



## Eurosif Transparency Code



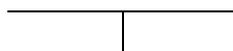
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Pictet Asset Management, July 2020

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### Highlights

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





## CONTENTS

Introduction	2
SECTION 1 - Name of the funds covered by the code	5
SECTION 2 – Basic details	6
SECTION 3 - General information about the SRI fund(s)	12
SECTION 4 – Investment processes	14
SECTION 5 – ESG Controls	15
SECTION 6 – Impact measures and ESG reporting	16



## 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](http://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;



### 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 fourth statement of commitment and covers the period June 2020 to May 2021.

### 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 2020**



## Eurosis classification of Sustainable and Responsible Investment<sup>1</sup> 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 circumstances<sup>2</sup>. Investments are often project specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive

<sup>1</sup> 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. Eurosis 2016

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



## SECTION 1 - NAME OF THE FUNDS COVERED BY THE CODE

<b>FUNDS</b>	<b>DOMINANT SRI STRATEGY</b>	<b>ASSET CLASS</b>	<b>EXCLUSIONS &amp; NORMS</b>	<b>FUND CAPITAL (29.05.2020)</b>	<b>OTHER LABELS</b>	<b>RELEVANT DOCUMENTS</b>
Pictet – Clean Energy	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 851.5m	French ISR, Febelfin	am.pictet
Pictet – Global Environmental Opportunities	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 2'882m	French ISR, Febelfin, FNG Label	am.pictet
Pictet – Nutrition	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 592.9m	French ISR, Febelfin	am.pictet
Pictet – SmartCity	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 1'301m	French ISR, Febelfin	am.pictet
Pictet – Timber	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 362.2m	French ISR, Febelfin	am.pictet
Pictet – Water	Sustainability/Themed ESG Integration	Actively managed – International shares	Controversial weapons	EUR 5'606m	French ISR, Febelfin, FNG Label	am.pictet



## SECTION 2 – BASIC DETAILS

### 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>



## 2.3 How does the company formalise its sustainable investment process?

Our approach to responsible investing can be summarised in five key points:

### 1. We incorporate ESG factors into all our investment processes

All of our active long-only equity and fixed-income investment strategies integrate ESG considerations.

### 2. 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.

### 3. We engage with companies and governments on ESG issues

We engage directly with corporate boards and sovereign issuers so as to improve ESG practices, which we believe will lead to stronger long-term performance.

### 4. We act as stewards of responsible investing

We are committed advocates of responsible investing and play an active role in organisations that promote responsible finance and sustainable investments.

### 5. We are transparent with clients on our ESG actions

We believe that our transparency differentiates us from the competition. In our reports, ESG characteristics are measured at a portfolio level and compared with the benchmark. Our Impact Reports provide additional data on our environmental impact.

#### **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 Policy:**

<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 company?

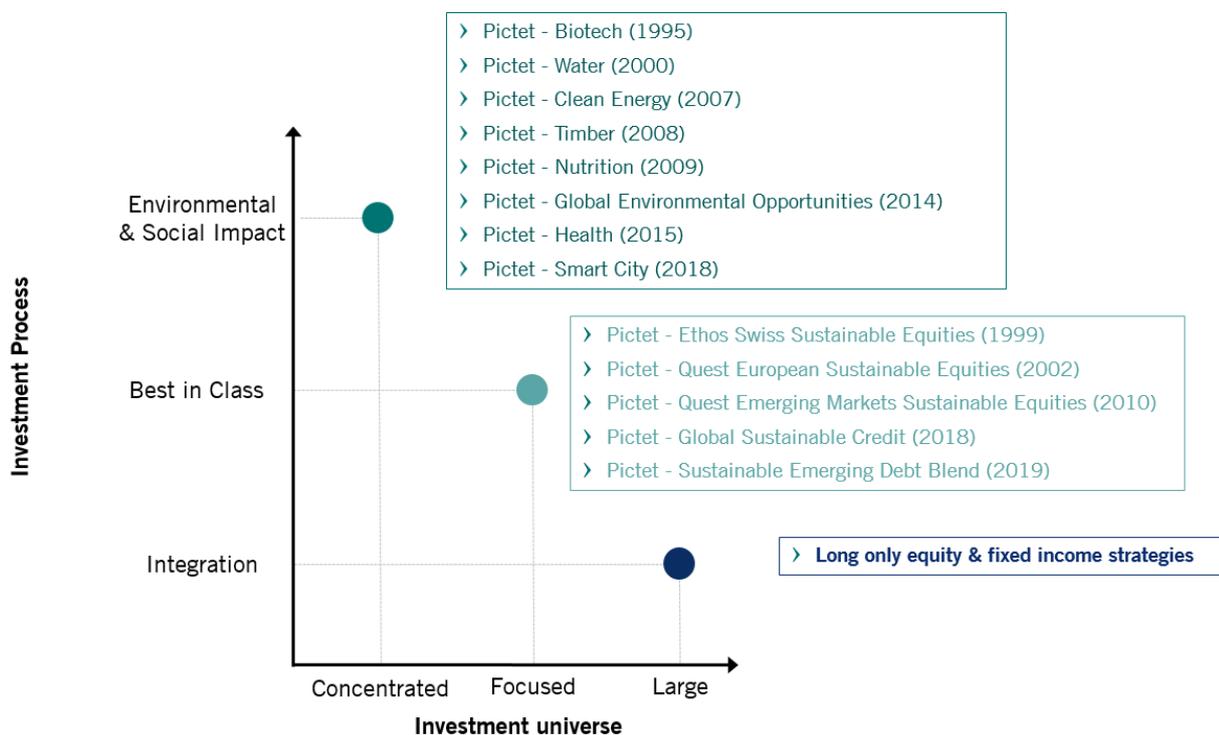
Pictet Asset Management is committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks.

Environmental issues may include but are not limited to pollution prevention, climate change mitigation & adaptation and natural resources preservation. Social issues may include but are not limited to human rights, labour standards and public health. Corporate governance issues may include but are not limited to board composition, executive remuneration, shareholders rights and business ethics. For sovereign issuers, governance issues may include but are not limited to governmental stability, corruption prevention, right to privacy and judicial independence.



We offer the full ESG spectrum. From **ESG integration** (e.g. long-only equity and fixed income), **Environmental and/or Social thematic impact strategies** (e.g. Global Environmental Opportunities, Nutrition, Clean Energy, Timber, Water, Smart City, Health, Biotech) to **best in class** products (e.g. European Sustainable Equities, Emerging Sustainable Equities, Swiss Sustainable Equities, Global Sustainable Credit, Emerging Sustainable Blend).

## ESG at Pictet Asset Management



Source: Pictet Asset Management – May 2020.

### › ESG integration

These strategies integrate material ESG risks and opportunities into their investment decision process to complement financial analysis. Portfolios may invest in securities with low ESG characteristics.

### › Best in Class strategies

These strategies seek to invest in issuers with superior ESG features while avoiding those with low ESG characteristics.

### › Environmental and/or Social impact strategies

These strategies 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.

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

- › Transition to a low carbon economy, including growth of renewable energy sources and energy efficiency solutions, and the potential decline of fossil fuels in the global energy mix.
- › Exposure to extreme weather events, including hurricanes & typhoons, droughts & floods, heat & cold waves and changing weather patterns.



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

At **Pictet Group level**, we have a Group ESG & Stewardship unit 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 governing body of the unit is the Stewardship & Sustainability Board (SSB), which ensures coordination across all activities that are linked to sustainable development within the Pictet Group. The SSB 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 (3 people) reports directly to Sébastien Eisinger, Managing Partner Pictet Group, Co-CEO Pictet Asset Management and Head of Investments.

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. For environmental, social & best-in-class strategies, this is conducted by over 50 investment managers & analysts. For conventional strategies, ESG factors are integrated by over 200 investment professionals.

## 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
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility  <b>X EFAMA RI WG*</b>  <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)  <b>X PRI - Principles For Responsible Investment</b>  <b>X SIFs - Sustainable Investment Fora</b>  <b>X Other (please specify)</b> <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>	<b>X CDP – Carbon Disclosure Project (carbon)</b>  <b>X Climate Bond Initiative</b>  <input type="checkbox"/> Green Bond Principles  <b>X IIGCC – Institutional Investors Group on Climate Change</b>  <input type="checkbox"/> Montreal Carbon pledge  <input type="checkbox"/> Paris Pledge for Action  <input type="checkbox"/> Portfolio Decarbonization Coalition  <b>X Other (please specify)</b> <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: Collaborative Engagement</i> <i>(v) Oxford University: Smith School for Enterprise and the Environment: Research Partnership: Climate Change and EM</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  <b>X Other (please specify)</b> <i>(i) Empower: Partnership</i>	<input type="checkbox"/> ICGN – International Corporate Governance Network  <b>X Other (please specify)</b> <i>(i) UK Stewardship code</i> <i>(ii) Japan Stewardship code</i>

Source: Pictet Asset Management – June 2020

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

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 (as of October 2019).

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

As at end of March 2020, ESG integrated strategies represent around CHF 147bn including Sustainable strategies (CHF 2bn) & Environmental and/or Social impact strategies (CHF 17bn).



## 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. CO<sub>2</sub>, Water, CFC, ...), labour and supply chain management.
- 3) ESG controversies: companies appearing in the media for malpractice
- 4) Theme-related positive screens: e.g. companies selling water treatment systems in the Water universe
- 5) Theme-related negative screens: e.g. companies selling coal not in the Clean Energy universe

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

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 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. CO<sub>2</sub>, Water, CFC, ...), labour and supply chain management.
- ESG controversies: companies appearing in the media for malpractice
- Theme-related positive screens: e.g. companies selling water treatment systems in the Water universe
- Theme-related negative screens: e.g. companies mining coal are not in the Clean Energy universe



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

- **Clean Energy:** 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. Individual companies may not have more than 20% of their activities related to coal, oil or nuclear energy.
- **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. Companies commercialising branded bottled water in developed markets are not considered part of the universe.
- **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. We exclude regions where the legal framework does not support sustainable forestry practices (e.g. Indonesia, Malaysia).
- **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. We pay specific attention to the quality of food and exclude companies with >10% activities linked to GMOs.
- **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, i.e. the portfolio is free of fossil-fuel, nuclear energy, and pesticide or fertilizer companies. Overall the portfolio has a smaller environmental footprint compared to global equities.
- **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. Natural resource extraction and processing as well as activities with negative impacts on urban life (such as tobacco and alcohol) do not meet the purity requirements of the theme and are avoided.

Starting out of a global equity universe of >40,000 companies, most of our theme 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 Sustainability Board, which decides on the controversial weapons exclusion list, meets 2 times per year. 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.



## 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 considerations. 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.

### 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 carbon metrics as well as the impact of the products and services provided by the company.

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

Please specify how much the funds can hold.

All stocks in the portfolio are subject 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

### 4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises? No

### 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? No

### 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?

#### 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 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



## 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.

### 6.2 What ESG indicators are used by 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. 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.

### 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 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?

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.

Our active ownership report (see link below) includes key figures and commentary on our proxy voting, our ESG engagement with companies, and our dialogue with sovereign issuers and index providers.

[https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2019/expertise/esg/active-ownership-report/engagement-report\\_web.pdf](https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2019/expertise/esg/active-ownership-report/engagement-report_web.pdf)



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