

# Active ownership report

2019





---

PHOTOGRAPHY BY  
MAGNUS ARREVAD

---

Danish-born photographer Magnus Arrevad has published several photography books. His work has been exhibited across Europe and North America and acquired by the Victoria and Albert Museum in London as well as numerous private collections. Recent projects include artisanal and small-scale mining operations in Mongolia, education in Uganda, as well as cacao deforestation and agriculture projects in Peru.

The series of photographs in this report are from the Amazon rainforest in Moteloy, Peru where cacao producers are threatening to destroy the forest, and with it the people and animals whose lives depend on it.

---

# Foreword

Human progress and economic development over the last century have come at a cost to our natural environment. Population growth and rising standards of living have led to exponential demand for energy and other natural resources, causing damage to our biosphere and rapidly exceeding the earth's capacity to regenerate.

More recently, the coronavirus pandemic has further underscored the fragility of our world, and the need to prioritise sustainability in everything that we do.

The challenges we face require an accelerated transition to a more resilient and sustainable economy. For the financial system, we believe this calls for a systemic shift in focus from maximising financial returns to new models based on solid science, innovative partnerships, and rigorous consideration of environmental, social and governance (ESG) factors into investment decisions and active ownership practices. It also means ramping up solutions that redirect capital flows towards issuers best placed to tackle these challenges.

These beliefs are at the core of our investment approach. The systematic exercise of voting rights in the best interest of our clients, the active engagement with issuers to encourage better policies and practices, and, in more extreme cases, exclusions are all very powerful means to drive positive change. The results of our collective work with other investors through Climate Action 100+ give a small glimpse of what can be achieved, in this case in terms of ensuring that the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Globally, the growing commitment towards responsible finance is here to stay and is gaining momentum. We look forward to continuing and expanding our active ownership activities in 2020, both bilaterally and through collaboration with partners in our industry and beyond.

I am pleased to present our second Active Ownership report, which covers our voting and engagement activity with companies and sovereign issuers during 2019.

LAURENT RAMSEY  
MANAGING PARTNER AND  
CO-CHIEF EXECUTIVE OFFICER





## Table of contents

2019 highlights	6
Proxy voting	8
Engagement with corporate issuers	17
Corporate governance	20
Environmental & social issues	24
Dialogue with sovereign issuers	39
Conclusion	45
Appendix	46
Glossary	50
References	51

# 2019 highlights

Over the past year, we have made significant progress across key areas of our Active Ownership programme. Following the launch of our formal engagement strategy in early 2018, we began to see the fruits of our labour in 2019 as companies across sectors, such as mining, power and oil and gas – which can be notoriously hard to engage with – began to take major strides towards addressing our ESG concerns.

For example, in February 2019, a global commodity and trading company made a ground-breaking commitment to support the transition to a low carbon economy and to align its business strategy with achieving the goals of the Paris Climate Agreement. Likewise, we were encouraged by a large German power company's asset rotation towards renewables and concurrent commitment to a number of climate-related ambitions, including achieving carbon neutrality by 2040.

Through success stories such as these, we recognise the power of engaging bilaterally with companies whilst simultaneously collaborating with other investors. In addition to our ongoing support of Climate Action 100+, during 2019 we signed up to two new collaborative engagement initiatives which we look forward to working more closely with in 2020:

- The PRI-Ceres Investor Initiative on Sustainable Forestry aimed at addressing biodiversity and climate change risks linked to deforestation in South America.
- The Mining and Tailings Safety Initiative focussed on improving transparency and safety standards across the mining sector.

**“By engaging with the issuers we invest in, we can work together to build sustainable and profitable business models, generating the best results for our clients and the planet.”**

SÉBASTIEN EISINGER

MANAGING PARTNER AND  
CO-CHIEF EXECUTIVE OFFICER



We continue to exercise our voting rights systematically and in the best interest of our clients across our active and passive strategies. During the year we customised our voting guidelines for family-owned businesses: while we would typically require a majority of board members to be independent, for family-controlled businesses we have reduced this threshold in order to reflect the realities of their ownership structure.

In instances where we believed that the long-term interests of shareholders were not being met, we actively voted against management and in support of shareholder resolutions. In a smaller number of cases, we deviated from our voting guidelines in order to reflect company-specific circumstances. More information on our proxy voting activity can be found on p.8.

Our action was not limited to corporates. Our Emerging Market Debt team continued to build upon their programme of targeted dialogue with sovereign issuers, which is aimed at addressing critical ESG issues and improving the creditworthiness of issuers. In 2019, the team partnered with EMpower, a well-respected and innovative global philanthropic organisation focused on youth in emerging economies, in order to enhance their analysis and understanding of long-term sustainability issues.

We have been encouraged by the progress made across our Active Ownership programme throughout 2019 and, despite new challenges triggered by the Covid-19 pandemic, we look forward to building on this success further in 2020.

---

#### OUR COMMITMENT TO RESPONSIBLE INVESTMENT

---

In our view, responsibility goes hand in hand with a long-term partnership approach. It means having a sense of responsibility and integrity not only towards the present generation, but also to future generations – and to the real economy and the wider world. This is true sustainable thinking.

We believe in responsible capitalism and take an enlarged view of the economy and its interactions with civil society and the natural environment.

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

We are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhancing returns and/or mitigating risks over the long term.

We embed ESG in our risk management and reporting documents to maintain high standards of transparency and accountability.

---

# Proxy voting

## Purpose

The overarching purpose of our proxy voting activity 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.

## Approach

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.

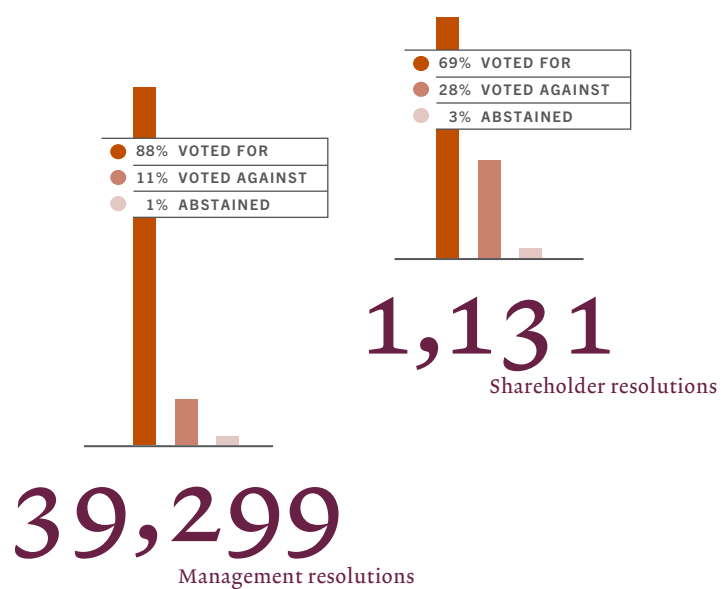
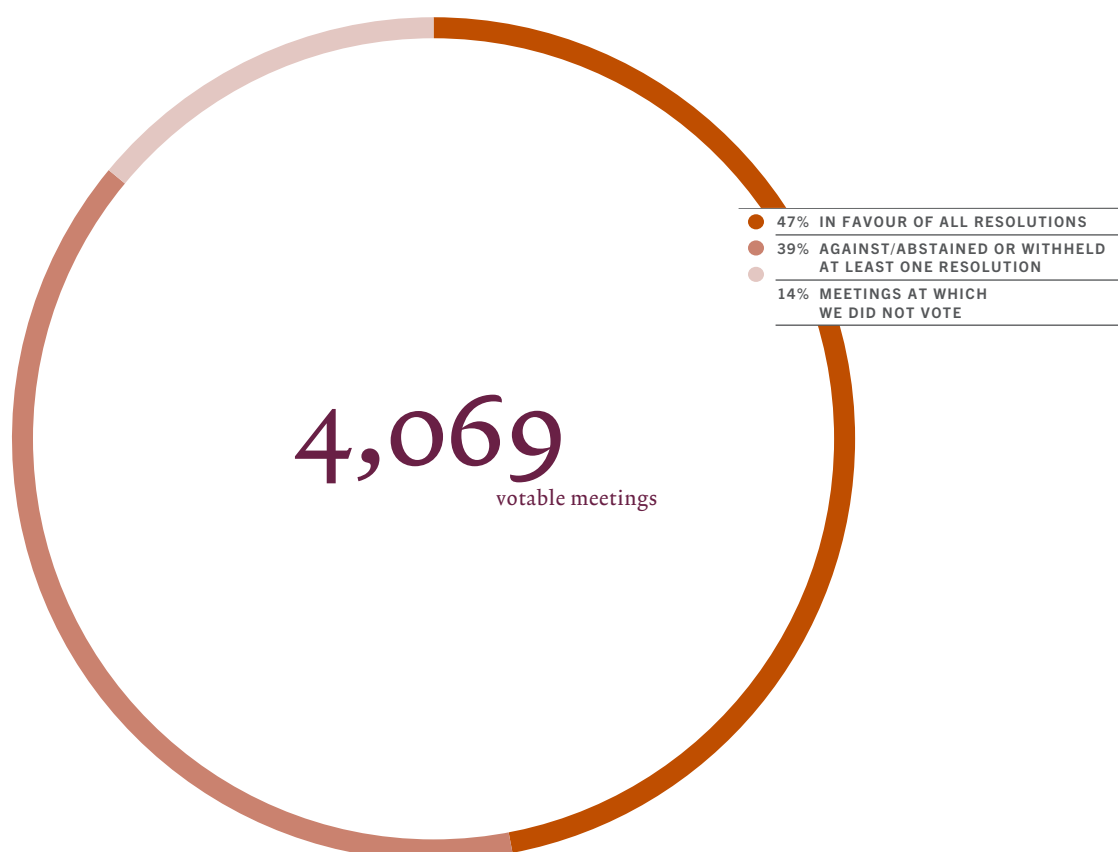
Pictet Asset Management's voting guidelines are reviewed every year and adapted as appropriate to reflect the specificities of certain regions and/or ownership structures.

For example, in March 2019 we adapted our proxy voting guidelines for companies where the founder or a family is a major shareholder (i.e. controls more than 30 per cent of the economic or voting rights), to reflect the realities of their ownership structure. Such companies account for around 10 per cent of our total holdings. While we typically require that a majority of board members are independent from management or reference shareholders, we lowered this threshold for family-controlled businesses and require that only 33 per cent are independent, unless the requirement of the country where the company is listed is lower.



# PROXY VOTING STATISTICS 2019

Source: ISS, Pictet Asset Management, December 2019



The following principles are used to define the securities eligible for proxy voting<sup>1</sup>:

- For actively managed funds, we aim to vote on 100 per cent of equity holdings.
- For passively managed funds, we aim to vote on companies representing 80 per cent of underlying benchmarks by weight<sup>2</sup>. This target may be revised upwards or downwards for specific strategies depending on factors such as portfolio size, geography or market capitalisation.
- 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.

To assist us in performing our proxy voting responsibilities, we use 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 us. All recommendations are communicated to relevant investment teams and the 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 with 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 and, if necessary, the head of investments.

Please refer to Pictet Asset Management's [Active Ownership Policy](#) for further details.

**“The overarching purpose of our proxy voting activity is to protect and promote the rights and long-term interests of our clients as shareholders.”**

ERIC BORREMANS  
HEAD OF ENVIRONMENTAL,  
SOCIAL & GOVERNANCE



### **Female board members at Japanese companies**

Current Japanese Prime Minister Shinzo Abe has made gender diversity, especially women in leadership positions in corporate Japan, an economic and business imperative, promoting “Womenomics” as one of the three structural reform policies for reviving the Japanese economy.

However, despite the official rhetoric and despite some tangible progress in diversifying company boardrooms, Japan has fallen woefully short of its 2003 goal of women filling 30 per cent of leadership positions by 2020. Topix 500 companies still have the lowest proportion of female board members (8 per cent) compared to US (26 per cent) and European (32 per cent) counterparts.

We believe that board diversity can lead to improved corporate governance and strategic oversight. It can also lead to greater innovation, better risk management and stronger connections with customers, employees and business partners.

Therefore, we are keen to play our part in encouraging Japanese businesses in their progress towards more gender-balanced boards. We plan to adapt our proxy voting guidelines for Japanese companies by voting “abstain” for male candidates on Japanese boards with no female directors in 2020.

Pictet Asset Management is and will continue to conduct one-on-one meetings with management of Japanese companies on the topic of gender diversity, in particular, on how to increase the number of women in senior positions – which in turn will create a bigger talent pool for choosing potential board members. In case of a lack of progress, we will consider voting “against” the appointment of senior directors in 2021.

## Activity

### Breakdown of votable meetings

In 2019, Pictet Asset Management voted at 3,489 general assembly meetings out of 4,069 votable meetings for active and passive equities<sup>3</sup>. We voted “against” (incl. “abstained” or “withhold”) at least one resolution at 1,604 meetings (39 per cent) and we did not vote at 580 meetings (14 per cent). **FIG.1**

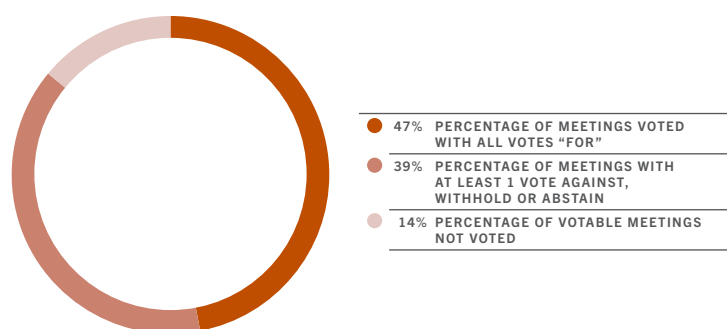
For active equity strategies, we voted at 2,988 general assembly meetings out of 3,011 votable meetings, which equates to 99 per cent of company meetings by number. We voted “against” (incl. “abstained” or “withhold”) at least one resolution at 1,391 meetings (46 per cent) and we did not vote at 23 meetings (ca.1 per cent).

**FIG.2**

For passive equity strategies, we voted at 1,606 out of 2,597 votable meetings, which is aligned with our objective of voting at 80 per cent of company meetings by weight of underlying benchmarks. We voted “against” (incl. “abstained” or “withhold”) at least one resolution at 710 meetings (27 per cent) and we did not vote at 991 meetings (38 per cent). **FIG.3**

**FIG.1**

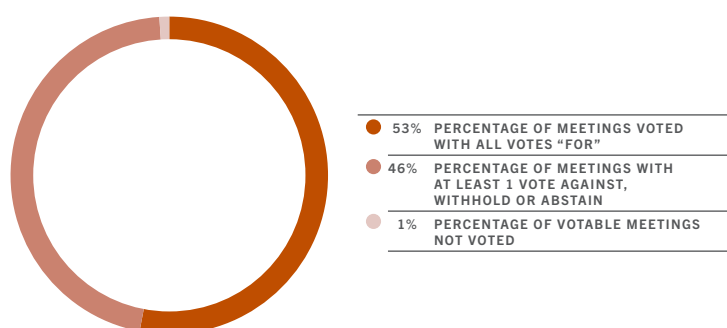
**BREAKDOWN OF VOTABLE MEETINGS (4,069) – ACTIVE & PASSIVE STRATEGIES**



Source: ISS, Pictet Asset Management, December 2019

**FIG.2**

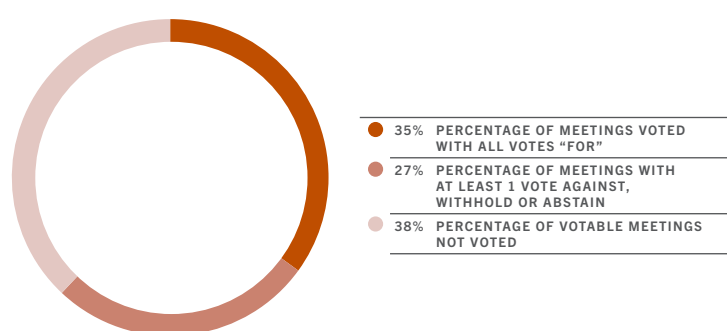
**BREAKDOWN OF VOTABLE MEETINGS (3,011) – ACTIVE STRATEGIES**



Source: ISS, Pictet Asset Management, December 2019

**FIG.3**

**BREAKDOWN OF VOTABLE MEETINGS (2,597) – PASSIVE STRATEGIES**

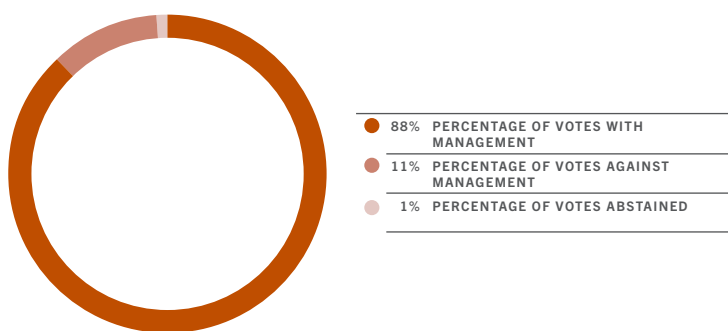


Source: ISS, Pictet Asset Management, December 2019



FIG.4

## BREAKDOWN OF VOTES – MANAGEMENT RESOLUTIONS (39,299)



Source: ISS, Pictet Asset Management, December 2019

Breakdown of votable items<sup>4</sup>

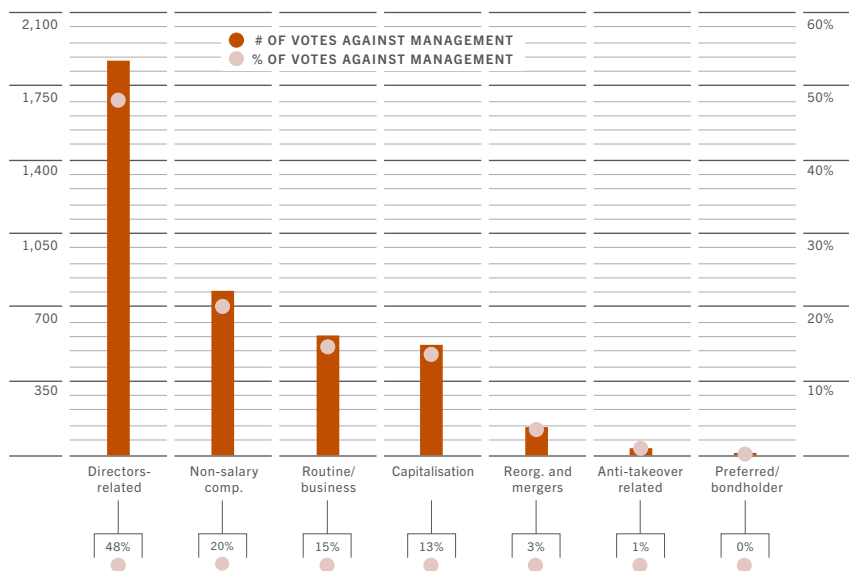
Out of 39,299 management resolutions we voted against management on 4,270 items (11 per cent), supported management on 34,436 (88 per cent) and voted “abstain” on 593 items (1 per cent). FIG.4

We voted against management on resolutions that primarily related to director nominations or supervisory board matters (48 per cent), non-salary compensation (20 per cent), routine issues such as approval of reports, name changes, and technical bylaws among many others (15 per cent) as well as capitalisation, including authorisations for stock issuances, stock splits and conversions of securities (13 per cent).

FIG.5

FIG.5

## BREAKDOWN OF VOTES – MANAGEMENT RESOLUTIONS BY PROPOSAL TYPE



Source: ISS, Pictet Asset Management, December 2019

We supported 782 shareholder resolutions, i.e. 69 per cent out of 1,131 proposals. The main categories of shareholder resolutions that we supported related to director nominations (47 per cent), routine business, such as, requests for an independent board chairman (17 per cent), and other resolutions related to corporate governance (13 per cent). [FIG.6](#) / [FIG.7](#)

FIG.6

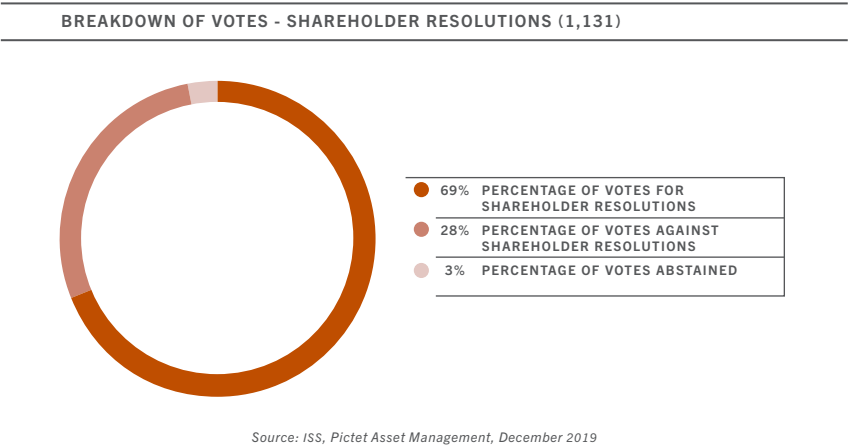


FIG.7

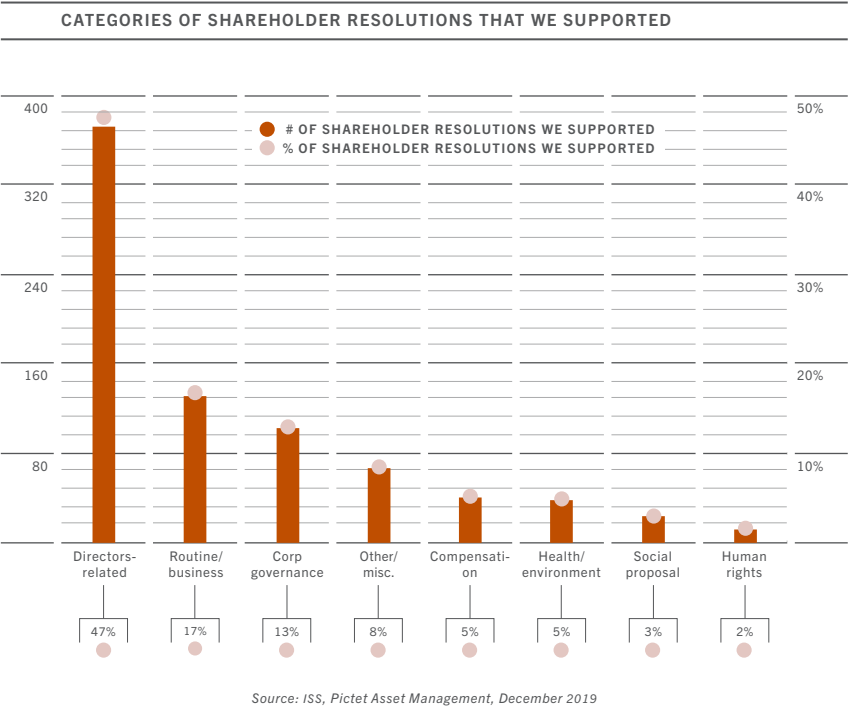
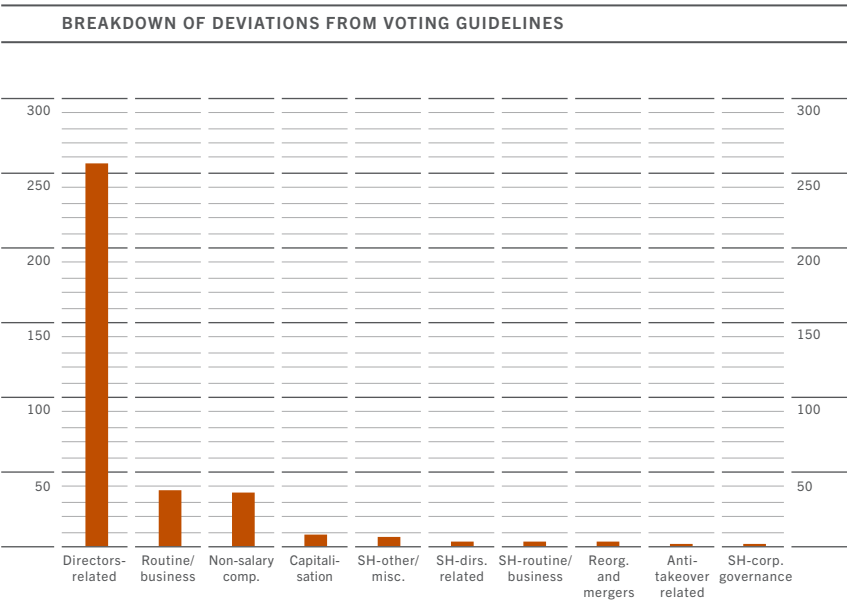


FIG.8



Source: ISS, Pictet Asset Management, December 2019

We deviated from third-party recommendations on 347 resolutions. The main categories for which we deviated were related to director nominations (255 resolutions), routine business such as election of remuneration committee member(s) or auditor ratification (36 resolutions) and non-salary compensation including shareholder approvals of compensation-related matters (35 resolutions). FIG.8

A detailed breakdown of voting records can be found at [assetmanagement.pictet.ch](https://assetmanagement.pictet.ch).

“By systematically exercising our voting rights, we aim to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to credible standards.”

ALEXANDRA MAHLER  
ESG SPECIALIST





*In 2019, we engaged with 166 companies through a combination of in-house-led discussions, third-party engagement services and via collaborative institutional investor initiatives.*



# Engagement with corporate issuers

## Purpose

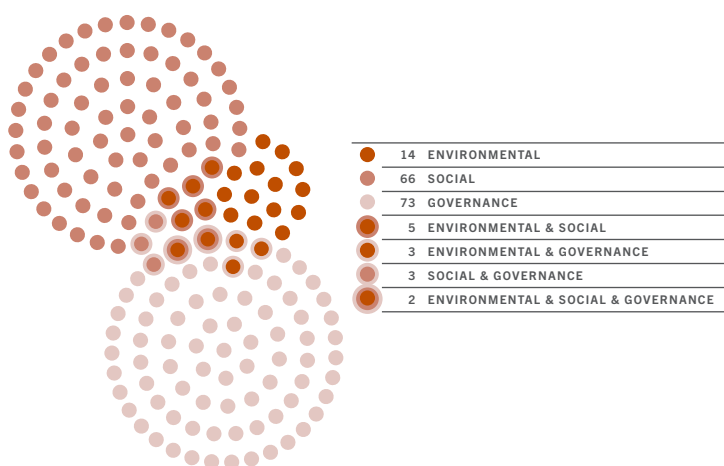
There is mounting evidence that global sustainability challenges, such as climate change, biodiversity loss and violations of human rights, can have a material impact on the risk/return characteristics of investments. As an active manager of equity and debt, we believe that leveraging the power of investors to trigger positive change across corporate issuers enables us to make better long-term investment decisions for our clients and helps shape a more sustainable form of capitalism.

Through our engagement programme, we seek to focus on corporate issuers with material ESG failings in order to encourage them to align their policies, practices and disclosure with established industry best practice. Our engagement journey starts by ensuring that companies recognise and acknowledge their ESG shortcomings and continues until we are satisfied that appropriate steps have been taken by the company to address these risks over the short, medium and long term.

We believe that corporate engagement provides a multitude of benefits for asset managers – for example, it enables us to fulfil our responsibilities as investors and to play our role in positively impacting the world’s major sustainability challenges. Ultimately, we believe it is the right thing to do.

FIG.9

166 COMPANIES ENGAGED WITH ON ESG ISSUES IN 2019



Source: Sustainalytics, Pictet Asset Management, December 2019

## Approach

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

Engagement activity 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. In each case, we have defined objectives, track progress against them and in some instances, if they are not met, we may reduce or sell our holdings.

### Tier 1

#### Targeted Engagement

Candidates for targeted engagement are identified jointly by investment teams and our ESG team. Each company is selected because we have significant ESG concerns and the long-term 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 a strategic partner 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

We recognise 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 and the credibility of associated partners.

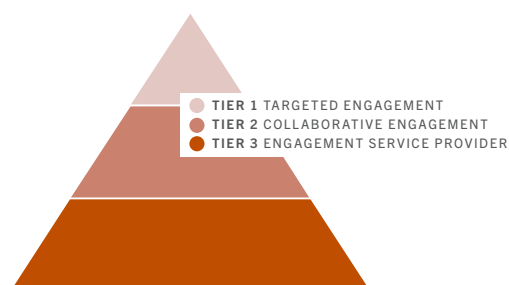
### Tier 3

#### Engagement Service Provider

A third-party service provider helps us 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.

FIG.10

#### TIERED APPROACH TO CORPORATE ENGAGEMENT



Source: Pictet Asset Management, December 2019

## Activity

In 2019, we engaged with 166 companies through a combination of in-house-led discussions, third-party engagement services and via collaborative institutional investor initiatives<sup>5</sup>.

This engagement activity encompassed a diverse range of 192 environmental, social and governance issues (with multiple issues at some companies) spanning across many regions and industry sectors.

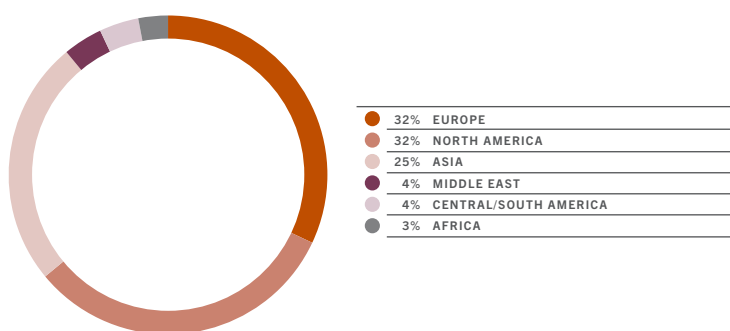
In summary, 13 per cent (25 cases) of all engagement cases were resolved in 2019, while the remaining 87 per cent (167 cases) are ongoing.

The graphics illustrate the spread of engagements by geography FIG.11, by sector FIG.12, and by issue FIG.13.

For a full list of companies we engaged with in 2019 and related topics, see Appendix.

FIG. 11

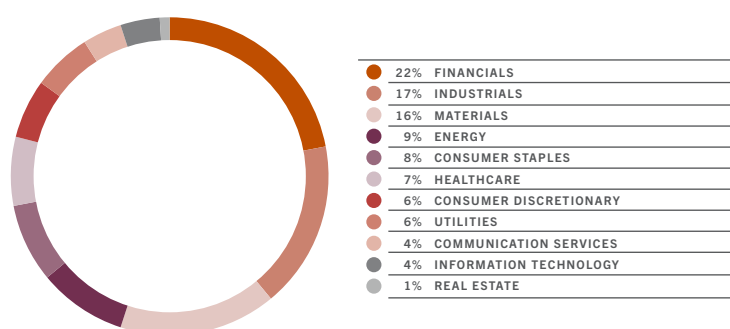
GEOGRAPHIC SUMMARY OF ESG ENGAGEMENTS (166 COMPANIES)



Source: Sustainalytics, Pictet Asset Management, December 2019

FIG. 12

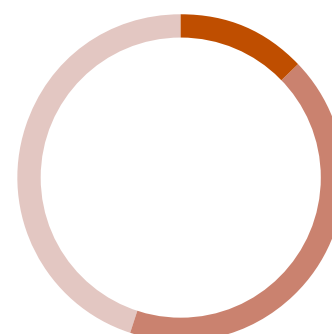
SECTOR SUMMARY OF ESG ENGAGEMENTS (166 COMPANIES)



Source: Sustainalytics, Pictet Asset Management, December 2019

FIG. 13

SUMMARY OF ESG ENGAGEMENT TOPICS (192 ISSUES)



13%	ENVIRONMENTAL
42%	SOCIAL
45%	GOVERNANCE

Source: Sustainalytics, Pictet Asset Management, December 2019

# Engagement on corporate governance

In 2019, we continued to engage with companies to support a strong culture of corporate governance, including the effective management of environmental and social issues.

Through our direct engagement and with the help of our third-party service provider, Sustainalytics, our engagement programme covered the full range of corporate governance issues, including corporate strategy, board composition and diversity, related-party transactions, conflicts of interest, succession planning, remuneration, auditors, the completeness and accuracy of annual reports and accounts, capital structure and related issues, and matters related to takeovers, mergers and reorganisations.

The following are illustrative examples of our engagement on corporate governance during 2019.

## Japanese industrial company

### Tier 1

#### Succession planning

Pictet Asset Management started engaging with this company in 2018, as we had concerns relating to succession planning, auditor policy, remuneration practices and shareholder returns. We held multiple meetings with the company throughout 2018 and 2019 on these issues. However, it quickly became apparent that there would not be much change while the founder of the company remained as chairman of the board.

Through our engagement with the board, we gained the impression that most of the board members including the founder's son, who was tipped to be the next CEO, were aware of these issues and were willing to change once they were free to make decisions themselves. In May 2019, the company announced a share buyback in response to shareholders who had proactively engaged for increasing shareholder return. This was a positive move although the share buyback was just 1 per cent of the shares outstanding.

We continued to engage with the board and push for change but were mindful that it was unlikely much further progress would be made until the chairman stepped down. To this end, the company announced at the end of September 2019 that the board "resolved that the founder... be relieved of his post due to health reasons and a difficulty to execute daily affairs." The company promoted the founder's son to representative director and executive vice president. We believe this is a very positive move for the company's future governance and will continue to engage to ensure the remaining engagement objectives are fulfilled.

**“We invest to generate a measurable, beneficial social or environmental impact alongside a financial return. For example, our engagements with management teams, legal councils and boards of directors have helped to increase the use of environmental metrics in long-term management compensation targets.”**

CÉDRIC LECAMP

SENIOR INVESTMENT MANAGER  
THEMATIC EQUITIES





### French multi-utilities company

#### Tier 1 & 3

#### Board composition and executive remuneration

Pictet Asset Management has been engaging with this company since 2012 on a range of corporate governance issues. However, since the latter half of 2018 we have focussed our engagement on reducing the size and complexity of the board, increasing the independence of the board, specifically for the roles of vice chairman and chair of the nomination committee, improving sustainability expertise at the board level and aligning long-term executive compensation with the interests of all stakeholders.

We've conducted numerous meetings with the company throughout 2019, both bilaterally and with the support of Sustainalytics. These include dedicated ESG calls with the firm's executives, legal counsel and senior lead independent director, and feedback calls on AGM proposals in advance of final proxy submissions. To date, the company has welcomed this dialogue and we have seen material improvements on board structure and compensation, which now includes industry ESG metrics in the Long-Term Incentive Plan (LTIP) and sets a benchmark for further engagement with other similar companies. Where improvements have lagged our proposals, we have actively voted against related proposals at the AGM. The engagement continues.

### British consumer publishing company

#### Tier 1

#### Executive remuneration

Following successful engagement with this company in 2018, most notably in relation to their share ownership practices for executive directors, in 2019 we continued dialogue over improving their remuneration policy. Specifically, we have been engaging with them on their Long-Term Incentive Plan (LTIP) to remove the Total Shareholder Return (TSR) component and to include a cash returns measure.

In 2019 we had numerous bilateral meetings with the company chairman, head of the remuneration committee and investor relations team to discuss our objectives. During our meeting with the head of the remuneration committee in November 2019, it became apparent that, while the company is unlikely to remove the TSR component of the LTIP (given how deeply embedded it is across the industry and given the level of support this measure receives from a large number of investors), it is now seriously considering how best to integrate a cash returns measure for current and long-term use. We welcome this progress and look forward to gaining further clarity on how the company will implement this commitment in 2020.

#### THE CHALLENGE

Despite increasing investor focus on their financial impacts, ESG risks are largely not discussed in the boardroom. Research conducted by Ceres found that only a minority of large companies have formal sustainability mandates and demonstrate board-management engagement on sustainability. Further, most boards do not have directors with demonstrable sustainability expertise.<sup>6</sup>



## Canadian materials company

### Tier 1

#### Minority shareholder rights

In 2019, we engaged with this company to prevent a majority shareholder from acquiring it at what was, in our view, an unfairly inexpensive price. We felt that such a deal would enable the majority shareholder to profit from poor share price performance without acknowledging the inherent value and solidity of the company's business model. In the end, the company successfully resisted the bid.

Throughout the year we engaged directly with the company and further discussed the issue with other long-term shareholders to better understand their views and exchange concerns. We argued that the bid grossly undervalued the company and contradicted the

board's own past capital allocation decisions. We directly engaged with the company's board, together with the external deal consultant, and the case (including our opinion) also featured in a Canadian newspaper.

In June 2019, we visited the company's latest acquisition on-site to see for ourselves whether this warranted the corresponding share price decline. We met the company CEO and VP Finance & Strategy to discuss the rationale and activities there. This only strengthened our conviction that the share price fall was unwarranted. As a result, upon the announcement of a takeover, we emphasised to the board that we were not in favour of the move, especially at the existing offer price.

We further engaged with the company's management to express our views and intentions if the bid came to a shareholder vote. When minority shareholders were asked to vote on the potential takeover bid, our investment team voted against the deal.

The bid did not go through due to shareholder opposition and, as such, we achieved our goal and the engagement was closed.

**Our engagement journey starts by ensuring that companies recognise and acknowledge their ESG shortcomings and continues until we are satisfied that appropriate steps have been taken by the company to address these risks over the short, medium and long term.**

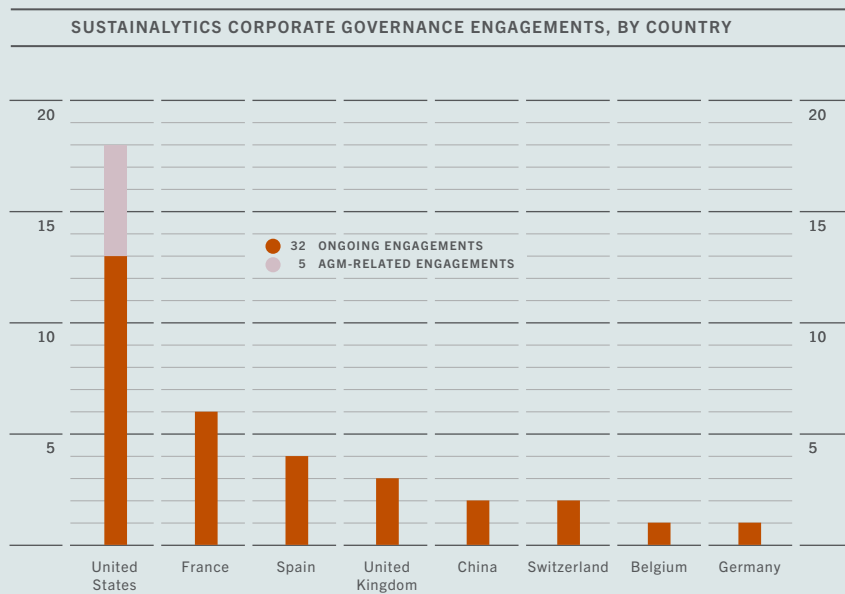
### Third-party engagement on corporate governance

The Corporate Governance Engagement programme led by our third-party service provider, Sustainalytics, focuses on improving companies' corporate governance structures and processes and promoting best practice. Topics for engagement may include board composition, succession planning, remuneration, shareholders' rights and ESG strategy. The programme targets companies based on several criteria, including voting-related issues and event-driven concerns, and focuses on materiality when evaluating companies and their risks.

While most engagements are classified as 'ongoing', meaning that they are focused on serious issues conducted over a number of years, a smaller proportion are triggered by a specific AGM agenda item and usually last for one year.

During 2019, Sustainalytics engaged with 37 of our holdings across 8 countries. FIG.14

FIG.14



Source: Sustainalytics, Pictet Asset Management, December 2019

# Engagement on environmental and social issues

Our engagement during 2019 covered a multitude of environmental and social issues across a broad range of geographies and industry sectors. Examples of social issues that we engaged on during the year include human rights, labour standards and public health. Environmental topics for engagement have included pollution prevention, climate change mitigation and adaptation, and natural resources preservation.

Climate change is a theme that forms the cornerstone of our engagement programme. We believe that climate change may present material risks to our portfolios and asset values in the short, medium and long term. We, therefore, support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2° Celsius above pre-industrial levels.

We have been a member of Climate Action 100+ (CA100+) since 2018 and during 2019 joined two new engagement collaborations: the PRI-Ceres Investor Initiative for Sustainable Forests and the Mining and Tailings Safety Initiative. These initiatives combined address a range of key global environmental and social issues.

Throughout this section, we describe the collaborative initiatives we actively support and present a selection of engagements carried out by Pictet Asset Management and by Sustainalytics on our behalf.

Our intention is to illustrate engagement examples across a range of different issues, geographies and sectors which are either ongoing or have been resolved.

“As an active manager, we believe that leveraging the power of investors to trigger positive change across corporate issuers enables us to make better long-term investment decisions for our clients and helps shape a more sustainable form of capitalism.”

ARABELLA TURNER  
ESG SPECIALIST





## Global commodity trading and mining company

### Tier 1 & 2

#### Climate change

Following engagement efforts in 2018, Pictet Asset Management continued to work with this company in 2019, both directly and collectively with other investors through the CA100+ initiative. It was this collaborative engagement that the company cited when making its ground-breaking commitment in February 2019 to transition to a low carbon economy, to align its business strategy with achieving the goals of the Paris Agreement (including putting a cap on its coal production), to follow the Task Force on Climate-related Financial Disclosures 'TCFD' recommendations in its reporting and to review whether its membership of trade associations aligns with its stated positions on climate change.

During a call among the CA100+ investors following the announcement, most investors were cautiously optimistic about the statement but believed that the devil would be in the detail. The CA100+ investor group followed up through a 'Letter of Reliance' written in March 2019 and a further meeting held in April 2019 to underline how important it is that the company provides robust and reliable data on climate-related topics given the criticality to financial investment decisions. These matters were further raised by the CA100+ investor group at the company's 2019 AGM.

Through our own bilateral meetings with the company, we have continued to press them on climate-related objectives and have encouraged them to provide transparency on emission reduction targets, to disclose how the business strategy and lobbying practices are aligned with the goals of the Paris Agreement and to describe how it plans to include climate-related KPI's within executive remuneration packages.

During our meeting with the company in December 2019, many of our concerns were addressed including confirmation that they were in the process of developing Scope 1 and 2 emission targets (due to be published in 2020), assessing Scope 3 projection analysis over the short, medium and long term (out to 2050) and looking into how to incentivise management on climate-related KPIs through executive remuneration.

In summary, we have welcomed the important climate-related commitments made by the company in 2019 and will continue to monitor the company closely throughout 2020 to gain more clarity on progress towards fulfilling these commitments.

**In February 2020, this company further announced a 30% reduction in Scope 3 emissions by 2035 and committed to providing longer term Scope 1 and 2 emissions targets, that support the goals of the Paris Agreement.**

# Scope 1

DID YOU KNOW?

emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.<sup>7</sup>



### **Engagement on climate change**

Pictet Asset Management is a long-serving member of the Institutional Investors Group on Climate Change (IIGCC) and similar initiatives designed principally to encourage: a) companies to address the substantial and multi-faceted risks and opportunities associated with climate change, and b) policy-makers around the world to provide a supportive environment to facilitate the transition to a low carbon economy.

Recognising the significant influence that investors have on policymakers, in 2019 we were among the long-term institutional investors representing more than USD37 trillion that signed the Global Investor Statement to Governments on Climate Change, urging world governments to achieve the Paris Agreement's goals, accelerate private sector investment into the low carbon transition and commit to improving climate-related financial reporting. This statement was showcased at the G20 Summit in Osaka in June 2019, at the UN Secretary General's Climate Action Summit in New York in September 2019 and at COP 25 in Madrid in December 2019. We continue to actively support these climate-related initiatives.

We are also actively involved with the CA100+ collaboration, which facilitates investor engagement with 161 focus companies that either have the greatest exposure to the risks associated with climate change or have the highest potential to contribute to the clean energy transition (p.29).

We support the engagement led by CA100+ on all 161 focus companies that we hold. Further, we directly engaged with four of the initiative's focus companies during 2019. We believe that working with these issuers to identify and minimise risks, as well as to maximise opportunities presented by climate change, is consistent with our fiduciary duty and will contribute to achieving the goals of the Paris Agreement.





*Even if countries meet commitments made under the 2015 Paris Agreement, the world is heading for a 3.2 degrees Celsius global temperature rise over pre-industrial levels, leading to even wider-ranging and more destructive climate impacts, warns the UN Environment Programme<sup>8</sup>*

### German power company

#### Tier 1 & 2

#### Climate change

Pictet Asset Management started engaging with this company in early 2019 both bilaterally and through CA100+ primarily to press the company to sell off its coal and lignite assets. While we welcomed the company's asset rotation towards renewables during the year and their subsequent commitment in autumn 2019 to achieve carbon neutrality by 2040, we continued to call for further action, engaging with the company to expedite the removal of fossil fuel assets entirely, in order to enhance shareholder value over the long-term.

Further engagement objectives with this company have included pressing them to align their business strategy with the goals of the Paris Agreement,

publicly disclose information (including scenario analysis) according to TCFD requirements, improve transparency on direct and indirect lobbying practices and link remuneration practices to carbon reduction targets.

We had multiple bilateral and collaborative meetings with the company throughout the year and made considerable progress on a number of engagement objectives. During our meetings with the company in late 2019, we were pleased to learn that they had: 1) started to work with the Science Based Target Initiative (SBTI) in order to assess the disparity between the company's own carbon reduction targets and the goals of the Paris Agreement, 2) committed to improve the alignment of their reporting with TCFD recommendations, 3) begun considering linking executive pay to climate targets, and 4) initiated a global review on climate-related lobbying practices to ensure they are consistent with the company's own climate strategy.

We have been pleased with the progress of this engagement to date and will continue the dialogue with this company in 2020.

**In September 2019, the company committed to achieving carbon neutrality by 2040. Following this news, in Q1 2020 substantial closures of lignite and coal operations were announced, for which the company is due to receive partial compensation from the German government.**



### Climate Action 100+

CA100+ launched in December 2017 and to date represents over 450 global investors with over USD40 trillion in assets under management.

The initiative facilitates investor engagement with 161 listed companies worldwide. These companies were selected for engagement either because they are considered ‘systemically important emitters’ or because of their unique potential to help drive the clean energy transition.

CA100+ aims to secure commitments from the boards and senior management of the selected companies to:

1. Implement a strong governance framework which clearly articulates the board’s accountability and oversight of climate change risk and opportunities.
2. Take action to reduce greenhouse gas emissions across their value chain, consistent with the Paris Agreement’s goal of limiting the global average temperature increase to well below 2° Celsius above pre-industrial levels.
3. Provide enhanced corporate disclosure in line with the final recommendations of the TCFD and, where applicable, sector-specific Investor Expectations on Climate Change developed by the Global Investor Coalition on Climate Change.<sup>9</sup>

In addition, we also support the Investor Expectations on Corporate Lobbying, which were created in 2018 by the IIGCC and several major institutional investors to complement the activities of CA100+ and to ensure that corporate lobbying practices are aligned with and support the Paris Agreement.

In September 2019, CA100+ produced its first Progress Report. This report reveals that considerable advancements have been achieved across a range of industries, many of which are among the hardest to decarbonise. Of the targeted companies:

- 70 per cent have set long-term emissions reductions targets
- 9 per cent have set emissions targets that are aligned with (or go beyond) the goals of the Paris Agreement
- 8 per cent have put policies in place to ensure corporate lobbying is aligned with required action on climate change
- 77 per cent have defined board level responsibility for climate change

While the report emphasises the transformative role of CA100+ to date, it also stresses the need for focus companies to be more ambitious in their response in order to secure a smooth and orderly transition to a decarbonised global economy aligned with the goals of the Paris Agreement, in the timeframe required.<sup>10</sup>



## Russian mining company

### Tier 1, 2 & 3

#### Climate change and pollution control

We are working with this company across all three tiers of our engagement programme: bilaterally (in-house), via CA100+ and through Sustainalytics. We began engaging in 2018 and continued our efforts throughout 2019 on a range of topics linked to the reduction of sulphur dioxide and carbon emissions across its operations.

On the topic of climate change, we have had a number of interactions with the company throughout the year, both bilaterally and in collaboration with a subgroup of other CA100+ supporters. In line with the overarching objectives of CA100+, key goals for the engagement throughout 2019 were focused on encouraging the company to provide enhanced transparency on the methodology used for calculating Scope 1 and 2 emissions, provide targets for reducing carbon emissions as well as clarity on what actions are being taken to achieve them, report in line with TCFD recommendations and ensure that there is sufficient expertise and integration of climate risks at board level.

Following limited response from the company in early 2019, a letter was sent to the company's chairman and the board of directors in April by CA100+ supporters, outlining the goals of the engagement. This letter, combined with ongoing face to face bilateral and col-

laborative meetings with the company, led to positive progress. For example, in the latter half of 2019 we learned that: 1) the company's thinking on climate change was now aligned with the aims of CA100+ and that the company had started a process to address climate-related risks, 2) the company had hired a new board member, previously employed by WWF, to provide expertise on environmental issues and lead a newly formed environmental taskforce charged with setting emission reduction targets and aligning reporting with the TCFD framework, and 3) an external consultant had been hired to help the company work on improving its Scope 1 and 2 emissions reporting.

Throughout 2019, we also continued to press the company bilaterally on reducing its sulphur dioxide (SO<sub>2</sub>) emissions, an engagement objective which is further echoed by our third-party provider, Sustainalytics. This is because NASA has identified that the city of Norilsk, home to the company's smelter complex, has the highest level of SO<sub>2</sub> pollution in the world. SO<sub>2</sub> pollution is linked to a range of health impacts including respiratory illness, breathing problems and aggravated cardiovascular disease.

While we have historically been concerned by the slow progress made by the company on reducing SO<sub>2</sub> emissions, we were pleased to learn in November 2019 that they had decided to increase their substantial spend on SO<sub>2</sub> reductions over the next five years to USD3.5 billion and to set ambitious targets over this timeframe. The company further announced a number of major developments to help reduce emissions such as the closure of older and highly polluting smelting operations as well as production upgrades.

While we welcome these positive developments on the company's SO<sub>2</sub> reduction efforts, we will continue to engage with the company in 2020 on topics, such as progressing towards these reduction goals, enhancing disclosure on emissions levels and integrating SO<sub>2</sub> reduction targets into management KPIs.

Similarly, climate-related issues will continue to be a chief priority for our engagement with this company in 2020. Despite progress made in 2019, we recognise that the company has a long journey ahead to catch up with a number of its peers in the mining sector.

# SO<sub>2</sub>

DID YOU KNOW?

According to NASA, SO<sub>2</sub> emissions from ore processing facilities in the Russian city of Norilsk exceed that of many volcanoes. SO<sub>2</sub> can cause breathing problems, respiratory illness and aggravate cardiovascular disease. They are also major precursors of acid rain. Curtailing their production is therefore of utmost importance.<sup>11</sup>





*Agriculture, forestry and land use account for 24 per cent of the greenhouse gas emissions arising from human activity, with the majority of this coming from land use change and tropical deforestation and degradation.<sup>12</sup>*



### **Investor Initiative for Sustainable Forests**

In September 2019, Pictet Asset Management, alongside some 250 other investors, signed the Investor Statement on Deforestation and Forest Fires in the Amazon. This statement collectively called on companies exposed to deforestation through their Brazilian operations and supply chains to redouble their efforts and demonstrate a clear commitment to eliminating deforestation, and to acknowledge the associated systemic risks (e.g. operational, reputational and regulatory).

In addition, in the second half of 2019 we joined the PRI-Ceres Investor Initiative for Sustainable Forests to address the investment risks linked to deforestation, and its associated impact on biodiversity and climate change, across the cattle and soybean supply chain in South America. Land use and land use change are the second largest source of anthropogenic greenhouse gas emissions after fossil fuel consumption. Commercial agriculture accounts for circa 70 per cent<sup>13</sup> of tropical deforestation in Latin America, with cattle and soybean production being the leading drivers of land use change – and demand for each is growing.

The overarching goal of the Investor Initiative for Sustainable Forests is to achieve commitment from companies to eliminate deforestation within their own operations and across their supply chain. In order to achieve this goal, corporate engagement is focused on the following four objectives:

1. publicly disclosing and implementing a commodity-specific no deforestation policy,
2. assessing operations and supply chains for deforestation risk and reducing this risk to the lowest possible level,
3. establishing a transparent monitoring and verification system for supplier compliance with the company's no deforestation policy,
4. reporting annually on deforestation risk exposure and management, including progress towards the company's no deforestation policy.

By December 2019, there were 43 investors participating in this collaboration, representing USD8.3 trillion in assets under management. We look forward to working closely with this initiative in 2020.

**German residential  
property company**

**Tier 1**

**Customer satisfaction and  
community development**

This company is one of Germany's largest residential property companies. In recent years we have repeatedly discussed its poor perception in the eyes of some tenants and the media, in particular, regarding the social consequences of increasing rents to fund modernisations without first communicating with affected tenants. Even though most of the modernisation measures have been undertaken to improve the energy efficiency of their buildings, we were concerned that the poor public image of the company – triggered by a backlash from disgruntled tenants – could lead to frustration among its employees and/or to regulatory scrutiny from politicians, thereby ultimately negatively impacting financial performance.

During 2019, we held numerous meetings with the management team, including three separate meetings with the CFO, a meeting with the CEO and also the head of investor relations. To date, our engagement with the company has focused on improving customer satisfaction and community development, in order to mitigate the company's negative societal impact, improve its public image and ultimately enhance long-term financial performance.

In late 2018, the company announced a "Customer First Programme" at a cost of EUR20 million, backed by 20 full-time equivalent employees. This programme is designed to go above and beyond local German regulation and enable the company to more effectively address individual cases of hardship or other specific circumstances its tenants may face. In 2019, the company took further measures to ensure that no tenant over the age of 70 could be evicted from their property.

Additionally, in 2019, the company introduced a "Customer Satisfaction Index" as one of four metrics incorporated within the long-term incentive plan (LTIP) for management, thereby directly linking executive pay to their tenants' needs. We are pleased with the progress of this engagement to date and are closely following the development of these initiatives.

**In 2019, the company took further measures to ensure that no tenant over the age of 70 could be evicted from their property. Additionally, in 2019, the company introduced a "Customer Satisfaction Index" as one of four metrics incorporated within the long-term incentive plan (LTIP) for management, thereby directly linking executive pay to their tenants' needs.**

### Mexican energy company<sup>14</sup>

#### Tier 3

#### Pollution control

Sustainalytics have been engaging with this company since June 2015 in relation to numerous oil spills from its facilities. For example, as reported in the media, a hydrocarbon spill of 300,000 litres from one of the company's pipelines into a local stream and river was recorded in Coatzintla, Mexico, in October 2014. The spill allegedly caused contamination in three municipalities. Another major spill occurred in April 2015, from a company pipeline in Tabasco, Mexico. Oil contaminated three local rivers, covering more than 30 kilometres of the waters and affecting crops and pastures too. Similarly, according to October 2018 media reports, an oil spill from another pipeline contaminated rivers in the Mexican state of Veracruz, killing thousands of local animals and forcing an evacuation of around 300 nearby residents, some of whom suffered burns to their skin and eyes, headaches and nausea as a result of exposure to the hydrocarbon vapours. In January 2019, an explosion at an illegal tap of a gasoline pipeline reportedly resulted in the death of 136 people.

Sustainalytics is engaging with this company to: 1) mitigate environmental and health impacts from the spills, 2) trace the causes of spills and strengthen its internal programmes, leak controls and monitoring systems to minimise likelihood of new spills, and 3) exert its influence on all stakeholders to counter oil theft activity.

The company has responded openly to the engagement and provided details on its strategy to address environmental issues, as well as stressing its cooperation with the authorities to prevent illegal tapping. However, continuing incidents indicate that further efforts are needed.

Following a meeting in June 2019 in which Sustainalytics pressed the company on their response to the January 2019 gas explosion and illegal tapping, Sustainalytics will follow up with the company in 2020 to ascertain the outcome of the federal authority's investigation into the incident.



#### DID YOU KNOW?

In 2018 alone, fuel theft in Mexico cost the federal government more than

# \$3 billion

However, since coming to office in December 2018, Mexican President Lopez Obrador has waged war on oil theft. By April 2019, fuel theft had fallen by c. 95% per day since the president took office.<sup>15</sup>



### **Australian chemicals company<sup>16</sup>**

#### **Tier 3**

#### **Operations in occupied territories**

In October 2008, Western Sahara Resource Watch accused this company of importing phosphate from Western Sahara during the preceding 20 years and thus indirectly funding Morocco's illegal occupation of the country. The practice of importing phosphate rock from the territory was confirmed by the company. In an opinion issued in 2002 by the UN Under-Secretary General for Legal Affairs, the exploitation of natural resources in non-self-governing territories, Western Sahara in particular, was declared illegal if conducted in disregard of the interests and wishes of the people.

This company has been responsive to dialogue with Sustainalytics since 2010, when the engagement started. For example, in 2014, the company said that the proportion of rock imported from Western Sahara was declining and it continued to explore other possible sources as part of its strategic review. Following years of progressive engagement, during 2018, the company confirmed that it had not imported phosphate from Western Sahara since 2016 but that its procurement plan for purchasing phosphate rock varies from year to year. In January 2019, the company confirmed that during 2018 it had not imported phosphate rock from Western Sahara and instead imported it from Australia, Togo, Vietnam, and China. This information was confirmed by Western Sahara Resource Watch in its annual phosphate rock report, 'P for Plunder 2019'.

In 2018, the company informed Sustainalytics that it had improved human rights due diligence in its procurement processes, implementing a supplier code of conduct and a supplier questionnaire, including an ESG section. Additionally, the procurement team developed a tiering tool to assist with due diligence of suppliers which was shared with Sustainalytics in 2019. Lastly, the company revealed in 2019 that it was developing a risk assessment tool as part of the new Australian Modern Slavery Project in order to assess and address modern slavery issues and other human rights risks in its supply chain.

These many developments demonstrate the company's commitment to improving its procurement framework to address ESG issues including human rights. Given this progress, our third-party provider has decided to resolve the case.

**According to the Western Sahara Resource Watch, 19 vessels exported a total volume of circa 1 million tonnes of phosphate, worth an estimated USD90.4 million, out of the occupied territory in 2019. This is in fact the lowest recorded amount ever. Compared to the previous calendar year, 2018, the exports have practically halved.<sup>17</sup>**

### South Korean materials company<sup>18</sup>

#### Tier 3

#### Labour rights

Following reports by numerous NGOs regarding the state-driven practice in Uzbekistan of forcing children, students and public employees to harvest cotton, our third-party provider began to engage with this company on labour rights in 2014. This is because one of the company's subsidiaries is a large corporate buyer of Uzbek cotton and owns two factories in the country, despite being aware of the production conditions. The company argues that the situation on the ground is improving thanks to Uzbek government action.

Sustainalytics is engaging with the company to cease its operations linked to Uzbek cotton or demonstrate how its subsidiary is having a concrete positive impact on the harvesting practices in the country, for example, by using its leverage to push for better labour practices. The parent company should also align its group-wide policies with the UN Guiding Principles on Business and Human Rights and the International Labour Organisation (ILO) core conventions on child labour and forced labour. Further, it should ensure that its subsidiary implements a supply chain man-

agement system aligned with these conventions. If the subsidiary is not able to guarantee that the cotton supplied to it is produced without forced labour, it should develop a timeline for withdrawing from Uzbekistan.

To date, the company has acknowledged the problem with child labour in Uzbekistan and has said that its subsidiary is engaging with the Uzbek authorities in order to improve labour practices in cotton cultivation. The correspondence between the subsidiary and Uzbek government, which has been shared with Sustainalytics, indicates a transparent and progressive engagement. However, it is unclear whether this dialogue has had any real impact.

Overall the company's responsiveness to stakeholder engagement has been relatively good. For example, the company has publicly disclosed a Human Rights Policy addressing the need to respect international human rights as well as a Sustainability Report stating that the company supports the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Furthermore, the company's domestic and foreign sites prohibit child labour and forced labour and it also has an Unethical Behaviour Report Centre which conducts audits related to ethical violations and human rights abuse that may arise from its business process.

Our third-party provider was in regular dialogue with the company throughout the year and now awaits the next report from the Cotton Campaign regarding the 2019 harvest and the company's next Sustainability Report, which is expected to shed light on the ESG due diligence of its factories conducted in 2019.

#### DID YOU KNOW?

According to The Cotton Campaign, the Uzbek government forces farmers to grow cotton and citizens to pick cotton, all under threat of penalty, for example, loss of land or docked pay. Hundreds of thousands of school teachers, doctors, nurses and other citizens are victims of forced labor each year. Over

# 270

brand-name retailers have committed to avoid Uzbek cotton until forced labour of children and adults has ended.<sup>19</sup>



### **Mining and Tailings Safety Initiative**

The Mining and Tailings Safety Initiative is an investor-led initiative that was formed in the wake of the disaster at Vale's Corrego do Feijao mining facility in Brumadinho, Brazil, in January 2019. The incident occurred at one of the dams used to store mining waste – known as tailings – and resulted in circa 270 deaths. It was Vale's second such disaster in under four years, the first occurring in Samarco in 2015, killing 17 people and wreaking severe damage on the environment.

This initiative is chaired by the Church of England Pensions Board and the Swedish AP Funds and has gathered support from over 100 institutional investors (representing USD13 trillion in AUM) and a range of industry bodies including United Nations Environment Programme (UNEP), Principles for Responsible Investment (PRI) and International Council on Mining and Metals (ICMM).

Contributing stakeholders believe that the management of tailings waste presents systemic risks for the mining sector which, if not appropriately managed, may lead to more lives lost, further environmental damage and severe operational, reputational and regulatory risks for the companies concerned.

The initiative has contacted over 980 companies with a view to achieving its overarching engagement objectives, which are as follows: 1) to develop the first public global database of toxic mining waste storage facilities in order to ascertain the scale of the risk and to determine each company's degree of accountability, and 2) to create a new, independent global standard in tailings safety. Additional objectives of the initiative include creating a set of investor expectations for the mining sector and initiating a process for assessing the financial reporting of tailings storage facilities by companies.

Pictet Asset Management lent its support to this initiative in the latter half of 2019. During 2020 we aim to increase our involvement by participating in the initiative's investor engagement programme aimed at those companies, out of the initial 980 contacted, that are yet to provide the necessary transparency on their tailings storage facilities required to populate the initiative's global database of mining waste storage facilities.





*Jaguars face a number of threats, including habitat fragmentation and illegal killing. South and Central America's high rates of deforestation – for grazing land, agriculture, and other uses – have not only destroyed jaguars' habitat but also broken it up.<sup>20</sup>*

# Dialogue with sovereign issuers

## Putting human capital on the agenda in emerging markets

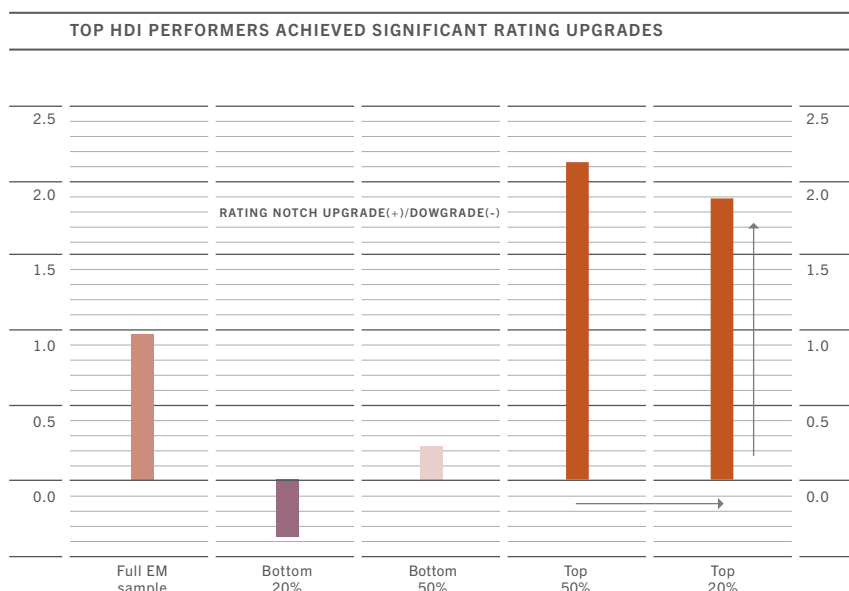
Actively incorporating the assessment of social, governance and environmental factors into our Emerging Market Debt team's country analysis is a vital part of: 1) understanding the key, often hidden, areas of risk in an emerging country, 2) providing a complete picture of a sovereign's long-term sustainable trajectory in terms of economic and human development, and 3) enabling targeted and informed dialogue with sovereign issuers in areas of importance for the long-term outlook of the country. These three aspects contribute to fulfilling obligations of responsible stewardship of our clients' investments in this asset class via ultimately creating a positive feedback loop of improving ESG credentials and creditworthiness.

## Human capital and creditworthiness: a positive feedback loop

Our analysis shows that enhancing human capital boosts a country's productivity and growth, leading to an improvement in its credit rating. This has important implications for investors in emerging market bonds.

The majority of developing countries tend to show improvement on the United Nations Human Development Index (UN HDI). But while the top 50 per cent of HDI improvers are rewarded, on average, with a 2.13 notch upgrade in their credit rating (where, say A to AA, is one notch), those in the bottom half only benefit from a 0.24 notch upgrade<sup>21</sup>. [FIG. 15](#)

FIG. 15



Source: OECD Productivity data, UN HDI data. The change in the HDI index vs the change in rating over the 2001-2017 period. Sample includes EM countries where data is available.



Despite this, investors have tended to ignore human capital when looking at developing countries' prospects, not least because it's been hard to measure and analyse. That's changing, though. Recently, the World Bank's Human Capital Project, the UN's Human Development Index and Sustainable Development Goals have all pushed human capital into the limelight by offering new ways of measuring it. At Pictet Asset Management we are using these tools in our own country analysis, particularly on ESG issues, and ensure that human capital is on the agenda for our discussions with policy-makers.

### Constructing country due diligence agendas

Just as country trips and links with local economists and strategists are important in our understanding of the economic, political and regulatory backdrop of a country, we also believe that an on-the-ground view of social, governance and environmental developments in the countries we cover is essential.

One way we're doing this is through careful construction of our country due diligence trips to ensure that we meet with organisations and partners who can give us greater insight into a wider range of issues. For example, in 2019 we began to build a partnership with EMpower, a well-respected and innovative global philanthropic organisation focused on youth in emerging economies. Contact with its programme officers in key regions and countries gives us a local perspective and puts us in touch with people and organisations we would otherwise never have access to. Such depth of analysis and understanding forms a credible base for meaningful dialogue with sovereign issuers.

**“Our analysis shows that enhancing human capital boosts a country’s productivity and growth, leading to an improvement in its credit rating. This has important implications for investors in emerging market bonds.”**

MARY-THERESE BARTON  
HEAD OF EMERGING MARKET DEBT



### Case study – South Africa

In September 2019, one of our portfolio managers visited South Africa to specifically address a range of relevant and topical ESG issues. South Africa is a very interesting example of how an active focus on ESG issues can directly improve the investment case for a country. Improving education, providing cleaner energy (via grid access) and reducing corruption and unemployment will all raise the potential growth rate for South Africa, which in turn will improve its fiscal sustainability, attract foreign investment, lower bond yields and free up government resources in a positive feedback loop.

With the help of EMpower, we were able to visit programmes linked to the education and retraining of at-risk youth, including the Mamelani Projects.<sup>22</sup> Mamelani was founded by young community development workers to provide assistance to Cape Town townships' many homeless youths who had grown up in institutional care, often orphans or victims of South Africa's AIDS epidemic. We spent time with Mamelani's director, Gerald Jacob, and saw for ourselves Mamelani's comprehensive approach to building the human capital of local youth by combining personalised emotional support, education and life skills training – including helping them to develop their own support networks.

These meetings, in conjunction with a briefing from the Centre for Risk Analysis on the state of education in South Africa, gave important context for our dialogue with officials on fiscal priorities, achieving inclusive growth and tackling a shockingly high level of youth unemployment. While overall spending on education in South Africa is in-line with OECD norms, the outcomes can be poor. We were able to ask the Treasury and the ANC how education would be protected in terms of spending cuts and how educational reform would form a priority for the government.

We have also met South African government officials to discuss the topic of renewable energy generation given how heavily the country currently depends on coal-fired power. Prior to our government meetings, we met independent energy providers involved in large-scale renewable energy capacity, as well as Eskom, a state-owned electricity company, to help develop our understanding of existing issues surrounding government policy. We were able to use these insights to inform our discussions with government officials on policy priorities and explain how we, as international investors, are prioritising this issue. We believe that the situation in South Africa requires a multi-step, multi-year and correctly sequenced process to progress. Ultimately, we would like to see the unbundling of Eskom into three distinct areas, which would allow renewable energy providers access to the electricity transmission grid. We believe that this will enable a more sustainable situation both from a climate perspective – via a shift away from coal power – and a more stable fiscal situation with less reliance on government bailouts for Eskom.

We can measure the progress of our dialogue in this area through government actions, for example the Integrated Resource Plan which sets out energy policy for the coming years. We will also closely observe and monitor how white paper plans are implemented into actual policy.

#### DID YOU KNOW?

In 2019, the youth unemployment rate in South Africa was

**57%**

of the youth labour force.<sup>23</sup>



### Case study – Brazil

Brazil is one of our largest markets and has a relatively new government in place. As such, in 2019 our macroeconomic strategist designed a due diligence trip to not only better understand the unique political and economic challenges facing the country, but to also gain insight into specific social development issues. Despite the fact that our ESG scores do not flag up education as a problem in Brazil, further research showed that its above-average spending on education does not necessarily translate into good educational outcomes. What's more, gender equality and inclusion are not addressed appropriately in the schooling system.

Not only are Brazil's learning outcomes poor by international comparison, progress has been limited. For example, there has been a notable deterioration in performance in maths between 2012-2015, as measured by the Programme for International Student Assessment (PISA). This is happening despite large increases in spending per student – which is already above regional and structural peers. Overall, Brazil spends 6 per cent of GDP on education, more than the OECD average. According to the World Bank's latest assessment<sup>24</sup>, at its current level of spending Brazil should achieve 40 per cent better learning performance as

measured by the country's Basic Education Development Index (IDEB). While there is a constitutional obligation to spend 25 per cent of tax revenues on education, enrolment rates are decreasing due to demographics and a lot of the extra spending is redundant. The scale of the issue was starkly brought to life via our meetings with a number of impressive organisations that work with young people across Brazil.

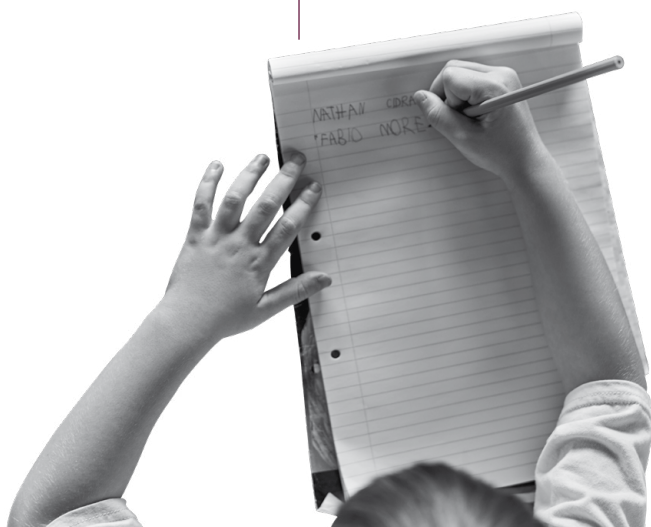
Thus informed, our strategist was able to ask targeted questions to the Ministry of Economy regarding education and, in particular, the quality of spending. The Ministry clearly demonstrated that it understood the issues and that a renewed focus on more effective spending was a priority, in particular, dedicating more resources to early education (which is practically non-existent in Brazil). Indeed, this tallies with the current administration's desire to improve Brazil's business environment and to secure long-term growth for the country. This is a clear example of the positive feedback loop between improving ESG issues (in this case, better educational outcomes and resulting impact on human capital) and the overall creditworthiness of a sovereign issuer.

According to the World Bank's latest assessment, at its current level of spending Brazil should achieve

# 40%

DID YOU KNOW?

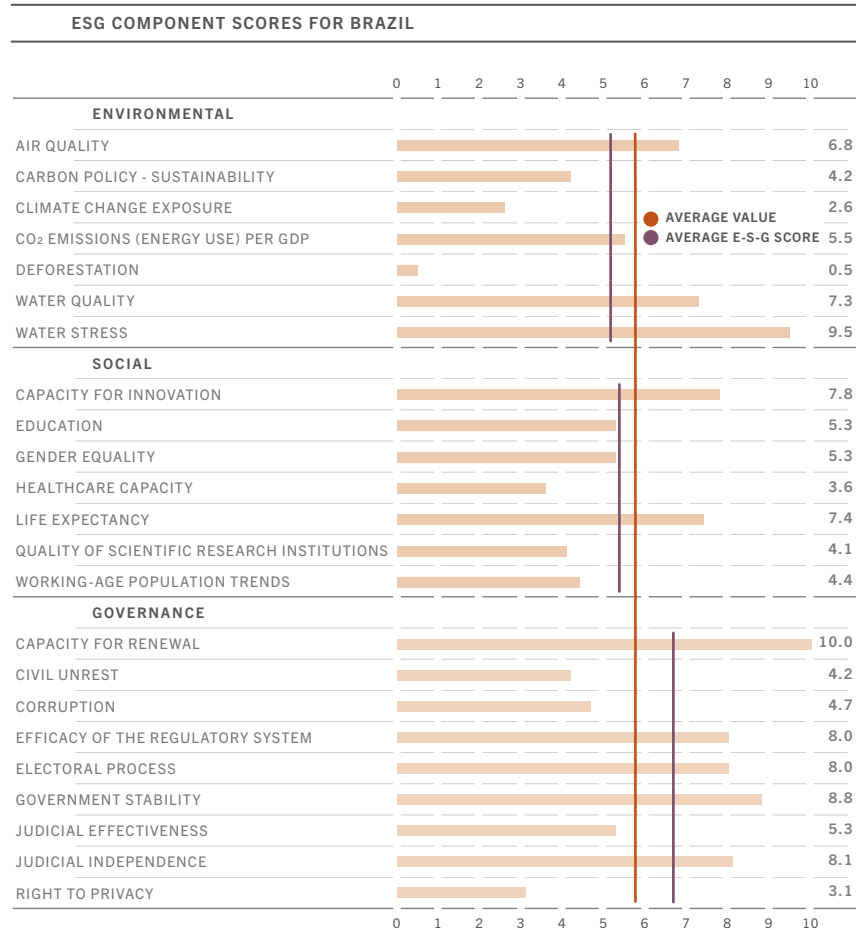
better learning performance as measured by the country's Basic Education Development Index (IDEB).<sup>25</sup>



Our ongoing analysis and dialogue surrounding these issues continues away from country due-diligence trips and at times we have an opportunity to act in a collaborative manner with other investors who share our concerns. For example, in 2019 Pictet Asset Management signed an Investor Statement on

Deforestation and Forest Fires in the Amazon. This initiated a discussion with the Brazilian embassy in London regarding our concerns that further poor stewardship of natural capital may not only translate to worse long-term economic outcomes, but also in the context of an increasing importance of ESG considerations, begin to weigh on investor sentiment.

FIG.16



Source: Maplecroft, Pictet Asset Management, 2020

### Looking ahead

In 2020 we aim to further deepen partnerships that allow us to build a more credible and targeted foundation for dialogue with sovereign issuers. At a time when travel is restricted due to the ongoing global health emergency, such partnerships give us an essential insight into local developments and their implications. As well as continuing to nurture our partnership with EMpower, we will look to develop similar links to organisations that can give insights into other ESG areas. We are particularly interested in expanding our coverage of environmental and climate change issues, through access to organisations via regional development banks, but also via global philanthropic organisations with a breadth of country coverage.

We are also working on measuring the impact of our interactions with governments. While the increased focus on and demand for ESG improvement at a sovereign level by the international community is evident, measurements for the impact of these discussions are still in their infancy. We are working with our partners (both non-profit and multilaterals) to learn from their impact measurement and how our support of their objectives improves the visibility and dialogue at a country level. We are also looking at how our interactions with governments intersect with the UN Sustainable Development Goals.



# Conclusion

We are proud of the positive impact that our Active Ownership programme delivered throughout 2019, and welcome increasing engagement from the businesses and governments in which we invest on critical ESG issues.

Highlights of the year included a ground-breaking commitment by the world's largest commodities trader to support the transition to a low carbon economy and a rotation of assets by a substantial German utility towards renewables.

These historic steps show how much progress can be achieved if investors act according to their fiduciary duty, working both individually and collectively to drive change and promote sustainability.

The need for such change is more urgent than ever. There are now just 10 years left for countries to achieve the UN's Sustainable Development Goals, which set out key targets for protecting our world from climate change, hunger, thirst, disease and other grave risks, and for getting our planet back onto a sustainable trajectory.

At Pictet Asset Management, we will continue to build on our engagement activity. A key focus area for us will be on strengthening our involvement with investor collaborations in order to drive positive change. In 2020, we are looking to expand our work with CA100+, as well as with our two newest partnerships – PRI-Ceres Investor Initiative for Sustainable Forests and The Mining and Tailings Safety Initiative.

Regarding our dialogue with sovereign debt issuers, in 2020 we aim to further deepen our relationships with selected partners that allow us to build a more credible and targeted foundation for dialogue with government officials. As well as continuing to nurture our partnership with EMpower, we will look to develop similar links to organisations that can provide insights into other critical ESG areas.

Our plans for next year further include adapting our proxy voting guidelines for Japanese companies to support the country's push to increase the number of female board members. We will also embrace the new European Shareholder Rights Directive (SRDII), expanding our future reporting practices to meet the requirement for additional transparency from asset managers.

At the time of writing this report, we are starting to witness the devastating consequences of the Covid-19 pandemic on public health and the global economy, which will undoubtedly impact our engagement priorities over 2020 and beyond.

# Appendix

ENGAGEMENT DURING 2019, BY COMPANY				
COMPANY	COUNTRY	ENGAGEMENT TOPIC		
3M Co	United States	E		
<b>AAC Technologies Holdings Inc</b>	China			G
AB Volvo	Sweden		S	
ABB Ltd	Switzerland			G
<b>Adani Enterprises Limited</b>	India	E		
<b>Adani Ports &amp; Special Economic Zone Ltd</b>	India	E		
Agricultural Bank of China Limited	China			G
Alphabet Inc	United States			G
AMP Limited	Australia			G
Andritz AG	Austria		S	
Atlantia S.p.A.	Italy		S	
<b>AXA SA</b>	France			G
Banco Bilbao Vizcaya Argentaria SA	Spain			G
Bank Leumi le- Israel B.M	Israel		S	
Bank of America Corporation	United States			G
<b>Bank of Hawaii Corp</b>	United States			G
Barclays PLC	United Kingdom			G
Barry Callebaut AG	Switzerland		S	
Bausch Health Companies Inc	Canada		S	G
Bayer AG	Germany		S	
Beiersdorf Ag	German			G
Bezeq The Israel Telecommunication Corporation Limited	Israel			G
BMW Group	Germany			G
BNP Paribas SA	Belgium			G
Boston Scientific Corporation	United States		S	
BP p.l.c.	United Kingdom			G
BRF S.A.	Brazil		S	G
Bunge Limited	United States	E		
Burkhalter Holding	Switzerland			G
<b>Canfor Corp</b>	Canada			G
CEMEX, S.A.B. de C.V.	Mexico		S	
Centrais Elétricas Brasileiras S.A. - Eletrobras	Brazil		S	
<b>China Communications Construction Co Ltd</b>	China		S	
China Huarong Asset Management Co Ltd	China			G
China Northern Rare Earth (Group) High-Tech Co Ltd	China	E		
China Railway Group Ltd	China		S	
Chocoladefabriken Lindt & Sprüngli AG	Switzerland		S	
Christian Hansen	Denmark			G
Citigroup, Inc.	United States			G
CMC Markets PLC	United Kingdom			G
Coal India Limited	India		S	
Comcast Corp	United States			G
Commonwealth Bank of Australia	Australia			G

COMPANY	COUNTRY	ENGAGEMENT TOPIC		
CoreCivic Inc	United States	S		
Corteva, Inc.	United States	E		
Credit Suisse Group	Switzerland			G
<b>Customers Bancorp, Inc.</b>	United States			G
Daimler AG	Germany			G
Danone	France	E		
Danske Bank A/S	Denmark			G
DNO ASA	Norway		S	
Dow, Inc.	United States		S	
DuPont de Nemours, Inc.	United States	E		
Ecolab Inc	United States	E		G
Edison International	United States		S	
Eiffage SA	France			G
Enagás, S.A.	Spain			G
Enbridge Inc	Canada		S	
Enel SpA	Italy		S	
Energy Transfer LP	United States		S	
<b>Eni SpA</b>	Italy			G
Equifax Inc	United States		S	
Evolva Holding	Switzerland			G
Facebook Inc	United States		S	
FGV Holdings Bhd.	Malaysia		S	
<b>First Commonwealth Financial Corporation</b>	United States			G
<b>First Horizon National Corp</b>	United States			G
First International Bank of Israel Ltd	Israel		S	
Genel Energy plc	United Kingdom		S	
GEO Group, Inc.	United States		S	
<b>GlaxoSmithKline PLC</b>	United Kingdom			G
Glencore	Switzerland	E	S	G
Grupo México, S.A.B. de C.V.	Mexico		S	
Habib Bank Limited	Pakistan			G
Hangzhou Hikvision Digital Technology Co., Ltd.	China		S	
<b>Harmony Gold Mining Company Limited</b>	South Africa	E	S	
HomeStreet Inc	United States			G
Hyundai Motor Company	South Korea		S	G
<b>Incitec Pivot Ltd</b>	Australia		S	
Indivior PLC	United Kingdom			G
Industrial And Commercial Bank Of China Ltd	China			G
Informa plc	United Kingdom			G
ING Groep N.V.	Netherlands			G
Inner Mongolian Baotou Steel Union Co Ltd	China	E		
Israel Discount Bank Limited	Israel		S	
Johnson & Johnson	United States		S	
Korea Electric Power Corporation	South Korea		S	
Korean Air Lines Co.,Ltd.	South Korea			G

COMPANY	COUNTRY	ENGAGEMENT	TOPIC
Kuehne & Nagel	Switzerland		G
Leonardo S.p.a.	Italy		G
Lotte Corp	South Korea		G
Lu Thai Textile Co., Ltd.	China	S	
<b>LVMH Moet Hennessy Louis Vuitton SE</b>	France		G
<b>Mattel, Inc.</b>	United States	S	
McDonald's Corp	United States	S	
Mining and Metallurgical Company NORILSK NICKEL PJSC	Russia	E	G
Mitsubishi Materials Corporation	Japan		G
Mizrahi Tefahot Bank Ltd.	Israel	S	
Mondelez International, Inc.	United States	S	
Morgan Stanley	United States		G
MTN Group Limited	South Africa	S	
Naspers Ltd	South Africa		G
Nestlé S.A.	Switzerland	E S	
<b>Newcrest Mining Limited</b>	Australia	E	
Nordea Bank Abp	Finland		G
<b>Novartis AG</b>	Switzerland		G
NTPC Limited	India	E S	
<b>Nutrien Ltd.</b>	Canada	S	
Olympus Corporation	Japan	S	
Oracle Corp	United States		G
Pan American Silver Corp.	Canada	S	
Patterson-UTI Energy Inc	United States	S	
<b>Petroleos Mexicanos S.A. de C.V.</b>	Mexico	E S	
Pfizer Inc	United States		G
PG&E Corp	United States	S	
Phillips 66	United States	S	
Pilgrim's Pride Corporation	United States	S	
POSCO	South Korea	S	
<b>Raymond James Financial Inc</b>	United States		G
Renault SA	France		G
Repsol, S.A.	Spain		G
Ross Stores, Inc.	United States		G
RWE Ag	German	E	G
S&P Global Inc	United States		G
Samsung Electronics Co.	South Korea		G
Saudi Arabian Oil Co.	Saudi Arabia	S	
Sibanye-Stillwater	South Africa	S	
Siemens Aktiengesellschaft	Germany	S	
Singapore Technologies Engineering Ltd	Singapore		G
Sinopec Kantons Holdings Ltd	Hong Kong	S	
SK Discovery Co. Ltd.	South Korea	S	
SK Holdings Co Ltd	South Korea	S	



COMPANY	COUNTRY	ENGAGEMENT TOPIC	
SMC Corp	Japan		G
Sodexo SA	France	S	
Standard Chartered PLC	United Kingdom		G
Steinhoff International Holdings N.V.	Netherlands		G
<b>Stifel Financial Corp.</b>	United States		G
Stryker Corporation	United States	S	
Suruga Bank Ltd.	Japan		G
Swedbank AB	Sweden		G
Swiss Re Ltd.	Switzerland		G
TC Energy Corp.	Canada	E	
Técnicas Reunidas, S.A.	Spain		G
Tencent Holdings Ltd	China		G
Tesla Inc	United States	S	
The Boeing Company	United States	S	
The Chemours Co	United States	E	
The Estee Lauder Companies Inc	United States		G
The Hershey Company	United States	S	
Tiger Brands Limited	South Africa	S	
Tokyo Electric Power Company Holdings	Japan	E	
TongYang Life Insurance Co Ltd	South Korea		G
Universal Health Services, Inc.	United States	S	
Vale S.A.	Brazil	S	
Valley National Bancorp	United States		G
Vedanta Limited	India	S	
<b>Veolia Environnement SA</b>	France		G
Vivendi SA	France		G
Volkswagen AG	Germany	E	S
Vonovia SE	Germany		S
<b>Walt Disney Co</b>	United States		S
<b>Wesfarmers Limited</b>	Australia		S
Wilmar International Limited	Singapore		S
Wolverine World Wide, Inc.	United States	E	
Zhejiang Huahai Pharmaceutical Co.	China		S
Zijin Mining Group Company Limited	China	E	S

Note: In bold are companies where at least one engagement objective was resolved during 2019.  
Source: Pictet Asset Management, Sustainalytics, December 2019

# Glossary

## Classification of votable items

### Anti-takeover related

This category refers to anti-takeover mechanisms such as multiple voting rights, adoption/ renewal/amendment of shareholders rights plan (eg poison pills), or supermajority vote requirement for mergers.

### Capitalisation

This category includes share issuance, capital variations, repurchase plans and debt issuance proposals.

### Environmental & social

This category relates to the approval of the Corporate Social Responsibility report and/or amendments of E&S company policies

### Non-salary compensation

This category includes items such as equity awards, share schemes, stock option plans, bonuses, company loans, approval of remuneration report.

### Preferred/bondholder

This category refers to proposals associated with preferred securities only and bondholders meeting.

### Reorganisation and mergers

This category refers to the approval of company reorganisation, approval of restructuring plan, change of corporate form etc.

### Compensation

This category refers to approval of remuneration report, caps/limits to executive compensation and disclosure of compensation mechanisms.

### Corporate governance

This category covers topics such as cumulative voting and proxy voting disclosures.

### Director related

This category covers resolutions relative to election of board members, change in structure/size of the board, discharge of the board or the establishment of guidelines such as term limits for directors.

### General economic issues

This category relates to general economic issues such as trade and employment.

## Health/environment

This category refers to resolutions relative to issues such as climate change, greenhouse gas emissions, nuclear safety, toxic substances (e.g. tobacco).

## Other/miscellaneous

This includes items such as gender pay gap, political lobbying disclosures or charitable donations.

## Routine business

This category refers to routine business topics such as approval of financial statements, approval of allocation of income/dividend, appointment of auditors, election of committee members, directors remuneration.

## Social/human rights

This category encompasses resolutions relative to employment standards, protection of human rights and other related topics.

## List of abbreviations

AGM – Annual General Meeting  
 ANC – African National Congress  
 AUM – Assets Under Management  
 CA100+ – Climate Action 100+  
 ESG – Environmental, Social and Governance  
 ICMM – International Council on Mining and Metals  
 IDEB – Basic Education Development Index  
 IIGCC – Institutional Investor Group on Climate Change  
 ILO – International Labour Organisation  
 KPI – Key Performance Indicators  
 LTIP – Long-term Incentive Plan  
 OECD – Organisation for Economic Co-operation and Development  
 PISA – Programme for International Student Assessment  
 PRI – Principles for Responsible Investment  
 SBTi – Science Based Targets Initiative  
 TCFD – Taskforce on Climate-related Financial Disclosures  
 TSR – Total Shareholder Return  
 UNEP – United Nations Environment Programme  
 UN HDI – United Nations Human Development Index  
 WWF – World Wildlife Fund

# References

- 1 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.
- 2 We do not exercise voting rights in share blocking markets across passive strategies.
- 3 To the best of our knowledge, we are not aware of any material conflicts of interest in relation to our voting activity in 2019.
- 4 See Glossary for an explanation of terms relating to votable items.
- 5 To the best of our knowledge, we are not aware of any material conflicts of interest in relation to our engagement activity in 2019.
- 6 Source: <https://www.ceres.org/sites/default/files/reports/2018-05/Systems%20Rule%20vfinal.1.pdf>
- 7 Source: [www.GHGprotocol.com/resources/issues-briefs/palm-oil-and-biodiversity](http://www.GHGprotocol.com/resources/issues-briefs/palm-oil-and-biodiversity)
- 8 Source: <https://news.un.org/en/story/2019/11/1052171>
- 9 The TCFD was established by the Financial Stability Board in 2015 to help investors understand their financial exposure to climate risk and to aid corporate disclosure of this information in a clear and consistent way.
- 10 Source: [www.climateaction100.org](http://www.climateaction100.org)
- 11 Source: <https://earthobservatory.nasa.gov/images/92246/a-manmade-volcano-over-norilsk>; Swedish environmental protection agency; <https://utslappisiffror.naturvardsverket.se/en/Substances/Other-gases/Sulphur-oxides/>
- 12 Source: <https://www.unpri.org/esg-issues/environmental-issues/sustainable-land-use>
- 13 Source: <http://www.fao.org/3/a-i5588e.pdf>
- 14 Based on text written by Sustainalytics.
- 15 Source: [http://www.pemex.com/saladeprensa/boletines\\_nacionales/Paginas/2019-014-nacional.aspx](http://www.pemex.com/saladeprensa/boletines_nacionales/Paginas/2019-014-nacional.aspx) <https://www.nytimes.com/2019/05/05/world/americas/mexico-fuel-theft.html>
- 16 Based on text written by Sustainalytics.
- 17 Source: [https://www.wsrw.org/files/dated/2020-02-24/p\\_for\\_plunder\\_2020-web.pdf](https://www.wsrw.org/files/dated/2020-02-24/p_for_plunder_2020-web.pdf)
- 18 Based on text written by Sustainalytics.
- 19 Source: <http://www.cottoncampaign.org/uzbekistans-forced-labor-problem.html>
- 20 Source: <https://www.nationalgeographic.com/animals/mammals/j/jaguar/>
- 21 The change in the HDI index vs the change in ratings over the 2001 to 2017 period, including EM countries where data is available for the full sample. Ratings change for each HDI change bucket is the average of the bucket. Source: UN HDI data, S&P Ratings in numerical form.
- 22 Source: <https://www.mamelani.org.za/ves>.
- 23 Source: <https://data.oecd.org/unemp/youth-unemployment-rate.htm>
- 24 Source: <http://pubdocs.worldbank.org/en/511241536589357681/9-Education-ppt-Policy-Note.pdf>.
- 25 Source: <http://documents.worldbank.org/curated/en/993851468014439962/pdf/656590REPLACEM0hieving-0World0Class0.pdf>







### Disclaimer

This material is for distribution to professional investors only. However it is not intended for distribution to any person or entity who is a citizen or resident of any locality, state, country or other jurisdiction where such distribution, publication, or use would be contrary to law or regulation.

Information used in the preparation of this document is based upon sources believed to be reliable, but no representation or warranty is given as to the accuracy or completeness of those sources. Any opinion, estimate or forecast may be changed at any time without prior warning. Investors should read the prospectus or offering memorandum before investing in any Pictet managed funds. Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested.

This document has been issued in Switzerland by Pictet Asset Management SA and in the rest of the world by Pictet Asset Management Limited, which is authorised and regulated by the Financial Conduct Authority, and may not be reproduced or distributed, either in part or in full, without their prior authorisation.

The Pictet Group manages hedge funds, funds of hedge funds and funds of private equity funds which are not registered for public distribution within the European Union and are categorised in the United Kingdom as unregulated collective investment schemes.

For Australian investors, Pictet Asset Management Limited (ARBN 121 228 957) is exempt from the requirement to hold an Australian financial services licence, under the Corporations Act 2001.

For US investors, shares sold in the United States or to US Persons will be sold in private placements to accredited investors only, pursuant to exemptions from SEC registration under the Section 4(2) and Regulation D private placement exemptions under the 1933 Act and qualified clients as defined under the 1940 Act. The shares of the Pictet funds have not been registered under the 1933 Act and may not, except in transactions which do not violate United States securities laws, be directly or indirectly offered or sold in the United States or to any US Person. The fund management companies of the Pictet Group will not be registered under the 1940 Act.

Projected future performance is not indicative of actual returns and there is a risk of substantial loss. Hypothetical performance results have many inherent limitations, some of which, but not all, are described herein. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown herein. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. The hypothetical

performance results contained herein represent the application of the quantitative models as currently in effect on the date first written above and there can be no assurance that the models will remain the same in the future or that an application of the current models in the future will produce similar results because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur. There are numerous other factors related to the markets which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect actual performance results. Hypothetical performance results are presented for illustrative purposes only.

Indexes are unmanaged, do not reflect management or trading fees, and it is not possible to invest directly in an index. There is no guarantee, express or implied, that long-term return and/or volatility targets will be achieved. Realised returns and/or volatility may come in higher or lower than expected. A full list of the assumptions made can be provided on request.

Issued in June 2020

© 2020 Pictet



