



Eurosif Transparency Code



Pictet Asset Management, June 2021

Highlights

- › Pictet – Clean Energy
- › Pictet – Global Environmental Opportunities
- › Pictet – Nutrition
- › Pictet – Timber
- › Pictet – Water
- › Pictet – SmartCity
- › Pictet – Human



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INTRODUCTION

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 and is available on our website. This is Pictet AM's fifth statement of commitment and covers the period June 2021 to May 2022.

<http://www.eurosif.org/transparency-code/signatories-and-responses/switzerland/>

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 2021



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 perform an ESG analysis or screening of investments in order to come under this category.

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

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



financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

SECTION 1 - LIST OF FUNDS COVERED BY THE CODE

FUNDS	DOMINANT SRI STRATEGY	ASSET CLASS	EXCLUSIONS & NORMS	FUND CAPITAL (31.05.2021)	OTHER LABELS	RELEVANT DOCUMENTS
Pictet – Clean Energy	Sustainability Themed	Actively managed – International shares	Controversial weapons	EUR 4'606m	ISR (France), Towards Sustainability (Belgium)	am.pictet
	ESG Integration		Alcohol			
Pictet – Global Environmental Opportunities	Engagement & Voting		Human Rights	EUR 7'999m	ISR (France), Towards Sustainability (Belgium), FNG Label (Germany)	am.pictet
	Exclusions		Labour Rights			
			Corruption			
Pictet – Nutrition	Impact Investing		Environmental Protection Breach	EUR 1'162m	ISR (France), Towards Sustainability (Belgium)	am.pictet
	Norms-Based Screening		Nuclear Power			
Pictet – SmartCity			Coal	EUR 1'731m	ISR (France), Towards Sustainability (Belgium)	am.pictet
			Oil & Gas			
			Shale Energy			
Pictet – Timber			Tobacco	EUR 1'223m	ISR (France), Towards Sustainability (Belgium)	am.pictet
			GMO			
Pictet – Water			Palm Oil	EUR 7'511m	ISR (France), Towards Sustainability (Belgium), FNG Label (Germany)	am.pictet
			Pesticides			
			Military Weapons			
Pictet - Human			Arms	EUR 270m	Towards Sustainability (Belgium)	am.pictet
			Pornography			
			Gambling			
			UN Global Compact violators			

Source: Pictet Asset Management - June 2021



SECTION 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
Tel.: +41 58 323 3333
www.assetmanagement.pictet
Contact person: Sandy Wolf (swolf@pictet.com)

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

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.

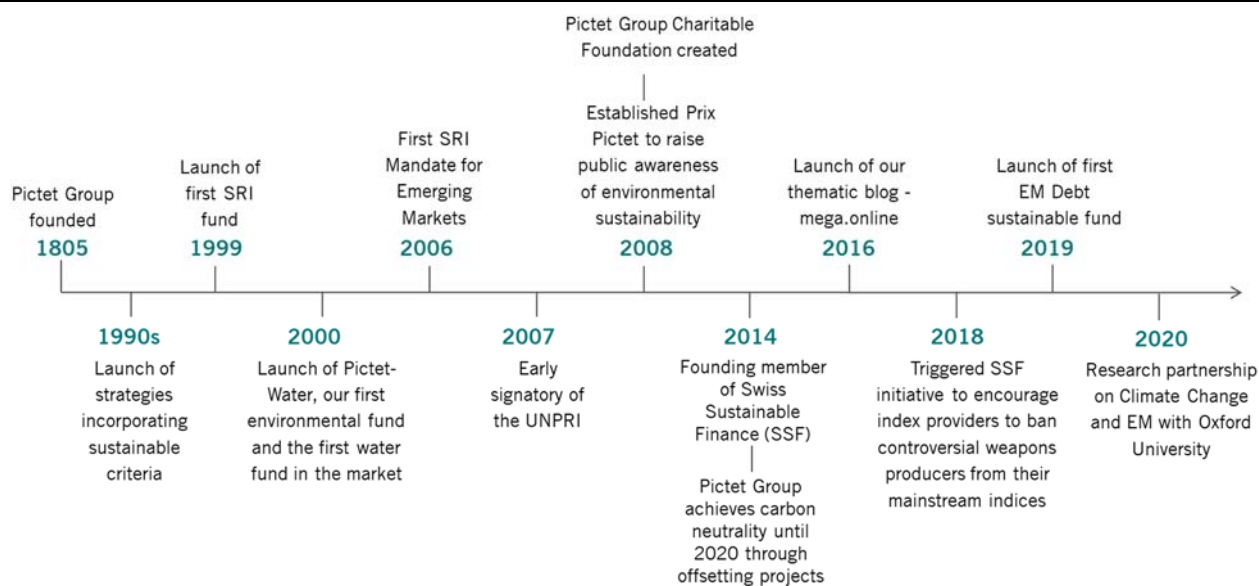
Pictet Asset Management was also an early adopter of the Principles for Responsible Investment (UNPRI) in 2007.

More information on our responsible investment approach can be found under:

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



ESG at Pictet Asset Management over time

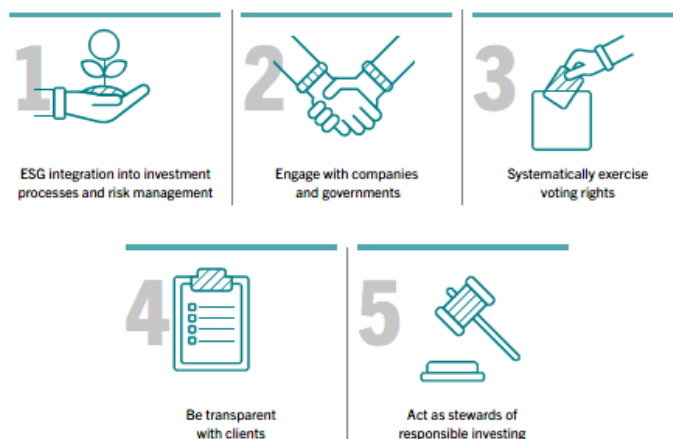


Source: Pictet Asset Management – March 2021.

2.3 How does the company formalise its sustainable investment process?

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



Source: Pictet Asset Management – May 2021

1. We integrate ESG into investment processes and risk management

Integration of ESG factors and sustainability risk have become the norm in our investment processes.

Our core standards strategies promote environmental and/or social characteristics and exclude some of the most harmful activities such as controversial weapons, tobacco, adult entertainment and gambling.

For investors with higher ESG ambitions, our best-in-class and positive tilt strategies invest in companies with stronger governance as well as cleaner operations and products. We offer equity and fixed income sustainable strategies.



For those investors looking to have a specific and measurable impact, our positive impact strategies invest in companies that provide solutions to challenges such as climate change, the energy transition or water scarcity.

2. We engage with companies and governments

As active managers we can add value and mitigate risks by engaging with sovereign and corporate issuers on ESG topics. 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.

3. We systematically exercise voting rights

Leveraging our power as investors to achieve positive change, we systematically exercise our voting rights in the best interests of our clients.

4. We are transparent with clients

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. We act as stewards of responsible investing

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.

Sustainability Investment Policy:

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

Voting Rights Policy:

<https://www.am.pictet/en/globalwebsite/global-articles/2020/expertise/esg/proxy-voting>

Engagement Policy³:

<https://www.am.pictet/en/globalwebsite/global-articles/2019/expertise/esg/shareholder-rights-directive>

2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company⁴?

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.

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

⁴ Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES



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.
- › **Environmental Risk:** Environmental risk may result from air pollution, water pollution, waste generation, depletion of freshwater and marine resources, loss of biodiversity or damages to ecosystems. Environmental 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 (4 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 long only investment teams based on a combination of third-party research and proprietary assessment.

2.6 Is the company involved in any RI initiatives?

Pictet Asset Management has been a signatory of the UNPRI since 2007 and has been awarded an A+ rating under the PRI's Reporting and Assessment Framework.

In addition, Pictet Asset Management actively participates to several investor initiatives aimed at sharing best practices between asset managers and owners and encouraging corporate disclosure on ESG issues. We are notably involved in the IIGCC (Institutional Investors Group on Climate Change), SSF (Swiss Sustainable Finance) and similar organisation in the UK, Germany and Spain.



Pictet Asset Management supports and actively participates in international and national initiatives, including:

GENERAL INITIATIVES	ENVIRONMENTAL/CLIMATE INITIATIVES	SOCIAL INITIATIVES	GOVERNANCE INITIATIVES
EFAMA RI WG*	CDP – Carbon Disclosure Project (carbon)	Empower: Partnership	ICGN – International Corporate Governance Network
PRI - Principles For Responsible Investment	Climate Bond Initiative		UK Stewardship code
SIFs - Sustainable Investment Fora	IIGCC – Institutional Investors Group on Climate Change		Japan Stewardship code
Copenhagen Institute for Future Studies: Member, Research Partnership: Megatrends Research	Swiss Climate Foundation: Corporate sponsor		
Swiss Sustainable Finance Founding member: Board representative	FTSE Environmental Market: Member of the Advisory Committee		
Investment Association: Member of the Sustainability and Responsible Investment Committee	Stockholm Resilience Centre: Research Partnership: Planetary Boundaries Framework		
	Climate Action 100+; Mining and Tailings Safety Initiative; Investor Initiative for Sustainable Forestry: Collaborative Engagement		
	Oxford University: Smith School for Enterprise and the Environment: Research Partnership: Climate Change and EM		

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

Source: Pictet Asset Management - June 2021

Furthermore, Pictet, together with Swiss Sustainable Finance, is leading an initiative to put pressure on index providers to remove controversial weapon manufacturers from mainstream indices. The initiative, launched in August 2018, secured the backing of 173 signatories controlling over USD 9 trillion and including international asset owners and managers.

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

Below our AUM split as at end of March 2021:

ESG integrated strategies	CHF 152bn
ESG Binding strategies	CHF 57bn
Positive Impact strategies	CHF 33bn
Total AUM	CHF 242bn



For the comprehensive list of funds including SRI assets, please refer to the following link:
<https://www.am.pictet/en/luxembourg/institutional/funds>

SECTION 3 - GENERAL INFORMATION ABOUT THE SRI FUND(S)

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

By investing in themes, specific economic activities whose value drivers are underpinned by secular growth trends, we give our clients the opportunity to allocate capital to companies whose activities they might be interested in fostering.

Additionally, we believe that integrating ESG considerations can help generate performance and reduce risk. Finally, active ownership through engagement and proxy voting is intended to improve the long-term sustainability of the businesses we invest in.

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 specialised 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. External data providers include [ISS](#), [Sustainalytics](#), [Inrate](#), [CFRA](#), [RepRisk](#), 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.

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

- 1) Corporate governance practices: business ethics, audit and accounting practices, board independence, minority shareholders rights, executive remuneration.
- 2) Environmental and societal practices: planetary boundaries (e.g. CO₂, Water, CFC, ...), labour and supply chain management.
- 3) ESG controversies: the extent to which companies are exposed to news flow related to ESG controversies (e.g. bribery, corruption, product recalls, pollution incidents or conflicts with local communities)
- 4) Theme-related positive screens: e.g. companies with at least 20% of their activities related to the respective theme
- 5) Theme-related negative screens: e.g. exclusion of companies causing significant social and/or environmental harm
- 6) Sustainability Risks that are relevant for each theme (e.g. human rights to affordable water in the Water strategy)

For more information about our exclusion framework and other ESG criteria, please refer to our Responsible Investment Policy at the following link: <https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2021/pictet-asset-management/responsible-investment-policy.pdf>

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?⁵

By investing in specific economic activities –themes– which we believe are attractive from a secular growth standpoint, we give our clients the opportunity to allocate capital to companies whose activities

⁵ 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>



they might be interested in fostering. This includes strategies that have a particular focus on climate change, such as Clean Energy, Global Environmental Opportunities and Timber.

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.)?

We incorporate a broad range of ESG factors in our qualitative research. This includes amongst others:

- Corporate governance practices: business ethics, audit and accounting practices, board independence, minority shareholders rights, executive remuneration.
- Environmental and societal practices: planetary boundaries (e.g. CO₂, Water, CFC, ...), labour and supply chain management.
- ESG controversies: the extent to which companies are exposed to news flow related to ESG controversies (e.g. bribery, corruption, product recalls, pollution incidents or conflicts with local communities)
- Theme-related positive screens: e.g. companies with at least 20% of their activities related to the respective theme
- Theme-related negative screens: e.g. exclusion of companies causing significant social and/or environmental harm
- Sustainability Risks that are relevant for each theme (e.g. human rights to affordable water in the Water strategy)

For each investment theme, a customised investment universe is built. Here are the selection criteria for universe eligibility:

- **Clean Energy** is a sustainable strategy which aims to achieve a positive environmental and social impact. Companies having at least 33% of their activities linked to the energy transition. These are generally companies that contribute to the reduction of carbon emissions and helping the transitioning towards a lower carbon economy. This includes cleaner resources and infrastructures; equipment and technologies that reduce carbon emissions; the generation, transmission and distribution of cleaner energy; and cleaner and more energy-efficient transportation and fuels. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.
- **Water:** Companies with at least 20% of their activities linked to the water value chain. These are generally companies commercialising products and services that help to solve the global water quality and quantity challenge. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.
- **Timber:** Companies with at least 20% of their activities linked to the wood fibres value chain. This includes companies financing, planting, and managing forests as well as the production and distribution of wood for construction and other services and products derived from wood. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.
- **Nutrition:** Companies with at least 50% of their activities linked to the nutrition value chain. These are generally companies that improve sustainability of, access to, and quality of food production necessary for health and growth. The strategy excludes companies that cause significant



environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.

- **Global Environmental Opportunities:** Companies with at least 20% of their activities linked to environmental product and services. These are generally companies that make a substantial active contribution to solving environmental challenges by providing solutions to others, rather than companies only focusing on minimizing the environmental impact of their own operations. We use a planetary boundaries framework to define companies that operate within a safe operating space across 9 environmental issues such as climate change, biodiversity, land and water use and others. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.
- **SmartCity:** Companies with at least 50% of their activities linked to smarter cities. These are generally companies that are shaping the cities of tomorrow, helping to develop sustainable, safe and smart cities and solve issues related to new urban lifestyles. This may include mobility and transportation, infrastructure, real estate, sustainable resources management (such as energy efficiency or waste management) as well as enabling technologies and services supporting the development of smart and sustainable cities. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.
- **Human:** Companies with at least 50% of their activities linked to human self-fulfilment. This fund applies a sustainable strategy which aims to achieve a positive social impact by investing mainly in companies that help individuals to adapt to the demographic and technological shifts that have transformed lives. These companies help individuals to lead more fulfilling lives through services that enable life-long learning, provide care services and the services to enjoy themselves. The strategy excludes companies that cause significant environmental and/or social harm. The investment process integrates ESG factors based on proprietary and third-party research to evaluate investment risks and opportunities.

Starting out of a global equity universe of >40,000 companies, most of our thematic investable universes contain ~200-400 stocks, hence we exclude 99% of companies that are not closely linked to the investment theme.

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

The thematic universes (positive and negative screens) are updated continuously (as a function of IPOs and corporate actions) and reviewed formally once a year. The scoring, which defines stock selection and weights in our portfolios and is impacted by ESG ratings, is updated continuously. As soon as an ESG rating changes or a new report is published, we integrate the information into the scoring process and re-evaluate our stock selection and weights. Indeed, ESG metrics are included in the portfolio construction as a weight influencing metric, meaning that a changes in ESG score or controversies may lead to a reduction of portfolio weight, and even exclusion depending on the severity of the score change (when negative).

This strategy applies an additional exclusion policy relating to direct investment in companies and countries and that are deemed incompatible with Pictet Asset Management's approach to responsible investment. Please refer to our responsible investment policy on



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

The Group Investment Stewardship & Sustainability Board (GSSB), which decides on the controversial weapons exclusion list, meets 4 times per year.

SECTION 4 – INVESTMENT PROCESSES

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

The integration of ESG considerations occurs at a number of stages along the investment process. The definition of a theme's investable universe (i.e. universe of stocks where each company has a minimum exposure to theme-related activities) is top-down and is purely based on the positive and negative screens linked to the definition of the theme. Once the investable universe is defined, the process is bottom-up and ESG considerations are combined with fundamental financial consideration. ESG considerations have a direct impact on the holding weight in the portfolio. A stock with attractive valuation will see its weight increased or reduced by ESG considerations⁶. However, unlike other types of approach (e.g. Best-in-Class), in thematic investing ESG considerations are not applied as a screen, but implemented as a complement to fundamental financial analysis.

Starting out of a global equity universe of >40,000 companies, most of our thematic investable universes contain ~200-400 stocks, hence we exclude 99% of companies that are not closely linked to the investment theme.

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

The impact on climate change is assessed during the environmental analysis of the company's business model. We analyse the environmental footprint, taking into account several environmental dimensions as well as the impact of the products and services provided by the company. All thematic portfolios are subject to a Planetary Boundary framework analysis, which assesses the portfolio impact on 9 environmental dimensions; Climate change, Ocean acidification, Ozone depletion, Eutrophication/Biogeochemical flows, Water use, Land use, Biodiversity, Atmospheric aerosols and Chemical pollution.

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

All stocks in the portfolio are subject to the ESG analysis. In case no external data is available, the ESG analysis is based on our own fundamental research.

4.4. Has the ESG evaluation or investment process changed in the last 12 months? No

⁶ Under the scope of the French ISR Label, ESG selectivity is measured by comparing the weighted average ISS Governance and Sustainability Controversy score versus the weighted average score of the reference index (MSCI ACWI). It is expected that the resulting Compartment's ESG characteristics will be higher than the reference index after removing the bottom 20% of issuers with the lowest ESG characteristics.

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)



4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises? Yes, some Thematic funds apply a sustainable strategy which aims to achieve a positive social impact (Human, SmartCity, Nutrition, Clean Energy, Water)

4.6. Does (do) the fund(s) engage in securities lending activities? Yes

If so,

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

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

4.7. Does (do) the fund(s) use derivative instruments?

Generally, our thematic funds do not invest in derivative instruments.

If so, please describe

(i) their nature; N/A

(ii) their objectives; N/A

(iii) the potential limits in terms of exposure; N/A

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

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

Generally, our thematic funds do not invest in mutual funds. Money Market funds may be used for cash management purposes.

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? N/A



SECTION 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 portfolio management 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 long only investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the deputy CEO.
- Compliance team monitors adherence to exclusion lists and client-specific constraints / investment universes as well as overall distribution of ESG ratings and positive tilts of portfolios.
- 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



SECTION 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 long only investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the deputy CEO.

Some of our strategies have been assessed by external auditors. Please refer to page 6 for an overview of our ESG labels.

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, 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.

To inform investment decisions and active ownership activities, we have developed a proprietary ESG Scorecard providing a focused view of ESG Risks and Opportunities.

We believe investment success stems from a rigorous and repeatable process. It is not about being lucky or having access to privileged information. It requires a rigorous and unbiased method for gathering and analysing information, taking decisions and executing them with discipline. Integrating ESG information is no different, which is why we have opted for a structured approach to dealing with this fast-evolving field.

The ESG Scorecard is based on a curated set of the most material data points, across four pillars:

1. Corporate governance: Are companies managed for the long-term? (e.g. Board competence & independence, executive remuneration, audit & risk control)
2. Products & services: How “future-fit / compatible with the Sustainable Development Goals (SDGs)” is their product-mix? (e.g. Are they generating revenue by addressing public health and/or environmental issues? Are they offering “clean & safe” products & services?)
3. Operational risks: How do they run their business? (e.g. What is the carbon intensity of their operations?, Are they exposed to extreme weather events and other climate risks?, Are they managing other environmental and social impacts associated with their activities and supply chain?)
4. Controversies: Are they walking the talk? (e.g. Bribery & corruption, market abuse, product recalls)

The field of ESG integration is continually evolving as more, higher-quality and increasingly sophisticated data becomes available. Pictet’s ESG Scorecard is curated by a committee of experts which meets quarterly to discuss the evolution of the model and ensure that we keep abreast of developments and

¹⁰ Reference to Article 173 of the French TECV Act



continue to bring a meaningful and comprehensive view of ESG factors to be considered in the investment process.

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) Sustainability & Impact Reports
- 5) Pictet Asset Management's Active Ownership report
- 6) 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.

As an active manager, we strongly believe that taking account of environmental, social and governance (ESG) considerations can help us make better long-term investment decisions for our clients. One way of achieving this objective is to leverage the power of investors to trigger positive change. This involves exercising our voting rights systematically in the best interests of our clients and engaging directly with the companies we invest in when we have ESG concerns.

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

<https://www.am.pictet/en/switzerland/global-articles/2020/expertise/esg/proxy-voting>

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



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