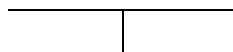


Active Ownership Policy

Pictet Asset Management's Active Ownership Policy has been written in accordance with the requirements of the Directive (EC) 2007/36 of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 as regards the encouragement of long-term shareholder engagement (text with EEA relevance) and its implementing measures (together, Shareholder Rights Directive II – SRD II)

March 2020





1. INTRODUCTION

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. As such, we expect issuers to respect both planetary boundaries and international standards on governance, human rights and ethical business practices.

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 Environmental, Social and Governance (ESG) criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks over the medium to long term. We also aim to include ESG aspects in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

As an active manager, we believe that leveraging the power of investors to trigger positive change across issuers enables us to make better long-term investment decisions for our clients. Indeed, through our active ownership programme, we aim to fulfil our responsibilities as investors and to help shape a more sustainable, prosperous, healthy and equitable society.

This document describes how Pictet Asset Management performs its Active Ownership responsibilities on behalf of its clients, including; the monitoring of investee companies; the exercise of proxy votes and issuer engagement.

This Active Ownership Policy is approved by Pictet Asset Management's Investment Management Committee and reviewed annually.

2. MONITORING INVESTEE COMPANIES

2.1 Scope

This section applies to all actively managed equity and corporate debt strategies. It does not apply to passive strategies whose primary objective is to replicate the composition and performance of underlying indices.

2.2 Purpose

The foundation of our understanding of corporate issuers is the thousands of regular meetings that our investment teams attend each year with companies' management. These discussions, coupled with ongoing company analysis and monitoring, contribute to our understanding of all dimensions of companies' strategies, plans and operations and inform our investment analysis and decision-making.

2.3 Our Approach

When investing in companies on behalf of our clients, we apply the core tenets of good company ownership within our fundamental research-driven investment processes. Our goal is to ensure that investee



companies are well-run and meet credible reporting standards. To achieve this, through our research and meetings with company representatives we focus our attention on:

- The clarity and robustness of the company's corporate strategy as defined by the board.
- The functioning and calibre of the company's management team and its ability to implement strategy through effective leadership.
- The financial strength and performance of a company, its capital structure and the fair valuation of issued securities.
- Long term risks and opportunities associated with ESG considerations¹.

These core tenets can only be applied if there is regular ongoing interaction with a company's board members, management or its agents. Interaction with companies takes the form of: one to one discussions; shareholder/bondholder meetings; investor road-shows and/or conference calls. The objectives of these interactions are to assess an organisation before investment, monitor that the corporate strategy is being implemented in line with our expectations and ensure that the company is on track to meet its goals and objectives.

In addition to ongoing dialogue with company representatives, Pictet Asset Management relies on various sources of information to analyse and monitor companies. Sources of information utilised within our research process include: financial press; analysts from other financial institutions (including brokers); credit rating services; ESG research providers and media reports.

2.4 Escalation Strategy

Where we consider that a company is underperforming, governance or management structures are failing to meet the standards expected, or we have other concerns on, for example, strategy or environmental or social matters, we would pursue a number of courses of action:

We typically begin with discussions with company representatives. If we are not satisfied with the outcome of these discussions we may prioritise the company for engagement² either bilaterally, in collaboration with others or through our engagement service provider. We may also vote against management at company meetings. If we are still not satisfied that the management team are acknowledging or addressing our concern(s), we may also consider supporting the submission of shareholder resolutions initiated by third-parties, or joining shareholder groups.³

Ultimately, if the various escalation channels have been exhausted and we see insufficient progress over time, we may decide to reduce or sell our holdings.

¹ 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; shareholder/bondholder rights and business ethics.

² See section 4 for more details on Corporate Engagement.

³ See section 3.6 for more information on Shareholder Resolutions.



3. PROXY VOTING

3.1 Scope

The following principles are used to define the securities eligible for proxy voting⁴:

- › For actively managed funds, we aim to vote on 100% of equity holdings.
- › For passively managed funds, we aim to vote on companies representing 80% of underlying benchmarks by weight⁵. This target may be revised upwards or downwards for specific strategies depending on factors such as portfolio size, geography or market capitalization.
- › For segregated accounts, including mandates and third-party (i.e. sub-advisory) mutual funds managed by Pictet Asset Management, clients who delegate the exercise of voting rights to us have the choice between Pictet Asset Management's voting guidelines or their own voting guidelines.

3.2 Purpose

The overarching purpose of our voting is to protect and promote the rights and long-term interests of our clients as shareholders. We consider it our responsibility to engage with and challenge companies' management to ensure that the issuers we invest in on our clients' behalf are well-run, adhere to their strategy and deliver shareholder value. We aim to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to credible standards.

3.3 Voting Guidelines

Our proxy voting guidelines are based on generally accepted standards of best practice in corporate governance including board compensation, executive remuneration, risk management and shareholder rights. Given that the long-term interests of shareholders are the paramount objective, we do not always support the management of companies and may vote against management from time to time. We also reserve the right to deviate from our voting guidelines to take into account company-specific circumstances.

The complete version of these guidelines can be found under the following links:

<https://www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf>

<https://www.issgovernance.com/file/policy/active/specialty/Sustainability-US-Voting-Guidelines.pdf>

Pictet Asset Management's voting guidelines are reviewed every year and adapted as appropriate to reflect the specificities of certain regions and/or ownership structures.

⁴ This activity does not include indirect investments through third-party funds that we invest in on behalf of our clients, where we expect those managers to exercise their votes according to their own policy and report accordingly to relevant Pictet Asset Management entities.

⁵ We do not exercise voting rights in share blocking markets across passive strategies.



3.4 Research & Decision Making

To assist us in performing our proxy voting responsibilities, Pictet Asset Management uses the services of third party specialists to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.

Third party specialists are tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to voting guidelines defined by Pictet Asset Management. All recommendations are communicated to relevant investment teams and the Environmental Social Governance (ESG) team.

Pictet Asset Management retains full discretion over all voting decisions and always reserves the right to deviate from third party voting recommendations, on a case by case basis, in order to act in the best interests of our clients. Such divergences may be initiated by investment teams or by the ESG team and must be supported by written rationale.

In instances when consensus cannot be reached between the investments teams and ESG team, the decision is escalated to relevant Chief Investment Officers (CIOs) and, if necessary, the Head of Investments.

3.5 Security Lending

Security lending can impair our ability to execute our voting rights. As a result, investment teams wishing to exercise full voting rights have two options:

- › Recalling shares on loan on a case-by-case basis
- › Removing a portfolio from the securities lending pool

3.6 Shareholder Resolutions

Shareholder resolutions at Annual General Meetings (AGMs)/Extraordinary General Meetings (EGMs) are evaluated in accordance with Pictet Asset Management's voting guidelines. Evaluations are based on their own merits and are supported when they would improve the company's corporate governance or business profile at a reasonable cost.

Pictet Asset Management does not usually assume the role of an activist investor and does not initiate shareholder resolutions or shareholder groups. However, Pictet Asset Management may consider supporting the submission of shareholder resolutions initiated by third-parties, or joining shareholder groups, based on the following criteria:

- › How would the proposal enhance or protect shareholder value in the short-term and long-term?
- › Liquidity and other technical issues that may impact specific portfolios, such as a share blocking period between the submission and the general assembly.
- › Legal and compliance issues (such as concert party action or transparency requirements relating to ownership size).

Supporting the submission of a shareholder resolution, including the number of shares and corresponding accounts earmarked to support the submission, is subject to agreement by relevant investment teams



and the ESG team. In cases where no consensus is reached, the decision is escalated to the relevant Chief Investment Officer and, if necessary, the Head of Investments.

4. CORPORATE ENGAGEMENT

4.1 Scope

We engage on behalf of our long only, actively managed equity and corporate debt holdings. In addition, passive equity investment teams regularly support firmwide engagement activity.

4.2 Purpose

We consider it our fiduciary duty to engage selected corporate issuers in order to positively influence a company's ESG performance and to protect or enhance the value of our clients' investments. We press management to adopt appropriate policies, practices and disclosure in line with established best practice but focus on those that lag behind or where accidents or events bring to light structural weaknesses in their governance and/or management of environmental and social issues.

Where appropriate, we engage companies on material ESG issues, to satisfy ourselves that they fully understand and address them effectively over the short, medium and long term.

4.3 Approach

We engage issuers through a combination of targeted in-house-led discussions, third-party engagement services and via collaborative institutional investor initiatives:

› Tier 1 – Targeted Engagement

The first tier is our Targeted Engagement programme with corporate issuers. These companies are identified jointly by investment teams and our ESG team. Each company is selected because we have significant ESG concerns and the strategic nature or size of our holding is significant enough to indicate that our engagement will likely be effective.

Targeted engagement led by Pictet Asset Management entails regular and ongoing company dialogue as we seek to become strategic partners of the companies in which we invest. The frequency of interactions varies depending on the status of each engagement, the availability of company representatives and their willingness to engage. Interaction will occur at least twice per year per issuer and typically involves a combination of face-to-face meetings, videoconferences, telephone calls and written communication.

› Tier 2 – Collaborative Engagement

Taking part in collaborative engagement with other investors forms the second tier of our approach. Pictet Asset Management recognises that there are occasions when it is better to act collectively rather than individually, particularly if our investment is relatively small in relation to the enterprise value of the company.

Collaborative engagement is reviewed on a case-by-case basis by the ESG team (in conjunction with relevant investment teams) to ensure the objectives are aligned with those of our clients. Before committing to any new investor collaboration, we assess the relevance of the initiative, the method of engagement, the credibility of associated partners and any regulatory implications, including acting in concert.



› Tier 3 – Engagement Service Provider

The third tier of our engagement is conducted by an external service provider. This engagement is designed to address issues that arise in relation to companies' failings on governance issues and/or significant deviations from relevant international norms and standards such as the UN Global Compact, OECD Guidelines for Multinational Enterprises, as well as human rights and environmental conventions.

Engagement conducted by Pictet Asset Management is coordinated by the ESG team and always involves participation from investment teams either as engagement leads or as support.

For each engagement conducted by Pictet Asset Management, we set or support defined objectives, we track progress against these objectives and in some cases, if they are not met, we may reduce or sell our holdings.

5. CONFLICTS OF INTEREST

Pictet Asset Management is an independent asset manager and consequently is free of many of the conflicts of interest that are faced by larger or more dependent financial institutions.

However, we recognise that conflicts of interest may arise within the context of exercising our Active Ownership responsibilities. For example, we may face a firm-wide conflict of interest in instances where a company is a client of Pictet Asset Management, or a personal conflict of interest in cases where a portfolio manager has a close relationship with a senior manager or board member of an investee company.

Pictet Asset Management's Executive Committee is responsible for establishing a framework, implementing systems, controls and procedures to identify, escalate and manage conflicts of interest, including those arising from issuer engagement or proxy voting. Every employee is responsible for identifying and escalating potential conflicts of interest so that they may be appropriately managed and resolved. All of our staff are required to undertake regular training to ensure they are aware of their obligations and adhere to this policy. Our policy can be viewed [here](#).

Any material conflict of interest arising in the performance of our Active Ownership responsibilities will be referred to the ESG team and relevant CIO to ensure that we always act in the best interests of our clients. If necessary, issues may be raised to Pictet Asset Management's Head of Investments and/or CEO for determination.

6. INSIDER STATUS

In relation to our Active Ownership activities, a key consideration is ensuring that Pictet Asset Management does not, during the course of its interactions with company representatives, become an unintentional insider rendering us unable to trade on behalf of clients.

Pictet Asset Management generally does not seek to become insiders as this significantly restricts our ability to deal in the securities of the company concerned. However, where the receipt of inside information may lead to positive outcomes for our clients, and does not unduly restrict our ability to trade, then occasionally we may choose to receive inside information. To ensure that our ability to deal in



stocks is not restricted, we request that companies and their advisers do not make us insiders without our prior agreement.

All potential inside information should be sent to our Compliance department who act as a gatekeeper and determine whether the information should be accepted or not by Pictet Asset Management.

7. TRANSPARENCY

Pictet Asset Management publicly discloses how we implement this Policy on an annual basis through our Active Ownership Report. Through this Report we commit to including a general description of voting behaviour and engagement activity throughout the calendar year and a summary of how Pictet Asset Management has used the services of proxy advisors. Please find a copy of the latest Active Ownership Report [here](#).

In addition, proxy voting activity detailing annual voting statistics as well as an explanation of voting instructions by company meeting and resolution is reported publicly on our [website](#).