the size of our investment universe by approximatively 15%.





Our investment process then follows three stages to narrow down the universe to the investable universe and actual portfolio:

- › Stage 1: Screening Issuers' Financial Sustainability using a combination of financial ratios adapted to each sector. We keep the first two quartiles of each sector.
- › Stage 2: Screening ESG factors with a best-in-class approach using a combination of ratios adapted to each sector taking into account a credit investor's standpoint. We keep the first two quartiles of each sector.
- › Stage 3: Judgmental assessment of issuers (i.e. relative value, ESG-related news flow and forward-looking assessment) and Portfolio Construction.

4.2. How are criteria specific to climate change integrated into portfolio construction?⁷

As a bottom-up fund, the criteria specific to climate change are first and foremost integrated in the definition of the investable universe through the combination of the aforementioned hard exclusions (i.e. exclusion of thermal coal), compliance to "Towards Sustainability" Febelfin label and Best-in-class approach.

Environmental analysis is factored in every sector with different criteria and weights (to capture the challenges of each industry incl. carbon footprint). At step 3, as part of the qualitative assessment of issuers, we consider the overall strategy of borrowers such as climate change. We also assess when relevant progress in reducing their carbon footprints.

Such criteria do not interfere with portfolio construction (i.e. calibration of trades) bar the fact that a deterioration of extra-financial scores or judgmental analysis of an environmental controversy may trigger a "sell" order.

The Fixed Income Risk Team is also working hand in hand with Four Twenty Seven to run scenarios on climate risks.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?⁸

Please specify how much the funds can hold.

All issuers in the portfolio are subject the ESG analysis. Should external data be partly unavailable, the ESG analysis is based on our own fundamental research.

Please refer to 3.1

⁷ Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

⁸ Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

Yes, overall we continue to evolve Step 1 and Step 2.

For instance, we continue to improve coverage universe, data quality and automation primarily for the 1st step of the investment process. We changed the data provider from S&P Capital IQ to Acuity.

We have improved the ESG scorecard at step 2 of the investment process selecting/adding new KPIs or tweaking weights. For instance, we added a KPI on scope 2 emission for each relevant sector. These changes are made to better capture risks and opportunities in each sector and also integrate recent regulatory developments.

We have also introduced new or tighter exclusions mostly due to the adherence to the “Towards Sustainability” Febelfin label and the Pictet Asset Management exclusion Level 3 list (since March 2021) for Article 9 funds.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

Yes indeed, we own for instance Danone, the French food processing company, who became recently an “entreprise à Mission”. We own also many healthcare names which have a strong social mission such as Thermo Fisher. Finally we can also mention Western Union, this global money transfer services company which help – for instance – citizen of big developed countries to send money to their family in poorer countries in the world.

4.6. Does (do) the fund(s) engage in securities lending activities? If so,

(i) is there a policy in place to recall the securities so as to exercise the voting rights?

(ii) does the process for selecting the counterparty(ies) integrate ESG criteria?

No.

4.7. Does (do) the fund(s) use derivative instruments? If so, please describe

(i) their nature;

(ii) their objectives;

(iii) the potential limits in terms of exposure;

(iv) if appropriate, their impact on the SRI nature of the fund(s).

The fund is using FX derivatives (i.e. FX forwards and FX swaps) to hedge fully the portfolio against FX fluctuations. The fund is using credit derivatives on an ancillary basis and bond futures.

Regarding single name CDS, such instruments can be used in case of scarcity on an issue, negative convexity on the cash bond(s), better valuation or to hedge exposure (i.e. hedging peripheral exposure). The underlying issuer of a CDS is subject to the same ESG analysis than cash bonds. Should the fundamentals of an issuer weaken, we often consider that the best hedge is to sell it instead of buying protection with a CDS.

On the duration side, the fund targets a duration of around 5 years (duration range of 4 to 7Y) achieved primarily through cash bonds and bond futures.

Counterparties of OTC derivatives (i.e. FX forwards, CDS) are subject to a strict selection process that includes ESG considerations.



4.8. Does (do) the fund(s) invest in mutual funds?

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

No.



5. ESG CONTROLS

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?⁹

Firm-wide:

- UN-PRI assessment: questionnaire completed every year and coordinated by the ESG team
- Progress reviews of implementation of Pictet Asset Management commitment to RI and six working principles is conducted by the ESG team with each Investment team

Investment strategies:

- Every investment team is expected to integrate ESG issues into their investment process. Third-party ratings and research notes are directly accessible in our front tool (PAMFolio). Alerts are triggered when purchasing securities with poor ESG ratings
- As part of the Quality Review process led by our Investment Risk & Performance team, the exposure to companies with poor ESG ratings as well as the evolution of the portfolio ESG rating is discussed during the product quality reviews of investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the Co-CEO
- Compliance team monitors adherence to exclusion lists and client-specific constraints / investment universes
- For Pictet funds, the adherence to exclusion lists as well as prospectus guidelines is monitored at NAV level under the supervision of ManCo Risk (Luxembourg domiciled funds) and Business Risk (Swiss domiciled funds)
- Pictet Asset Management's Manco Risk Management team is independently monitoring a set of indicators for sustainability risks based on data provided by third parties

⁹ Reference to Article 173 of the French TECV Act



6. IMPACT MEASURES AND ESG REPORTING

6.1. How is the ESG quality of the fund(s) assessed?

As part of the Quality Review process led by our Investment Risk & Performance team, the exposure to companies with poor ESG ratings as well as the evolution of the portfolio ESG rating is discussed during the product quality reviews of investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the Co-CEO.

The fund was also awarded the “Towards Sustainability” Febelfin label.

6.2. What ESG indicators are used by the fund(s)?¹⁰

Our ESG analysis is based on proprietary research, undertaken by our in-house teams, as well as external research from specialised providers. The latter include ISS, Sustainalytics, CFRA, RepRisk, TruCost, among others. Their role is mainly to collect data provided by companies, the media and other relevant sources and provide their assessment on material ESG issues. We do not rely on the aggregate ESG score of third-party ESG providers.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

The following standard information is accessible on our website (<https://www.am.pictet>), and on our thematic website <https://mega.online/>:

- 1) Factsheet (monthly)
- 2) Fund Manager’s Comment (monthly)
- 3) Annual Report (incl. holdings) & Prospectus
- 4) Pictet Asset Management’s Active Ownership report
- 5) Sustainable theme articles (mega.online)

6.4. Does the fund management company publish the results of its voting and engagement policies?¹¹ If so, please include links to the relevant activity reports.

On company level, results of our voting and engagement activities are published under:

<https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment/responsible-investment-report-2020.pdf> The Investment team released a Sustainability report for the fund. The report is available upon request.

¹⁰ Reference to Article 173 of the French TECV Act

¹¹ Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

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