

Responsible Investment Report 2022

Review of past 12 months



Foreword

2021 was a pivotal year for environmental, social and corporate governance (ESG) at Pictet. The climate, in every sense, is changing. But that presents opportunities for improvement and responsible investment.

In 2021, we increased the size of our central ESG team, mobilised a network of 50 ESG Champions across the firm, and established a comprehensive internal training programme to strengthen ESG expertise throughout the company. Together with investment teams across the Pictet Group, we enhanced our ESG Scorecard to furnish a holistic view of companies' ESG strengths and weaknesses, to inform our investment decisions and engagement.

We continue to work on building up our active ownership activities. Over the year, we voted at 3,800 shareholder meetings. We supported more than half of shareholder resolutions, including many relating to environmental and social concerns. Our actively managed funds voted in 98 per cent of votable meetings – our highest participation rate in five years. Building on our work in 2019 and 2020, we increased our company engagement by 19 per cent on 2020 and continued to engage systematically with companies in which we invest across a wide range of ESG issues. More detail on this can be found later in the report.

We also began to work on a group-wide engagement programme built on key ESG themes in which we've developed expertise over many years. This will be launched in 2022 and we look forward to reporting our progress in the 2023 Responsible Investment Report.



LAURENT RAMSEY
*Managing Partner and
Co-Chief Executive Officer*

Alongside all of this, in 2021, the first regulations of the EU Action Plan for Sustainable Finance came into force, prompting further ESG integration across financial services. The vast majority of our strategies now integrate ESG factors and sustainability risks, and 78 per cent of our AUM¹ is in strategies promoting environmental or social features, or sustainable investment objectives.

We cannot take these advances at Pictet, and across our industry for granted. The invasion of Ukraine by Russian troops on February 24, 2022 has highlighted the human cost of political choices and underlined the vulnerability of the established geopolitical structure. The political, economic, and humanitarian challenges presented by the past year underscore the urgent need and escalate pressure to evolve a more resilient and environmentally viable global economy. At the same time, those that have no short-term incentive to change are raising their voices against ESG and fighting to maintain the status quo. For those of us with a governance designed for the long term, it is more critical than ever to deepen the integration of ESG risks in our investment processes, and to continue to build out the data and knowledge around the positive and negative outcomes of investment decisions. At no time has it been more important to be vocal on our conviction that focus must continue to shift from financial returns towards models in which ESG factors are integral – to investment choices, to active ownership practices, and to the channelling of capital flows.

In its 217 years, Pictet has navigated numerous crises. Our clients trust in our investment leadership, unparalleled servicing, and assured stability even in unpredictable times. We maintain our commitment to building long-term relationships with clients, colleagues, communities, and companies. In this changing ecosphere, the importance of those partnerships finds new clarity.

Now more than ever, we look to contribute to the transition to an environmentally and socially sustainable, low-carbon economy.

¹ As of 31st May 2022. Please note that the assets stated include all assets either managed or distributed by Pictet Asset Management excluding mandates, in scope for SFDR. The methodology used to count ESG assets under management (AUM) has changed as of December 2021.



We voted
98%
of our equity
holdings

Supported
54%
of shareholder
resolutions
including many
relating to
environmental

Voted at a
total of
3800
shareholder
meetings

Led or supported
engagement with
270 companies
on
333 ESG
issues

78%
of AUM in strategies that
promote environmental
and/or social characteristics,
or have a sustainable
investment objective
(in scope)²

56%
of AUM in strategies that
promote environmental
and/or social characteris-
tics, or have a sustainable
investment objective
(total assets)³

² As of 31st May 2022
Please note that the as-
sets stated include all
assets either managed
or distributed by Pictet
Asset Management ex-
cluding mandates, in
scope for SFDR. The
methodology used to
count ESG assets under
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³ As of 31st May 2022
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count ESG assets under
management (AUM) has
changed as of December
2021.



**Photography by
Justin Sullivan**

Justin is an award-winning documentary photographer based in the Greater Kruger, South Africa – specialising in Conservation & Wildfires.

Growing up with a fierce passion for wildlife, travel, and conservation – after completing secondary school at Michaelhouse, Sullivan studied Development & Environmental Studies at the University

of Stellenbosch. He bought his first camera during his travels through Germany, igniting his fervour for photography.

Through various projects and events, Sullivan up-skilled himself and started focusing on contemporary issues within South Africa. Shifting focus toward wildfires in late 2015, Sullivan sparked a renewed awareness to their importance and associated destruction.

'A Working on Fire' firefighting crew tackles flames head on during the peak of wildfire season in the Cape of South Africa.

Date: 2017

Location: Du toits Kloof, South Africa

Table of contents

Foreword 2

Who we are 4

Engagement 5

Voting activity 26

Research and thought leadership 32

Conclusion and plans 38

Additional information 41

Who we are

Pictet Asset Management is an independent asset manager, overseeing investments across a range of equity, fixed income, alternative and multi asset products on behalf of our clients. We are part of the Pictet Group, an investment-led services group founded in Geneva in 1805 whose unique partnership structure has provided the stable foundation for our long-term thinking, underpinning our commitment to sustainable investing.

Pictet Asset Management facts and figures

KEY FIGURES	UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (UNPRI)	INVESTOR INITIATIVES
<p>250 bn EUR Assets under Management*</p> <p>78% article 8 & 9 SFDR** in scope</p> <p>56% article 8 & 9 SFDR*** total assets</p>	<p>Received an A+ score for strategy & governance since 2017, the highest possible ranking</p> <p>PRI Principles for Responsible Investment</p>	<p>Signatory of the Net Zero Asset Managers and Glasgow Financial Alliance initiatives</p> <p>GFANZ Glasgow Financial Alliance for Net Zero</p> <p>Founding member of Swiss Sustainable Finance</p> <p>Swiss Sustainable Finance</p> <p>Active member of the Institutional Investors Group on Climate Change since 2013</p> <p>IIGCC Institutional Investors Group on Climate Change</p>

Pictet Asset Management as of 31.05.2022.

* AUM rounded to the nearest billion. Based on assets distributed and managed by Pictet Asset Management.

** Excluding mandates, in scope for SFDR.

*** Including mandates, general AUM data. Note that the methodology used to count ESG assets under management (AUM) has changed in December 2021.

Engagement

We believe that investors have the power to trigger positive change from issuers, helping shape a more sustainable form of doing business. This belief helps us to make better long-term investments for our clients and for the planet. We also engage with policymakers and standard-setters to advocate policy addressing sustainability challenges, and promote the stability of financial markets.

With sovereign issuers, we seek targeted and informed dialogue in areas of importance for the long-term outlook of the country. On country due diligence trips, we seek to build up an on-the-ground view of local ESG issues. We have built a partnership with EMpower, a well-respected and innovative global philanthropic organisation focused on youth in emerging economies, which gives us access to unique on-the-ground contacts and insight. Our investment teams thus develop a deeper understanding of the key, often hidden, areas of risk, and credible foundations for meaningful dialogue with sovereign issuers.

Responsibility is part of our
7 strategic priorities and
one of our

5 guiding principles
along with independence,
long-term thinking,
partnership and
entrepreneurial spirit.

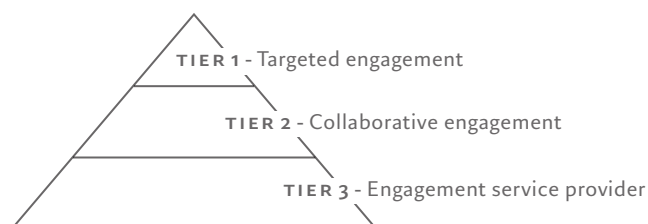
With corporates, our engagement programme seeks to encourage improvement in ESG practices and performance where they are material to long-term shareholder value creation, as well as to mitigate negative impacts on the environment and society and enhance positive ones.

When prioritising companies for engagement, we consider:

- Degree of exposure to material ESG risks and opportunities, and how that is managed
- Companies' involvement in material ESG controversies and their response
- Nature and scope of companies' sustainability outcomes in the real world
- Strategic nature and/or size of our holding

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

Tiered approach to corporate engagement



Source: Pictet Asset Management,
December 2021

TIER 1 – TARGETED ENGAGEMENT

Regular and ongoing company dialogue by Pictet Asset Management, with targets identified by investment teams and our ESG team.

TIER 2 – COLLABORATIVE ENGAGEMENT

Collaboration with other investors can enhance our influence, build our expertise, and improve efficiency of the engagement process. Each collaboration is assessed for relevance, credibility and any regulatory implications, including acting in concert.

TIER 3 – ENGAGEMENT SERVICE PROVIDER

Sustainalytics helps us address issues arising from companies' failings on governance issues. They also look at significant deviations from international norms and standards such as the UN Global Compact and OECD Guidelines for Multinational Enterprises, as well as human rights, labour and environmental conventions.

Each engagement case must have a specific and clearly defined objective and deadline; it is also tagged against a range of categories to facilitate searching and reporting.

If we are not satisfied with the outcome, we may escalate our engagement. This could mean involving board directors, voting against management at company meetings, or supporting shareholder resolutions initiated by third parties. Ultimately, if the escalation channels have been exhausted and we are still not satisfied that appropriate steps have been taken to address material ESG issues, we may reduce or sell our holdings.

Collaboration case studies

CLIMATE ACTION 100+

This initiative has brought together 700 investors (with a combined AUM of over USD68 trillion)⁴ in a well-organised and effective engagement campaign, targeting 166 global companies deemed critical in the transition to a low carbon economy. In 2021, CA100+ launched the Net zero Company Benchmark to better evaluate corporate progress on climate action and on the path towards net zero emissions.

CA100+ also continued to secure ground-breaking commitments from target companies, including commodity trader Glencore and oil and gas group OMV. We actively participated in the engagement with both companies.

Glencore unveiled its first three-yearly climate action transition plan in 2021, to significant shareholder approval. The company strengthened its commitment to reducing its total emissions footprint, in alignment with its ambition to become a net zero emissions company by 2050. Glencore also set up a Climate Change Taskforce (CCT), accountable to the board and responsible for overseeing the climate strategy and measuring progress against climate commitments.

OMV improved its climate governance framework by establishing a Sustainability and Transformation Committee at board level, to support and monitor the transition to a more sustainable business model aligned with the goals of the Paris Agreement. OMV also published a review of its membership in 16 key industry associations, evaluating their ongoing suitability in light of the company's climate strategy.

⁴ As at 27.04.2022.

CERES VALUING WATER FINANCE INITIATIVE

The Valuing Water Finance Initiative, launched and coordinated by Ceres, seeks to develop a set of clear steps for companies in key sectors to improve water stewardship. We are proud to be part of the Valuing Water Investor Working Group, which will help lay the groundwork for a larger global corporate engagement initiative starting in 2022.

ACCESS TO NUTRITION INITIATIVE

We are signatories to the Investor Expectations on Diets, Nutrition and Health, prepared and published by the Access to Nutrition Initiative (ATNI). The initiative assesses and ranks the world's largest food and beverage manufacturers on their nutrition-related commitments, practices and global performance. We believe that the index has been effective in stimulating dialogue and encouraging improved corporate practices in managing risks, opportunities and impacts related to nutrition. Significant progress has been made since the index's launch in 2013, but more work is needed on improving food systems and addressing malnutrition. In 2021, we were part of the group of investors leading engagement with three companies: China Mengniu Dairy, Danone and Nestlé.

Nestlé is a case study for positive response to engagement. It has shown commitment – in word and deed – to further improving management of risks and opportunities related to nutrition. We plan to continue our dialogue in 2022, to discuss its new nutrition strategy as well as progress on areas such as R&D and product development, marketing and lobbying.

During 2021, we led or supported engagement with 270 companies, globally, across 333 ESG issues – an increase of a fifth compared to the previous year.

FIG.1
Breakdown by ESG issue

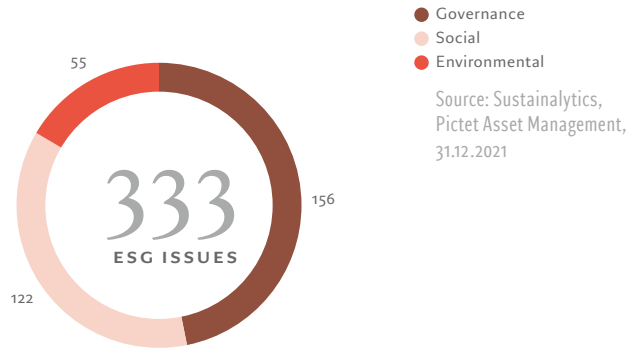
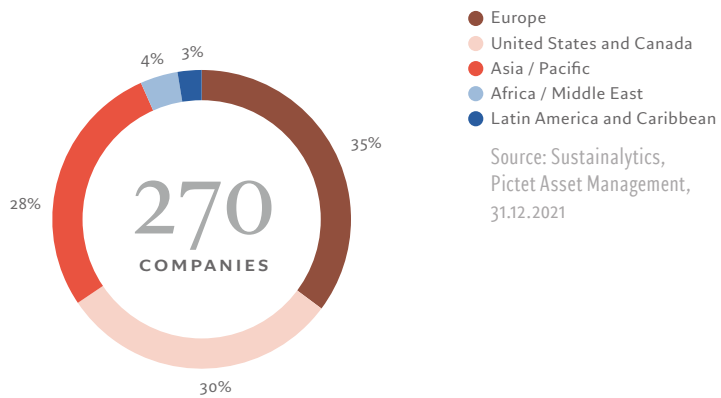


FIG.2
Breakdown by geography



ENVIRONMENTAL AND SOCIAL

The following are illustrative examples of our engagement on climate change, human rights, public health, and product safety issues.

Pacific Gas and Electric Company (PG&E)

Physical impacts of climate change

Tier 1

PG&E is an American company providing natural gas and electric service. It has been implicated in safety issues, the most serious of which include a gas pipeline explosion in 2010 and, more recently, ignitions of massive wildfires in California. Liabilities from these events pushed the company into bankruptcy.

In 2020, PG&E emerged from bankruptcy with a new and highly experienced management team, intent on bringing a new culture of safety to the business. We saw this as an opportunity for the company to materially improve its risk profile and safety record. We initiated an engagement with the following objectives:

- Continued use of power shutdowns, where relevant, to manage short term wildfire risk
- Provision of clearly defined undergrounding strategy within wildfire mitigation plan
- Improve data transparency and disclosure around wildfire safety statistics
- Provision of a solution to the Fire Victims Trust shareholding overhang

The CEO and wider team have been receptive. The company has now secured a wildfire safety certificate from the regulator and is working on a wildfire mitigation plan. Engagement continues.

NXP Semiconductors N.V.
Climate change mitigation and water use
Tier 1

Semiconductors are an essential part of the clean energy transition, playing a role in enabling energy efficiency, e-mobility and renewables. However, the manufacturing process takes a heavy toll on the planet. It is very energy intensive and requires significant volumes of ultra-pure water for cleaning purposes, to avoid trace molecules affecting product quality.

We engaged with NXP, a Dutch semiconductor manufacturer, in 2021 to ask it to develop and publish science-based emissions reduction targets, accelerate efforts to achieve 100 per cent renewable energy sources, and set targets for reducing water consumption while improving water recycling rates. Active dialogue continues.

RWE AG
Climate change mitigation
Tier 1 & 2

RWE is a German energy company with activities ranging from electricity generation, building storage systems and energy trading⁵. We started engaging with RWE in early 2019 primarily to encourage the sale of its coal



Did you know?
The number of wildfires
is expected to rise by

50%

by 2100 due to
climate and
land-use change.⁶

⁵ Source: RWE, May 2022.

⁶ Source: United Nations Environment Programme, Spreading like Wildfire – The Rising Threat of Extraordinary Landscape Fire, February 2022.

and lignite assets. The engagement was successful, with RWE setting out a clear decarbonisation pathway, including plans to close their remaining lignite and coal plants in partnership with the German government. RWE's current targets include achieving net zero by 2040, exiting coal by 2038, and cutting CO₂ emissions by 70 per cent by 2030 (compared to 2012 figures).

However, the company is still to complete the legal ring-fencing of coal assets. RWE's transition is likely to be spurred by regulation, with Germany's new coalition government committing towards decarbonising the energy sector and bringing forward the eradication of coal-fired electricity generation to 2030 from 2038. We have expressed our support for this policy at meetings with the chairman and management of RWE – on the condition that the appropriate mechanisms are in place to protect shareholders from future liabilities.

We believe a move
to separate the remaining coal
generation assets
can help create long-term value
for the company
and for shareholders.

We remain confident in RWE's low carbon transition plan. We continue to monitor the situation closely and maintain active and constructive dialogue with the company.

Tencent Holdings

Human rights

Tier 3

Tencent Holdings Ltd. is a Chinese multinational technology and entertainment conglomerate. Tencent's flagship WeChat messaging platform dominates Chinese social media, with over 1.2 billion monthly active accounts.⁷ Due to its ubiquity, WeChat has reportedly become the government's main tool of internet censorship, with authorities having unrestricted access to user communications. While we expect Tencent to comply with government requests, we have concerns over the absence of robust due diligence on human rights.

Companies operating in China are in a challenging position with respect to managing human rights risk exposure for their users. However, as investors, we still expect them to focus on supporting internationally accepted human rights standards. In this context, our service provider, Sustainalytics, has engaged with Tencent to encourage it to show efforts to establish human rights due diligence practices. It also encouraged transparent policies relevant to digital rights, as well as reporting on external data requests and content moderation requirements.

Tencent has been responsive and shown a willingness to engage. However, progress remains slow. We expect this dialogue to continue in 2022.

Atlantia SpA

Product safety

Tier 3

The Morandi bridge in Genoa, Italy, partially collapsed in August 2018, killing 43 people and injuring 16 others. More than 600 people had to be relocated from their homes near the bridge, which was operated by Autostrade per l'Italia (API), a subsidiary of Atlantia.

⁷ Source: Statista, "Number of monthly active WeChat users from 2nd quarter 2011 to 4th quarter 2021", March 2022.

In the aftermath of the event, Sustainalytics engaged with Atlantia, an Italian holding company active in the infrastructure sector, to encourage an internal investigation into the bridge collapse. It asked that projects within the company's control be assessed to prevent similar failures in the future; that a remedial strategy for those affected is developed; and that robust project monitoring and maintenance systems and emergency procedures are put in place.

Over the past three years,
we have seen Atlantia improve its quality
and safety work. Importantly, it
made changes to its corporate governance:
80 per cent of top management
was replaced, including the CEO.

It also strengthened its compliance and whistleblowing mechanisms, and announced a strategic plan, committing to invest EUR13.5 billion into development and improvements to roads and networks.

In June 2021, Atlantia signed a deal to sell its entire stake in API. Based on this, and some very positive efforts to strengthen quality and safety work, Sustainalytics decided to resolve the case.

Did you know?

A survey conducted by
ISS in 2021 shows that

climate

is the single most commonly shared ESG engagement priority. For investors in continental Europe and Australia, human and labour rights considerations are also at the top of the list.⁸

⁸ Source: Institutional Shareholder Services (ISS), Stewardship Excellence: ESG Engagement in 2021, 2021.

GOVERNANCE

Our engagement on governance issues includes 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.

California Water Services Group Board composition, ESG disclosure, remuneration Tier 1

California Water Services Group is an American public utility company providing drinking water and wastewater services. Engagement began in 2019, when we called on the board to expand environmental reporting, increase the number of independent non-executive directors and amend the compensation structure for the CEO, to improve alignment between pay and performance.

The company has since broadened and deepened its ESG reporting, providing disclosures aligned with the Sustainability Accounting Standards Board (SASB) and Water Utilities & Services Industry Standard and referencing the Global Reporting Initiative (GRI) standards. It has also appointed additional independent non-executive directors, which we welcomed.

Did you know?
Common ESG reporting
frameworks and standards⁹
have been used by

95%

of S&P 500 companies
to publicly disclose
ESG information.¹⁰

⁹ CDP, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), The Task Force on Climate Change (TCFD) and Integrated Reporting (IR).

¹⁰ Source: Center for Audit Quality, 2021.



However, we remain concerned about the high proportion of long-tenured board members and their pay. For this reason, we voted against the Compensation Committee members, as well as against the compensation plan. We asked that the plan is reconsidered, with the input of a new consultant to review peer benchmarking. We continue engagement on compensation and board composition.

Tetra Tech
Board composition
Tier 1

Tetra Tech is a California-based consulting and engineering services firm. Engagement began in 2021 after we voted against two non-executive directors, with tenures of 28 and 33 years respectively. We felt that, while both had brought significant experience and skills, contributing to the exceptional track record of the company, there was an opportunity for board renewal. This would refresh the tenure profile and creating a more diverse board.

We set out the potential to bring to the board better understanding of the human dimension to the ‘environmental justice’ trend, as well as to better reflect the increasingly global footprint of revenue streams and its diverse employee base.

Following our engagement, Tetra Tech appointed a new board member in early 2022, reducing the board’s tenure and improving diversity.

We look forward to continued dialogue over the coming years.

Weir Group
Remuneration policy
Tier 1

Weir Group is a Scottish multinational company providing engineering solutions for minerals and mining technology markets. We began engagement in late 2020, voicing our concerns to the board about amendments to the remuneration structure. We were particularly concerned about the vesting of the long-term incentive plan (LTIP) based on the return on invested capital (ROIC) at a level just above the weighted average cost of capital (WACC).

While we believe management is committed to mergers and acquisitions (M&A) with a similar profile to the existing minerals business, some activity had been dilutive to the current business. We feel the current vesting conditions could create perverse incentives that lead to deals with sub-optimal outcomes for shareholders. In addition, we believe more challenging vesting criteria, including but not limited to ROIC, would properly incentivise management and enable Weir to capitalise on the returns generated from its best-in-class business.

It is our concern that without such incentives, Weir risks trailing other best-in-class peers in capital efficiency and operating performance. This led to us voting against both the Remuneration Report and the Remuneration Policy in 2021. Since then our engagement has continued, with the Remuneration Committee revisiting the overall remuneration structure.

Orix Corporation Board composition, remuneration, transparency Tier 1

Orix Corporation is a Japanese diversified financial services group including leasing, corporate finance, environment and energy, banking, and life insurance businesses. Engagement started in 2020, spanning carbon emissions, board balance and independence, board diversity, executive remuneration, and transparency as well as disclosure.

In 2021, we saw significant progress. Orix set targets to cut Scope 1 & 2 Greenhouse Gas (GHG) emissions by 50 per cent by 2030 and to net zero by 2050. The bulk of its emissions comes from two hybrid (coal/biomass) power plants which it owns and operates. Orix has stated it will incrementally increase the share of biomass at these plants. The company has established a Sustainability Committee, chaired by the CEO. This is important as it clearly shows accountability and oversight for sustainability at board level.

In relation to governance concerns, the CEO resigned from the Nomination Committee, making it fully independent. In addition, the board is now majority independent. A female director has been appointed and the company set 30 per cent targets for female managers and female board members by 2030. We believe public targets are positive as they increase accountability and ability to monitor progress.

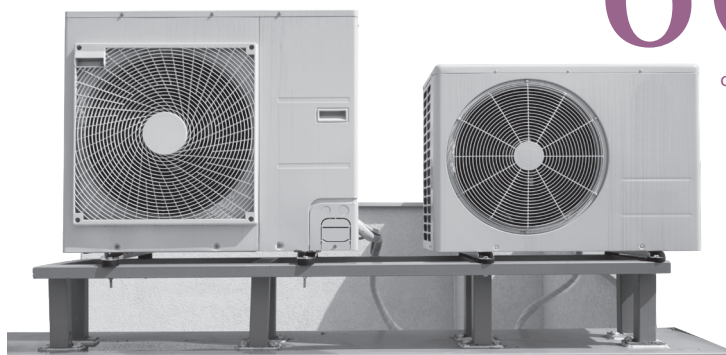
Our constructive dialogue continues in relation to Scope 3 emissions disclosure, the link between remuneration and environmental performance, and a greater focus on return ratios rather than net profit measures.

Path to net zero – mitigating our own emissions

By 2025, the Pictet Group aims to cut its direct greenhouse gas (GHG) emissions by

60%

compared with 2019 levels.¹¹



¹¹ Source: Pictet Group, 2021.

In focus: climate change

Climate change is one of the defining challenges of our time. For investors, it is also an opportunity to build a more sustainable economy.

For Pictet, climate change represents both an urgent challenge and an opportunity to build a more sustainable economy. We believe climate change will have a material impact on asset prices and investment returns in the coming years. We also believe that, as stewards of global capital, the investment decisions we and our peers take today will have a strong bearing on how climate change ultimately unfolds. This is why, in support of the Paris Agreement, Pictet has committed to achieving net-zero greenhouse gas emissions by 2050 or earlier, which is in line with global efforts to keep average temperatures to within 1.5 degrees of pre-industrial levels. We also see it as our duty to be vocal advocates of the climate transition, both in our engagement with the entities we invest in and across a range of public forums, and to channel investment to companies and countries developing solutions to environmental problems.

We expect to publish the Pictet Climate Principles, together with a dedicated Climate Action Plan, in 2022.

NET ZERO ASSET MANAGERS INITIATIVE

In 2021, we joined the the Net Zero Asset Managers initiative, an international group committed supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with the best available climate science and with global efforts to limit warming to 1.5°C. It is also committed to supporting investing aligned with net zero emissions by 2050 or sooner. The Net Zero Asset Manager initiative includes 236 signatories with USD57.5 trillion in assets under management¹².

“Pictet’s unique governance
as an independent partnership has
always been anchored in
long-term thinking and an instinctive
sense of responsibility.
This is crucial when tackling a defining
issue like climate change, which
will play out over the coming decades.”

PHILIPPE LE GALL
Senior Engagement Specialist

¹² Source: Net Zero Asset
Manager initiative, as of
21.04.2022.

SCIENCE BASED TARGETS INITIATIVE (SBTi)

A partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) launched in 2015, the SBTi aims to guide companies in science-based target setting, enabling them to tackle global warming alongside boosting their competitiveness in the transition to a net zero economy. The SBTi defines and promotes best practice in emissions reductions and net zero targets in line with climate science, providing technical assistance and expert resources to companies setting science-based targets, with an independent assessment and validation of targets. As of today, 2,530 companies are working with SBTi to set science-based targets, including 1,180 with validated targets¹³.

“Transparency will be key to solving the climate challenge. As investors, we depend on the transparency of the issuers in which we invest. Material environmental and social disclosures help us make better capital allocation decisions, and ultimately contribute to the transition.”

ALEXANDRA MAHLER
Senior ESG Specialist

¹³ As at 24.02.2022.

We are committed to transparency on climate and other environmental factors, and have endorsed the Task Force for Climate Related Financial Disclosures (TCFD). We will progressively incorporate material TCFD-aligned disclosures in our annual reporting. These, in turn, will help us to strengthen our governance, strategy and risk management, to measure climate-related risks and to assess green investment opportunities.

As a signatory of the UN Principles for both Responsible Investment and Responsible Banking, we will continue to drive change within the financial services community and strengthen our policy work around the topic of climate. Locally we support the Swiss CEO4Climate initiative, which calls on the Swiss government to take more meaningful legislative action, in support of achieving the Paris Agreement goals. Beyond our borders, we have signed the Global Investor Statement on the Climate Crisis. This represents the strongest ever call from global investors for governments to raise their climate ambitions and implement meaningful policies to support investment in solutions to the climate crisis.

DRIVING POSITIVE CHANGE

We believe that facilitating the green economic transition offers a significant investment opportunity. Pictet has been a pioneer in sustainable investments, offering a range of specific strategies that direct capital towards companies providing solutions to environmental problems (starting with Pictet-Water in 2000). Our AUM¹⁴ in these strategies totalled EUR28.8 billion at the end of 2021.

These strategies allow our clients to invest in technologies, innovation and infrastructure that are instrumental to accelerating the transition to a low carbon economy and limiting global warming to 1.5 °C.

“If we wait until a company is 100% green before investing, we may lose the opportunity to influence a virtuous change dynamic that can ultimately lead to enhanced long-term value creation.”

ERIC BORREMAN
Head of ESG

ENGAGING IN THE TRANSITION

As active investment managers, our hand in building a green economy extends beyond channelling capital to environmental technology. It also involves bringing about positive change in corporate behaviour, where a transition to low carbon is not only possible but needs to be accelerated.

¹⁴ As of 31st December 2021. Excluding funds of funds and sleeves investment.

In 2021, we stepped up our efforts on climate change, doubling the number of companies with which we led or supported engagement with on this issue. Our key objective is to encourage companies to adopt and implement TCFD-aligned practices to manage transition and physical risks. This includes setting and disclosing emissions reduction targets in line with the Paris Agreement. We are drafting a set of minimum expectations for investee companies' climate change management practices, aiming to provide a framework for how to improve companies falling short.

EXCLUDING ASSETS

We do not believe that exclusion is the best way forward in all cases; engagement can offer better outcomes in many instances. However, excluding activities that are most harmful to society and the environment can be a useful tool when there is no path to transition, or when these activities are incompatible with our core values.

On the matter of climate, we categorically exclude companies that generate significant revenue from thermal coal mining from all actively managed strategies. This sector has limited scope for decarbonisation and is at high risk of becoming a stranded asset. We have also put in place certain product-specific and firm-specific exclusions.

Did you know?
There has been

USD **222** billion

investment in climate tech
between 2013 and
the first half of 2021.¹⁵



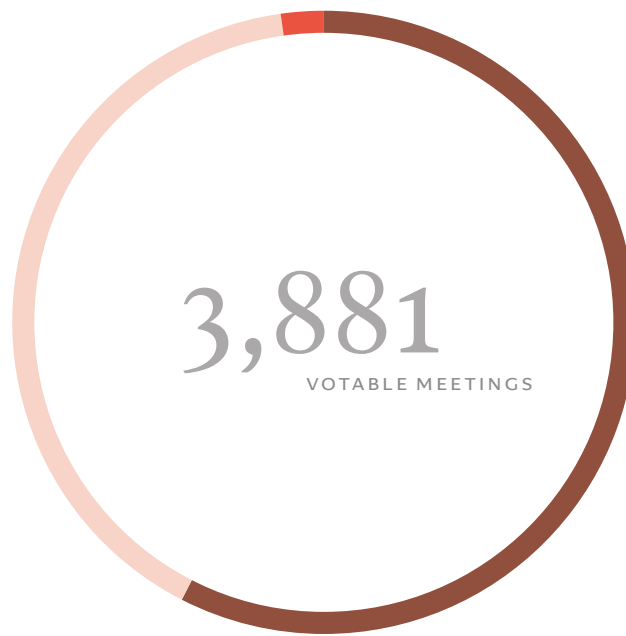
¹⁵ Source: PwC, State of Climate Tech 2021.

Proxy voting

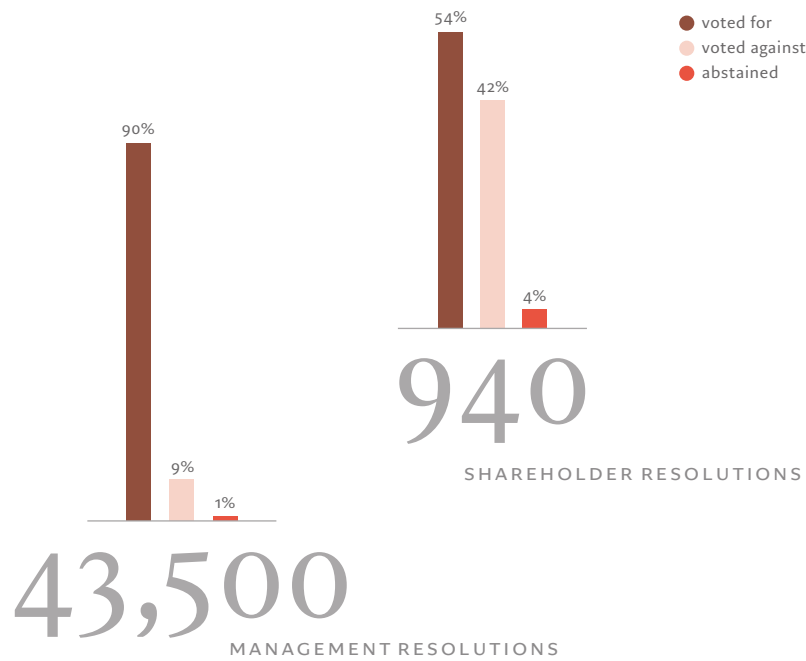
The overarching purpose of our voting is to protect and promote the rights and long-term interests of our clients as shareholders. As such, we consider it our responsibility to hold companies and their executives accountable for their decisions. In 2021 we cast over 44,000 votes at more than 3,800 meetings.

We aim to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to credible standards. At the same time, given the aspirational nature of these good practices, we recognise that governance frameworks can be both complex and multi-dimensional. We take a holistic approach to analysing governance, recognising that every entity is different and that changes to the equilibrium in one element of corporate governance may lead to unintended consequences in others. Simply appearing to be compliant with governance norms, or ticking boxes, is not enough to assure us that an organisation is well-managed and, in many cases, engagement will reinforce our voting decisions.

We believe shareholder resolutions are an important mechanism in signalling to the board the urgency for action. However, the resolution must be appropriately worded and bring material change. In 2021, we supported 80 per cent of shareholder resolution on social issues, and 94 per cent on climate issues.



- 58% in favour of all resolutions
- 40% against/abstained or withheld at least one resolution
- 2% meetings at which we did not vote



- voted for
- voted against
- abstained

Source: ISS, Pictet Asset Management,
31.12.2021



A block of alien vegetation is burned out during an emergency back burning operation to suppress a raging wildfire high in the mountains above Paarl, South Africa. 'Back burning' is an incredibly powerful technique to suppress wildfires when used correctly, however it is also an extremely challenging and risky operation that can lead to a less desired outcome.

Date: 2017
Location: Du toits Kloof, South Africa

There are four main reasons for rejecting certain resolutions:

- The board is best placed to make the decision (for example in relation to the principal objectives of executive compensation)
- The resolution is overly prescriptive (for example setting a fixed quota on diversity that may hinder the company from selecting the best candidates in certain situations)
- The company already appears to provide adequate and sufficient disclosure (for example where there is already required disclosure relating to oversight of workforce issues)
- It is not clear that the request would produce meaningful additional information beyond what the company already discloses in its proxy (for example disclosing how a company considered pay grades and/or salary ranges of all employees when setting target amounts for executive compensation)

2021 VOTING CASE STUDIES

Management resolutions

Not supported

Voting against the re-election of directors at Guangdong Investment Limited, a Chinese property, infrastructure and energy company. Despite engagement, we consider there to be a lack of urgency from the company to establish a plan for the divestment of their coal assets.

The bulk of the resolutions (45%) that we did not support related to board directors. We recognise that for many directors seeking election or re-election, the absolute level of the vote in favour is something that they monitor. Because of this, we believe voting against directors it is an effective mechanism and as such forms part of our engagement toolkit.

Examples include:

- Voting against the re-election of directors at **Guangdong Investment Limited**, a Chinese property, infrastructure, and energy company. Despite engagement, we consider there to be a lack of urgency from the company to establish a plan for the divestment of their coal assets.
- Voting against longstanding members of the board of **Tetra Tech Inc.**, a US consulting and engineering services company who had served for 28 and 33 years respectively (discussed previously in this report). At the same time, we engaged with the company to increase the diversity of the board and better align it with its customer base. We have followed up with an ongoing engagement process, and the first changes are now being made.
- Voting against the reappointment of the auditor at **Pentair Group**. They have been in place since 1977 and we believe that a public tender and possible replacement would be a beneficial exercise.

Shareholder resolutions

Supported

We supported a shareholder resolution for Equinor ASA to set short-, medium- and long-term targets for Greenhouse Gas (GHG) emissions, voting against management recommendation. The setting and publication of targets would help shareholders understand the Equinor's assessment of how it could reduce its carbon footprint, in alignment with Paris Agreement goals.

“The overarching purpose of our voting is to protect and promote the rights and long-term interests of our clients as shareholders. We consider it our responsibility to hold companies and their executives accountable for the decisions they make.”

JAMES UPTON
*Senior Corporate
Governance Specialist*

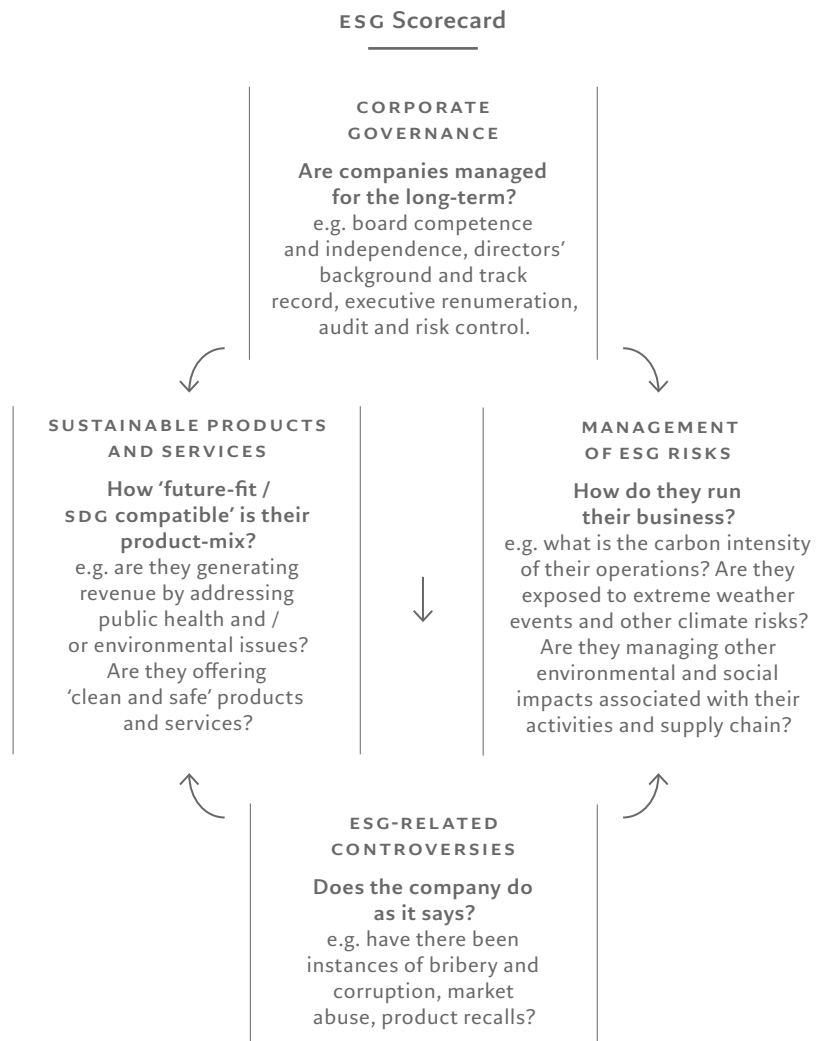
We supported a shareholder resolution for Citigroup to report on racial equity, voting against management recommendation. Citigroup already provides significant information on efforts to reduce racial and economic inequality, including its Closing the Racial Inequality Gaps report, ESG report, and Talent and Diversity report, its code of conduct, and in its proxy statement. However, we felt that, given the rising awareness of racial justice, a racial equity audit should allow shareholders to even better assess the company's diversity and inclusion policies.

Research and thought leadership

ESG DATA AND RESEARCH

To identify material ESG factors affecting companies, our investment teams collate information from multiple sources, including company reports, third party research and, importantly, our proprietary ESG Scorecard¹⁶. The scorecard gives a focused view of ESG risks and opportunities, and is the foundation of ESG integration efforts across the Pictet Group. It is underpinned by a robust framework driven by thorough data knowledge, analysis and experience, using information from specialist research providers.

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



¹⁶ Please refer to <https://am.pictet/-/media/pam/pam-common-gallery/article-content/2020/expertise/esg/active-ownership/pictet-esg-scorecard-en.pdf> for additional information on our ESG Scorecard.

The qualitative analysis informs the assessment of potential financial impacts of ESG factors. This can lead teams to adjust valuation models and financial projections, and can influence investment decisions.

THOUGHT LEADERSHIP

We see it as our mission to educate ourselves, our clients and the wider investment community on market-wide and systemic risks from ESG issues. We believe education will raise awareness and direct capital to address these issues. In this context, we sponsor academic research work, take part in industry forums and publish thought pieces drawing on our experience across key environmental and social themes.

In 2021, we continued our partnership with Professor Cameron Hepburn and his team at the University of Oxford Smith School of Enterprise and the Environment. Professor Hepburn authored a paper titled [Climate Change: Answers to Common Questions](#) (December 2020), giving a brief but firm grounding on the current knowledge of climate change, its environmental and economic implications, and how to respond to it.

We have long-standing partnerships with two Nordic organisations, the Stockholm Resilience Centre (SRC) and the Copenhagen Institute for Futures Studies (CIFS). The SRC's work on the pioneering Planetary Boundaries concept has allowed us to form a science-based investment framework, which can identify and assess companies now solving some of the biggest environmental challenges ever faced by the planet.

¹⁶ Please refer to <https://am.pictet/-/media/pam/pam-common-gallery/article-content/2020/expertise/esg/active-ownership/pictet-esg-scorecard-en.pdf> for additional information on our ESG Scorecard.

With CIFS we have been working for over a decade to further understand megatrends – the powerful secular forces that are changing the environment, society, politics, technology and the economy. In 2021, we sponsored a CIFS report called [‘The Fourth Industrial \(R\)evolution’](#), outlining the blind spots, risks and opportunities we are seeing in this era of rapid technological change.

We are also involved in Building Bridges, a joint initiative launched in 2019 by Sustainable Finance Geneva (SFG) network. Through Building Bridges, SFG seeks to accelerate the transition to a global economic model aligned with the Sustainable Development Goals (SDGs). Building on more than 20 years of experience investing in the water value chain, we led a panel discussion during the 2021 Building Bridges Week in Geneva. The panel explored how we might overcome the hurdles to meeting SDG 6 – ‘Clean water and sanitation for all’.

Our dedicated digital hub, [Mega](#), features expert analysis of megatrends and the New Economy. This comes from academics, scientists and entrepreneurs, focusing on the people and companies looking to solve some of the world’s most pressing environmental, social and technological challenges.

Additionally, our own investment experts research and discuss developments, including from ESG issues, crucial to tactical and strategic asset allocation. Their insights are published on our website, [am.pictet](#).



A Huey helicopter makes a perfect drop above a fire line with billowing smoke above from the head of the fire. The Huey makes use of 1,000 litre Bambi Buckets to transport water to the fire line.

As far as possible, it scoops water from nearby ocean or dams. If the water source is close, the aircraft has a very high turnaround time.

Date: 2017
Location: Du toits Kloof, South Africa

What responsibility means for Pictet Group

Our focus on sustainability is not limited to how we invest – we are also committed to adhering to ESG principles within the business. Here are some of the recent highlights.

DIVERSITY & INCLUSION – EDGE LEVEL 2 CERTIFICATION

Pictet Group was awarded global EDGE Level 2 certification (Move) for fostering an inclusive and gender equal workplace in 2021. Diversity and inclusion are a strategic priority for us, with gender one of the Group's six 'diversity chapters' alongside ethnicity, differently abled, LGBTQ+, generations and socio-economic background. The results of the detailed audit by EDGE show that we have made considerable progress over the past three years in workplace gender equality and inclusiveness of our culture.

CHARITY WORK – SUPPORT FOR MÉDECINS SANS FRONTIÈRES (MSF)

The Pictet Group Foundation strives to improve the lives of the most vulnerable, fostering a more resilient and sustainable future for all. It supports projects that help

“Thanks to our support for the MSF emergency fund, we are contributing to a rapid and effective response to emergency situations, while benefiting from MSF's long-standing expertise in this field.”

CHRISTINE SANDSTRÖM
Director of the Pictet
Group Foundation

mitigate pressing challenges for the environment and the youth. One of the institutions we support is Médecins Sans Frontières (MSF) which provides medical assistance to

populations facing life-threatening crises: mainly armed conflicts, but also epidemics, pandemics, natural disasters and exclusion from healthcare. MSF's emergency fund provides rapid medical assistance to victims of crises around the world.

PATH TO NET ZERO – MITIGATING OUR OWN EMISSIONS

By 2025, the Pictet Group aims to cut its direct greenhouse gas emissions by 60 per cent compared with 2019 levels. We have been offsetting all direct and indirect emissions since 2014 and, in 2021, decided to switch to doing so by funding carbon removal projects. We believe this will have a greater impact than focusing on emission reduction or avoidance. The aim is to contribute to the development of essential carbon removal technology solutions which are to-date only in the early stages. In particular, we are focussing on biochar – a fine-grained charcoal produced by pyrolysis in a furnace to capture all emissions, gases and oils for reuse as energy. Biochar has been used in agriculture for more than 2,500 years and can endure in the soil for hundreds of years. Unlike conventional fertilisers and conditioners, it offers lasting benefits by increasing soil fertility, contributing to water retention and improving the overall porosity of the soil. Biochar projects are selected with South Pole, a Swiss carbon finance consultancy.

BUILDING SUSTAINABLY – NEW CAMPUS

Work has begun on a new, innovative headquarters for the Pictet Group in Geneva. Equipped with the most advanced technology, the building will also serve as a blueprint for environmental integration in an urban environment. It will provide spaces that will ensure Pictet employees, clients and visitors constantly remain in contact with nature, including a public park and a tree-lined perimeter, as well as the daylighting of the Drize river. Sustainability features will include the use of recycle cement and aluminium in the construction process, the reuse of rain water, extensive bicycle parking and a commitment to not using any energy generated from fossil fuels.

Conclusion and plans for 2022

We are proud of the positive impact that our responsible investment programme delivered throughout 2021, and welcome increasing engagement from the businesses and governments in which we invest on critical ESG issues.

The need for such change is more urgent than ever. To maximise our positive contribution, we have designed a Group-wide engagement programme focusing on climate change, water, nutrition, and long-termism – all key ESG themes in which Pictet has long-standing expertise. We are looking forward to launching this programme in 2022, and to conducting more targeted dialogue with companies, including more Tier 1 engagements.

Furthermore, we will conduct an internal audit of all ESG-related activities, including active ownership, across all the Pictet Group entities in 2022-23.

TABLE 1
Pictet Group engagement programme

E		S		G
CLIMATE	WATER	NUTRITION	LONG-TERMISM	
<ul style="list-style-type: none"> • Low carbon transition • Sustainable forests 	<ul style="list-style-type: none"> • Water conservation • Water quality 	<ul style="list-style-type: none"> • Healthier food • Biodiversity 	<ul style="list-style-type: none"> • Long-term performance culture • Talent development and retention 	

As well as direct engagement with companies and sovereigns, we will continue to strengthen our involvement with investor collaborations in order to drive positive change. In 2022, we are looking to further expand our work with CA100+, as well as with Ceres – in particular playing an active part in their global corporate engagement programme as part of the Valuing Water Finance Initiative. In the thought leadership space, we will be involved in a new collaborative research project on biodiversity.

We will continue our work on embracing the European Union's Sustainable Finance Disclosure Regulation (SFDR¹⁷), enhancing our reporting and product classification. We are also planning to enrich our offering of ESG-linked strategies (Article 8 & 9), with new launches in both equities and fixed income.

At a corporate level, we will be looking to progress towards our net zero goals, with Pictet Group setting out a concrete Climate Action Plan, including 2030 interim targets, during the course of the coming year.

¹⁷ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-related disclosures in the financial services sector (SFDR).



An aerial view depicting the ravaged mountain edge of a wildfire that burned through 3 different municipal districts before reaching farmland in the Western Cape Province of South Africa.

Date: 2017
Location: Slangkop, South Africa

Additional information

[About us](#)

[Our clients](#)

[Investment approach](#)

[Engagement statistics](#)

[Voting policy and
statistics](#)

[Governance and
resources](#)

[Risk management
and assurance](#)

About us

Pictet Asset Management is one of the four business lines of the Pictet Group, which offers wealth management, asset management and related services. Founded in Geneva in 1805, the Pictet Group has more than 5,000 employees in 30 offices around the world. We are privately owned, led by eight managing partners.

We face market-wide systemic challenges from climate change, the depletion of natural capital, human health and pervasive inequality. These all demand an accelerated transition to a more resilient and sustainable global economy. For the financial system, we believe that this calls for a systematic shift in focus. We must move away from the traditional emphasis on maximum financial return, and instead turn our attention to models grounded in science and innovative partnerships. Rigorous consideration of ESG factors is imperative in investment decisions and active ownership practices. This also means encouraging and cultivating solutions that redirect capital flows towards issuers best placed to tackle these challenges.

We have three ambitions that make up our 2025 Responsible Vision:

Ambitions 2025

AMBITION 1

To significantly reduce the environmental impact of our activities and investments

AMBITION 2

To fully integrate ESG factors and active ownership into all investment processes

AMBITION 3

To be a leading provider of responsible products and solutions

Source: Pictet Group,
September 2021

To achieve these ambitions, we have identified 10 levers of action:

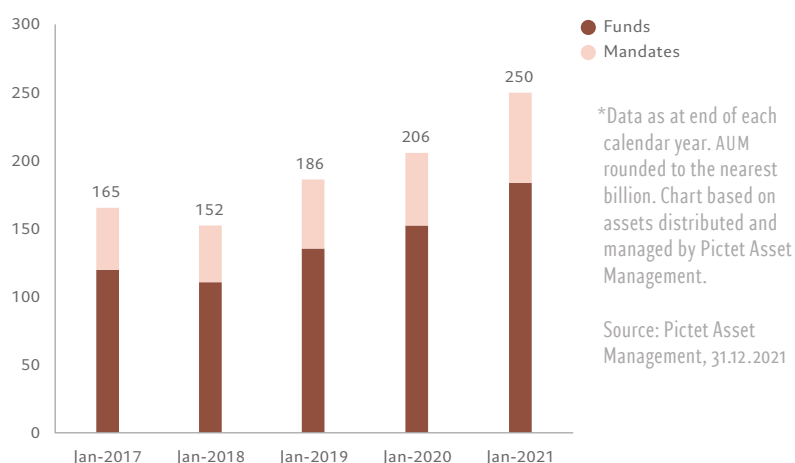
TABLE 2
Levers of action

OWN ASSETS	CLIENTS ASSETS
As a firm, responsibility starts with what we do with our own assets	As an investor, our biggest impact lies in how we manage assets on behalf of our clients
<ol style="list-style-type: none"> 1. Investing our balance sheet 2. Employee engagement to foster responsibility 3. Managing our direct environmental impacts 4. Philanthropy 5. Advocacy and partnerships 	<ol style="list-style-type: none"> 6. ESG integration into investment processes and risk management 7. Responsible products and solutions 8. Active ownership 9. Client disclosure 10. Research and thought-leadership

With these as our guide, we are convinced we can play our part in designing a thriving system for future generations. Ultimately, they align us with our purpose, which is to protect, grow and transmit wealth, in every sense, by building responsible partnerships with our clients, colleagues, communities and the companies in which we invest.

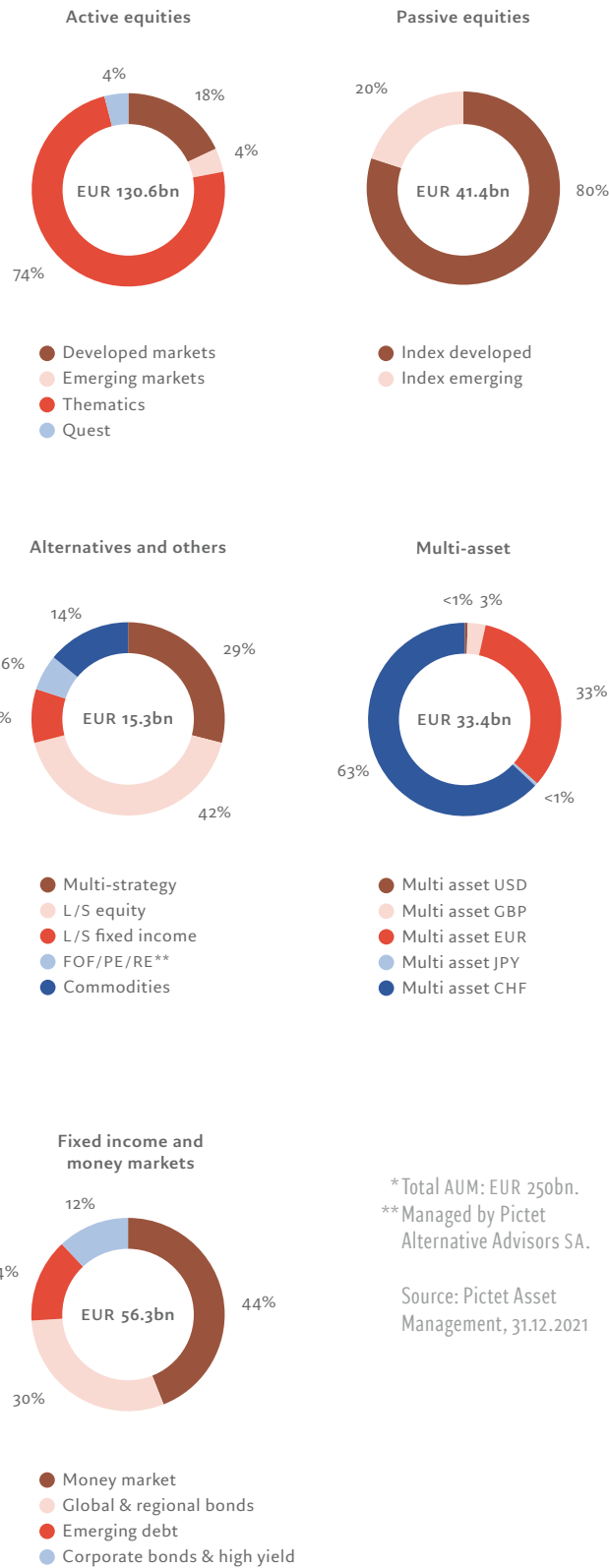
At Pictet Asset Management we manage EUR250 billion¹⁸ in assets across a range of equity, fixed income, alternative and multi asset products. In the past five years, the total assets under our management have increased by over 50%, from EUR165 billion in 2017 to EUR250 billion in 2021 – testament to our success in serving effectively the best interests of our clients and beneficiaries. Through segregated accounts and investment funds, we provide specialist investment services to some of the world’s largest pension funds, financial institutions, sovereign wealth funds, intermediaries and their clients.

FIG.3
Evolution of assets (EUR billion)*



¹⁸ At December 31, 2021.
Source: Pictet Asset Management. AUM rounded to the nearest billion, based on assets distributed and managed by Pictet Asset Management.

FIG.4
Asset class*



* Total AUM: EUR 250bn.
 ** Managed by Pictet
 Alternative Advisors SA.

Source: Pictet Asset
 Management, 31.12.2021

STRATEGIC CAPABILITIES

We are active managers with a clear focus on valuation and strong risk management across equity, credit, sovereign debt and currencies. We offer clients solutions focused on four strategic capabilities:

Thematics – driven by megatrends

Since the 1990s, our innovative thematic equity strategies have looked beyond benchmarks, offering investors opportunities to capitalise on the most powerful trends.

Alternatives – ambitious returns, risks controlled

Our core strengths are in active and prudent portfolio management. Our absolute return strategies seek to optimise investor returns alongside meeting risk tolerances.

Multi Asset – mastering asset allocation

Our Multi Asset teams deploy outlook-driven and tactical allocation, to generate attractive returns over the course of an economic cycle.

Emerging Markets – deep and broad knowledge

We combine deep market knowledge with a disciplined approach to risk. We offer a diverse range of bond, equity and absolute return strategies to help investors capitalise on a dynamic emerging world.

COMMITMENT TO RESPONSIBLE INVESTMENT

We believe in a responsible way of doing business. We take a holistic view of the economy and its interactions with society and the natural environment. As such, we are convinced that ESG considerations must take a fundamental role in our thinking and vision. This approach guides us to better long-term investment decisions for our clients and, importantly, creates shared value for society.

Our commitment to responsible investment is driven by the first five levers of action. We use these to deliver Pictet Group's 2025 Responsible Vision: ESG integration, responsible solutions, active ownership, client disclosure and research as well as thought leadership.

Thus, our second annual Responsible Investment Report¹⁹, provides details on the progress achieved in 2021 in implementing these targets. We have enhanced our responsible investment practices, including in active ownership, through a combination of clear articulation of Pictet's vision, a more robust governance framework, development and deployment of ESG tools, targeted internal training and communications, and an increase in ESG-dedicated resources.

¹⁹ The preparation of our annual responsible investment report involves the participation of a number of teams, including the Group's and Pictet Asset Management's ESG teams, and investment and marketing/distribution teams. The report is reviewed and approved by Pictet Asset Managements co-CEOs.

INDUSTRY INITIATIVES

As committed advocates of responsible investing, we seek to set an example to the industry and markets, encouraging more inclusive thinking around people, the planet and portfolios. To this end, we are involved in a number of industry initiatives, organisations and partnerships, including:

TABLE 3
Industry initiatives

ORGANISATION/ INITIATIVE	INVOLVEMENT OF PICTET ASSET MANAGEMENT
UNPRI	Signatory
FNG, SPAINSIF, ITASIF	Member
CDP (Carbon Disclosure Project)	Signatory (Pictet Group)
EFAMA (European Fund and Asset Management Association)	Member of the Stewardship, Market Integrity & ESG Investment Committee
Climate Bonds Initiative	Member of the Standards Board representing the IIGCC
IIGCC (Institutional Investors Group on Climate Change)	Member Adaptation & Resilience Working Group
FTSE Russell	Member of the FTSE Environmental Markets Advisory Committee
Swiss Sustainable Finance (SSF)	Founding member (Pictet Group)
The Investment Association	Member of the Sustainability and Responsible Investment Committee
UN Principles for Responsible Banking	Signatory (Pictet Group)
Taskforce on Climate-related Financial Disclosures (TCFD)	Signatory (Pictet Group)
Farm Animal Investment Risk and Return (FAIRR)	Member
International Corporate Governance Network (ICGN)	Member
Science Based Targets initiative (SBTi)	Signatory (Pictet Group)
Net Zero Asset Managers Initiative	Signatory (Pictet Group)

Most of our recent advocacy activity has been centred on climate change. We see this issue as a rapidly materialising systemic risk. For this reason, it is a key focus across our risk, investment and active ownership activities. Given the scale of the threat, we are committed to making concerted efforts to achieve system-wide solutions.

We are members of and active contributors to the Institutional Investors Group on Climate Change (IIGCC). We believe the IIGCC is instrumental in improving the investment industry's part in the transition to a low-carbon economy. In 2021, we participated in IIGCC-led initiatives, including a consultation on climate accounting methodologies, and signing the Global Investor Statement to Governments on the Climate Crisis (published ahead of COP 26). In the run up to the summit, we also signed an investor statement led by FAIRR, urging G20 nations to enact ambitious policies and disclose effective targets for GHG reductions in agriculture.

We joined an investor group calling on the big four accounting firms – Deloitte, EY, KPMG and PwC – to include net-zero considerations more systemically in their auditing. We will review the effectiveness of this initiative in 2022.

Most of our work on broader ESG and responsible investment issues is through industry associations. The Pictet Group has been an active member of the Swiss Sustainable Finance initiative since 2014, currently co-leading a working group on sustainable investment in wealth and asset management. In the UK, Pictet Asset Management is a member of Sustainability and Responsible Investment Committee within the Investment Association. During the reporting year, the Committee's work has focused on helping investment managers address issues around climate change. This included supporting the development of climate-related disclosures and net-zero strategies, as well as working with the UK Government to bring about transition by enabling investible opportunities. The Committee also served as a forum for discussing solutions to challenges presented by new sustainability disclosure requirements.

Our clients

CLIENT BASE

Our client base is split across three distribution channels: institutional, wholesale and retail. Of our assets, 36% are from institutional clients, followed by 30 per cent from retail, and 22 per cent from wholesale. Across our business, approximately 81 per cent of our assets managed at December 31 2021 were for European clients, 14 per cent for Asian, and 5 per cent for American.

FIG.5
Distribution channel

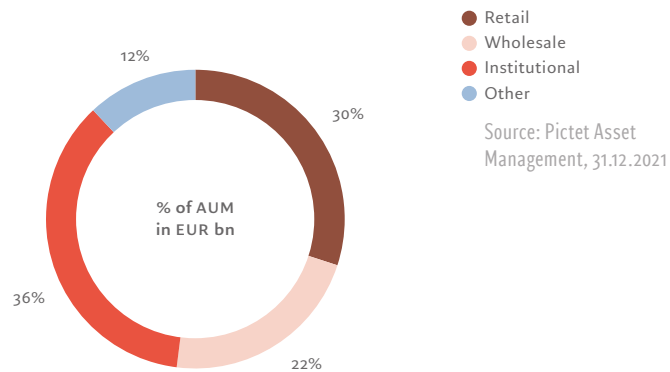
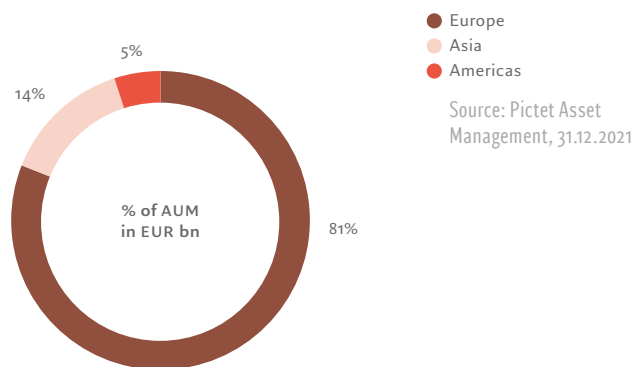


FIG.6
Geography



INVESTMENT HORIZON

Our clients naturally have different needs and holding periods, and our investment strategies are shaped to support these. We offer a variety of options for our clients to embed ESG within their businesses, and we engage with them to help find the most suitable approach. Pictet Asset Management is a long-term investor; in our view ESG is a lens through which to evaluate investment risks and opportunities, seeking to generate and enhance returns for our clients.

The recommended holding period for equity strategies is typically a minimum of five years. We do, however, offer some products with a shorter holding period, such as money market and short-term bond strategies. Those with a medium-term holding period (a minimum of three years) include multi asset or fixed income strategies.

CLIENT MANAGEMENT

Embedded in our mission is a commitment to understand clients' needs and to evolve our approach for the best results. The Global Client Group (GCG) acts as the focal point for client services. It ensures client requests and reporting requirements are responded to promptly, perceptively, and accurately.

The GCG team aims to meet regularly with clients, to deepen our understanding of their needs and seek feedback to better our service. We encourage client feedback and/or views on Responsible Investment reporting, especially in relation to reports created specifically for the strategies in which they invest. The aim here is to ensure the level of data provided is appropriate to the needs of our clients. Where feasible, client feedback is considered in future reports.

Our annual client survey, along with insights from day-to-day client interaction, enables us to hear and respond to needs in areas such as responsible investment strategies. Through this, we can identify the need for ESG-focused strategies and find ways of categorising and comparing these effectively. Over the course of 2021, we have launched and reclassified more than 25 funds as Article 8 and Article 9 according to EU's Sustainable Finance Disclosures Regulation (SFDR).

We are also seeing increased demand for transparency in our stewardship activities across our business. For example, it is now standard practice to complete ESG and Engagement RFPs for consultants, and for existing and prospective clients.

We are focused on ensuring compliance with our clients' stewardship codes and statement of investment principles (SIP), available for most pension funds. These are regularly discussed as part of the ongoing relationship and expectations when taking on a client.

We pride ourselves on providing clients with insightful and forward-thinking advice. Over the last three years we have conducted several training sessions on numerous topics. These have included responsible investment strategies, data provider methodologies and application of big data to ESG research, active ownership – including proxy voting and engagement – and various reporting metrics.

In addition, our market intelligence team conducts a quarterly review on market and competitor trends. This covers subjects such as client demand per asset class and segments, as well as sustainability-themed investing or impact investing. A client survey with a third-party provider was recently conducted in the UK and German markets, which underlined the importance of ESG considerations. Its findings are now shaping our future activities.

REPORTING

We strive to report to our clients in a transparent and meaningful way. We publish monthly fund factsheets and quarterly strategy profiles for our strategies, as well as monthly and/or quarterly manager comments. The latter include information on market review, performance analysis and portfolio activity (over and underweights, market outlook, portfolio strategy). This and other information is accessible to clients through dedicated fund/strategy websites.

We prepare and provide periodic (usually quarterly) reports for our clients, outlining the ESG profile of their investment portfolios. Information in client reports can include ESG risk exposure, involvement in ESG controversies, portfolio carbon footprint, and engagement activity. We are developing reports to include more ESG indicators related to exposure to high-risk activities, carbon emissions, green revenues, and principal adverse impacts.

Proxy voting activity forms part of the periodic reporting metrics for all equity holdings. This is discussed in more detail later. The aggregate summary of our annual and monthly voting records is accessible here. Our website also compiles case studies around engagement with corporate and sovereign issuers.

We prepare and publish impact reports for our range of Thematic/Positive Impact strategies. These aim to provide further insights into the environmental and social impacts of the companies in those portfolios, as well as those of the portfolios themselves. We have developed innovative methodologies based on the Planetary Boundaries framework and the United Nations Sustainable Development Goals, to strengthen our impact reporting practices.

Investment approach

Consistent with our fiduciary duty to act in the best interests of our clients, we integrate material ESG factors into our investment research, portfolio construction, portfolio review and stewardship processes. Doing so helps us enhance our ability to generate long-term risk adjusted investment returns.

We have no single investment approach - we empower our investment teams and cultivate independence, to encourage innovation and accountability. However, we have three overarching principles that apply across all teams:

- We believe in the pre-eminence of active manager skill rather than simple style and carry bias. Our managers aim to deliver alpha coupled with high active share and/or astute management of market risk
- ESG considerations can help us make better long-term investment decisions, both in achievement of superior returns and better management of risks and opportunities. As a result, every investment team integrates ESG issues into its investment process
- We manage risk as much as portfolios. Risk management is an integral part of our decision-making, and risk monitoring is an independent function. Strong oversight is ensured through formal bi-annual manager reviews attended by our Chairman, CEO and respective CIO

INVESTMENT PRODUCTS

We support and offer options to our clients in embedding ESG, and engage with them to help find the plan to best meet their requirements. Our products are defined according to three main categories, reflecting the variety of approaches to ESG integration implemented by our investment teams.

ESG Integrated

These strategies integrate material ESG risks and opportunities in investment decisions to complement financial analysis. Portfolios may invest in securities with high sustainability risks. This tallies with SFDR Article 6 requirements.

ESG Binding

These strategies consider ESG factors such as sustainability risks and principal adverse impacts and promote environmental and/or social characteristics. This tallies with SFDR Article 8 requirements.

- Positive Tilt strategies seek to increase the weight of securities with low sustainability risks and to decrease the weight of securities with high risks, subject to good governance practices. Principal adverse impacts, as defined under SFDR, are reduced by excluding certain categories of issuers (please refer to our [Responsible Investment Policy](#) for details on our exclusions framework)
- Best in Class strategies seek to invest in securities of issuers with low sustainability risks while avoiding those with high sustainability risks, subject to good governance practices. Principal adverse impacts are reduced by excluding certain categories of issuers

Positive Impact

Pictet Asset Management has been a pioneer in thematic investment for more than 20 years. It currently offers a range of stand-alone strategies on themes including clean energy, digital, water, timber, environmental opportunities, nutrition, health and robotics. Our strategies aim to deliver a financial return while also achieving a positive and measurable impact, by investing in companies that provide solutions to increasingly complex sustainability challenges. As is the case with our ESG Binding strategies, principal adverse impacts are reduced by excluding certain categories of issuers. This tallies with SFDR Article 9 requirements.

Our range of ESG Binding and Positive Impact strategies account for 78% of our total assets under management in scope for EU regulation as at May 31, 2022.

Engagement statistics

TABLE 6
Breakdown of engagements by ESG topic

	NUMBER	%
Environment	55	16.5%
Climate Change Mitigation	27	8.1%
Freshwater & Marine Resources	8	2.4%
Biodiversity & Ecosystems	6	1.8%
Air Quality / Pollution Prevention	6	1.8%
Resource Efficiency / Circular Economy	4	1.2%
Physical Impacts of Climate Change	4	1.2%
Social	122	36.6%
Community Impacts / Human Rights	67	20.1%
Public Health / Product Quality & Safety	26	7.8%
Labour Standards / Health & Safety	25	7.5%
Data Privacy & Security	2	0.6%
Human Capital / Diversity & Inclusion	2	0.6%
Governance	156	46.8%
Board Functioning & Composition	61	18.3%
Business Ethics / Corruption	35	10.5%
Accounting / Internal Controls / Disclosure	30	9.0%
Executive Compensation	12	3.6%
Investor's Rights	9	2.7%
Capital Allocation	8	2.4%
Accounting / Internal Controls / Disclosure	1	0.3%
Grand Total	333	100.0%

Source: Pictet Asset Management,
Sustainalytics, December 2021

TABLE 7
Breakdown of companies engaged by geography

	NUMBER	%
Europe	95	35.2%
United Kingdom	19	7.0%
Switzerland	17	6.3%
Germany	15	5.6%
France	11	4.1%
Spain	6	2.2%
Netherlands	5	1.9%
Italy	4	1.5%
Sweden	3	1.1%
Norway	3	1.1%
Austria	3	1.1%
Russian Federation	2	0.7%
Denmark	2	0.7%
Finland	2	0.7%
Portugal	1	0.4%
Ireland	1	0.4%
Luxembourg	1	0.4%
United States and Canada	82	30.4%
United States	78	28.9%
Canada	4	1.5%
Asia/Pacific	75	27.8%
China	18	6.7%
India	14	5.2%
Republic of Korea	12	4.4%
Hong Kong	8	3.0%
Japan	7	2.6%
Singapore	5	1.9%
Australia	4	1.5%
Malaysia	3	1.1%
Indonesia	3	1.1%
Taiwan	1	0.4%
Africa / Middle East	11	4.1%
South Africa	6	2.2%
Israel	2	0.7%
Turkey	1	0.4%
Egypt	1	0.4%
Saudi Arabia	1	0.4%
Latin America and Caribbean	7	2.6%
Brazil	5	1.9%
Mexico	2	0.7%
Grand Total	270	100.0%

Source: Pictet Asset Management,
Sustainalytics, December 2021

TABLE 8
Breakdown of companies engaged by sector

	NUMBER	%
Industrials	43	15.9%
Machinery	11	4.1%
Commercial services & supplies	7	2.6%
Industrial conglomerates	5	1.9%
Trading companies & distributors	4	1.5%
Aerospace & defence	4	1.5%
Electrical equipment	3	1.1%
Professional services	2	0.7%
Transportation infrastructure	2	0.7%
Construction & engineering	2	0.7%
Building products	2	0.7%
Road & rail	1	0.4%
Consumer staples	33	12.2%
Food products	25	9.3%
Personal products	3	1.1%
Household products	3	1.1%
Food & staples retailing	2	0.7%
Materials	32	11.9%
Metals & mining	17	6.3%
Chemicals	10	3.7%
Paper & forest products	4	1.5%
Containers & packaging	1	0.4%
Financials	31	11.5%
Banks	18	6.7%
Capital markets	8	3.0%
Insurance	3	1.1%
Diversified financial services	2	0.7%
Consumer discretionary	27	10.0%
Textiles, apparel & luxury goods	6	2.2%
Hotels, restaurants & leisure	5	1.9%
Internet & direct marketing retail	5	1.9%
Household durables	4	1.5%
Automobiles	3	1.1%
Specialty retail	2	0.7%
Leisure products	2	0.7%

TABLE 8
Breakdown of companies engaged by sector (continue)

	NUMBER	%
Health care	26	9.6%
Pharmaceuticals	14	5.2%
Health care equipment & supplies	6	2.2%
Life sciences tools & services	3	1.1%
Health care technology	1	0.4%
Biotechnology	1	0.4%
Health care providers & services	1	0.4%
Utilities	25	9.3%
Electric utilities	12	4.4%
Water utilities	5	1.9%
Independent power and renewable electricity producers	4	1.5%
Multi-utilities	3	1.1%
Gas utilities	1	0.4%
Information technology	18	6.7%
Semiconductors & semiconductor equipment	6	2.2%
Software	4	1.5%
IT services	4	1.5%
Electronic equipment, instruments & components	2	0.7%
Technology hardware, storage & peripherals	1	0.4%
Communications equipment	1	0.4%
Communication services	17	6.3%
Diversified telecommunication services	6	2.2%
Interactive media & services	5	1.9%
Entertainment	3	1.1%
Wireless telecommunication services	2	0.7%
Media	1	0.4%
Energy	14	5.2%
Oil, gas & consumable fuels	14	5.2%
Real estate	4	1.5%
Equity Real Estate Investment Trusts (reits)	3	1.1%
Real estate management & development	1	0.4%
Total	270	100.0%

Source: Pictet Asset Management,
Sustainalytics, December 2021

TABLE 9
List of engagements in 2021

COMPANY	E	S	G
3M Co		1	
A.O. Smith Corp			1
Aalberts NV			1
Activision Blizzard Inc		1	
Adani Enterprises Ltd		1	
Adani Ports & Special Economic Zone Ltd		2	
Advanced Drainage Systems Inc	1		
AECOM			2
AES Corp.	1		
AGCO Corp.		1	2
Amazon.com Inc		2	
American States Water Co			1
AMP Limited			1
ams AG			1
Andritz AG		1	
Ansys Inc			1
Applied Materials Inc	1		1
Atlantia		1	
Avichina Industry & Technology		1	
Baidu Inc		1	1
Barclays Plc			2
Basic-Fit NV	1		
Bausch Health Companies Inc		1	1
Bayer AG		2	
Bayerische Motoren Werke AG			1
Beiersdorf AG			2
Beijing Enterprises Water Group Ltd			1
Beyond Meat Inc			2
Bezeq The Israeli Telecommunication Corp Ltd			1
Bharat Heavy Electricals Ltd		1	
Boeing Co		1	
Bolloré		1	
Boohoo Group Plc		1	
BRF SA		1	
Bunge Ltd	1		

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Cadence Design Systems, Inc	1		1
California Water Service Group			2
Caterpillar Inc		1	
Centrais Eletricas Brasileiras SA		1	
Chemours Company		1	
Chewy Inc			2
China Gas Holdings Ltd		1	
China Huarong Asset Management Co Ltd			1
China Longyuan Power Group Corporation Limited	2		
China Mengniu Dairy Company Limited		1	
China Northern Rare Earth (Group) High-Tech Co Ltd		1	
China Petroleum & Chemical Corp		1	
China Railway Group Ltd		1	
Cintas Corporation			1
Citigroup Inc			2
Citrix Systems, Inc	1		1
CMC Markets Plc			1
Commonwealth Bank of Australia			1
Compass Group Plc		1	
CoreCivic Inc		1	
Corteva Inc		1	
Coway			1
Credit Suisse Group AG			2
Crown Castle International Corp	2		
Crown Resorts Limited			1
Daimler AG			1
Danone		1	1
Danske Bank AS			1
Deere & Co		1	
Deutsche Bank AG			2
DNO ASA		1	
Dow Inc		1	
Dropbox Inc			1
DuPont de Nemours Inc		1	
Ecolab, Inc	1		

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Edison International		1	
EDP-Energias DE Portugal SA	2		1
El Sewedy Electric	1		
Enel Spa		1	
Essential Utilities Inc			1
Eurofins Scientific SE			1
Evergy Inc	4		2
Evolva Holding SA			1
Ferguson Plc			1
First Pacific Co Ltd		1	
Firstenergy Corp	1		1
Formosa Taffeta		1	
GCL New Energy Holdings Limited		1	
Geo Group, Inc		1	
GFL Environmental Inc	1		1
Glencore plc	1	1	1
Golden Agri Resources	1		
Goldman Sachs Group, Inc			1
Grupo Mexico SA		2	
Guangdong Investment Ltd	1		
Haier Smart Home Co Ltd			1
Halma plc	1		2
Harmony Gold Mining Co Ltd		1	
Health Catalyst Inc			2
HelloFresh SE		1	
Helvetia Holding AG			1
Iberdrola SA			2
Indah Kiat Pulp & Paper	1		
Indivior Plc			1
Indofood Agri Resources Ltd		1	
ING Groep NV			1
Inner Mongolian Baotou Steel Union Co Ltd	1		
iQIYI Inc		1	
JBS SA	1		2
Johnson & Johnson		1	1

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Kerry Group Plc			1
Kone Corp			1
Korea Electric Power		1	
Larsen & Toubro Infotech Ltd		1	
Leslies Inc			1
Lilly(Eli) & Co			1
Lockheed Martin Corp		1	
Lotte Corporation			1
Luckin Coffee Inc			1
Match Group Inc			1
Mattel Inc		1	
McCormick & Co Inc			1
McDonald's Corp		1	
Mckesson Corporation		1	
Medartis Holding AG			1
Meta Platforms Inc		2	
Mining and Metallurgical Co Norilsk Nickel		2	
Mitsubishi Materials Corporation			1
Moncler SPA			1
Mowi ASA			1
MTN Group Ltd		1	
National Grid Plc	2		1
Nestle SA		2	
NextEra Energy Inc	1		
Nomad Foods Limited		1	
NTPC Ltd		2	
NXP Semiconductors NV	2		
Oc Oerlikon Corp AG		1	
Ocado Group Plc			1
oFILM Group Co Ltd		1	
Oil & Natural Gas Corporation Ltd		1	
Olympus Corp		1	
OMV AG	1		
ON Semiconductor Corp	2	1	
Orior AG			1

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
P/f Bakkafrost	1		
Pabrik Kertas Tjiwi	1		
Page Industries Ltd		1	
Pan American Silver Corp		1	
Pearson Plc			1
Pepkor Holdings Limited			1
PetroChina Co Ltd		1	
PG&E Corp	3	1	2
Posco International		2	
PotlatchDeltic Corp			1
PT Vale Indonesia Tbk		1	
Rational AG			1
Raytheon Technologies Corporation		1	
Republic Services, Inc	1		
RIO Tinto Ltd		1	
RWE AG	1		
Salmar ASA	1		
Samsung Biologics Co Ltd			1
Samsung C&T Corp.			1
Samsung Electronics			1
Sanofi		1	1
Saudi Arabian Oil Company		1	
Saudi Basic Industries Corp		1	
SGS AG			1
Shimano Inc.			2
Sibanye Stillwater Limited		1	
Siemens AG		1	
Siemens Gamesa Renewable Energy SA		1	
SIG Combibloc Group AG	1		
Sika AG			1
Sime Darby Plantation Berhad		1	
Sinopec Kantons Holdings Ltd		1	
SiteOne Landscape Supply Inc			1
SK Discovery Co Ltd		1	
Sk Holdings Co Ltd		1	

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Slc Agricola SA	1		
Southern Copper Corporation		2	
sSE Plc	1		
Stanley Black & Decker Inc		1	1
Steel Authority of India Ltd		1	
Steinhoff International Holdings NV			1
Stora Enso Oyj	1		
Straumann Holding AG			1
Stryker Corp		1	
Supermax Corporation Bhd		1	
Suruga Bank Ltd			1
Svenska Cellulosa AB	1		
Swedbank AB			1
Tata Consultancy Services		1	
Teleperformance		1	
Tencent Holdings Ltd		1	
Teradyne, Inc			1
Tetra Tech, Inc			2
Teva Pharmaceutical Industries Ltd			1
Thermo Fisher Scientific Inc		1	
Tiger Brands Ltd		1	
Tokyo Electric Power Company Holdings Incorporated		1	
Tongyang Life Insurance Co			1
Top Glove Corporation Bhd		1	
TopBuild Corp	1		
Toshiba Corporation			1
Turkiye Halk Bankasi AS			1
Uber Technologies Inc		1	
UPL Ltd	1		
Vale SA		1	
Vedanta Ltd		1	
Veolia Environnement			1
Volkswagen AG		1	
Volvo AB		1	
Vonovia SE			1

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Walmart Inc		1	
Waste Connections, Inc	2		
Waste Management, Inc	1		
Weibo Corp		1	
Wells Fargo & Co			1
Westpac Banking Corp			1
Wilmar International Limited		1	
Wirecard AG			1
Wockhardt Ltd		1	
Xinyi Solar Holdings Limited			1
Xylem Inc			1
Yes Bank Ltd			1
Yihai Kerry Arawana Holdings Co Ltd		1	
Zhejiang Huahai Pharmaceutical Co		1	
Zijin Mining Group Co, Ltd	1	1	
ZTE Corp		1	
America Movil SAB de CV			1
AstraZeneca Plc			1
Banco Bilbao Vizcaya Argentaria SA			1
Banco Santander, SA			1
Bank of America Corp.			1
Barry Callebaut AG		1	
BNP Paribas SA			1
BT Group Plc			1
Burberry Group Plc			1
Chocoladefabriken Lindt & Sprüngli AG		1	
Deutsche Börse AG			1
Deutsche Telekom AG			1
ENI SpA			1
Gazprom PJSC			1
Gilead Sciences Inc			1
GlaxoSmithKline Plc			1
Henkel AG & Co KGAA			1
HSBC Holdings Plc			1
International Business Machines Corp			1

TABLE 9
List of engagements in 2021 (continue)

COMPANY	E	S	G
Kering SA			1
Kimberly-Clark Corp			1
L'Oréal SA			1
LVMH Moët Hennessy Louis Vuitton SE			1
Marathon Oil Corp			1
Mondelez International, Inc		1	
Olam International Ltd		1	
Orange SA			1
Pfizer Inc			1
Reckitt Benckiser Group Plc			1
Reliance Industries Ltd			1
Repsol, SA			1
Roche Holding AG			1
Royal KPN NV			1
Standard Chartered Plc			1
Swiss Re AG			1
Takeda Pharmaceutical Co, Ltd			1
Telefónica, SA			1
The Estée Lauder Companies, Inc			1
The Goldman Sachs Group, Inc			1
The Hershey Co		1	
TotalEnergies SE			1
UBS Group AG			1
Wells Fargo & Company			1
POSCO Coated & Color Steel		1	
Grand Total	55	122	156

Source: Pictet Asset Management,
Sustainalytics, December 2021

Voting policy and statistics

VOTING GUIDELINES

Our proxy voting guidelines, included within our Responsible Investment Policy, are based on generally accepted standards of best practice in corporate governance. These include board and management, executive remuneration, risk control and reporting, and shareholder rights. The standards give a benchmark for assessing companies and exercising our active ownership duties throughout the life cycle of an investment, from pre-investment phase to engagement, proxy voting, up to the point of exit.

As active managers, we place significant importance on how we vote. The long-term interests of shareholders are our paramount objective. On occasion, we may vote against management if we believe that doing so is in the best interests of shareholders and our clients. Where we do this, we classify the vote as significant, in line with the EU Shareholder Rights Directive II, and we publicly disclose our rationale as part of our quarterly vote reporting. We also reserve the right to deviate from our voting policy to take into account company-specific circumstances.

VOTING RESEARCH PROVIDER

Pictet Asset Management uses the services of Institutional Shareholder Service (ISS) to assist us in fulfilling our proxy voting responsibilities, providing research and facilitating the execution of voting decisions at all relevant company meetings worldwide. We have intentionally chosen to tailor our principles rather than adopt the default recommendations of ISS. We have subscribed to their Sustainability product to help us to better capture our views on such issues as diversity and shareholder

resolutions, and have further added our own stipulations to certain aspects of our strategy. The complete version of this policy can be found via the following links:

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

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

One of our funds, Pictet CH Quest - Swiss Sustainable Equities, also uses research from Ethos. Third-party specialists are responsible for collecting meeting notices for all holdings and researching the implications of every resolution, in accordance with Voting Guidelines defined by Pictet Asset Management. All recommendations are communicated to relevant investment teams and the ESG team.

Pictet Asset Management always reserves the right to deviate from third-party voting recommendations on a case-by-case basis, where we consider it to be in the best interests of our clients. Such divergences may be initiated by investment teams or by the ESG team, and must be supported by written rationale.

We conduct annual due diligence meetings with ISS. These are attended by members of our ESG, investment operations and legal teams. Examples of topics covered are: (i) organisational set up; (ii) audit and internal validation; (iii) conflicts of interest; (iv) compliance with laws; (v) operational errors and insurance; (vi) data protection and security; and (vii) contingency planning. The most recent of these meetings took place in February 2021.

VOTING SCOPE

For our equity funds, the following principles define the scope of accounts and securities eligible for proxy voting:

- For actively managed funds, we aim to vote on 100 per cent of equity holdings
- For passive strategies, we aim to vote on companies representing 80 per cent by weight of underlying benchmarks. 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 delegating the exercise of voting rights to us have the choice between our policy or their own voting policy

For our Multi Asset funds, voting takes place on the underlying equity funds managed by Pictet Asset Management. We also aim to vote where we have direct holdings in companies.

For fixed income funds, we actively vote at the handful of bondholder meetings at which we are eligible to vote in any calendar year.

VOTING IN POOLED FUNDS

We do not split votes, regardless of whether part of a holding is active or passive. This means that we can present to companies a single Pictet Asset Management view on each item, and helps when we use a vote to escalate concerns as part of an ongoing process of engagement.

We believe that our approach to voting offers clients a robust way to hold companies to account. When we have previously considered client-led voting in pooled funds, we have concluded that it is better to continue to align voting in a fund with the engagement in a fund.

However, we continue to follow the market preferences in the UK. This includes determining whether switching to a mandate may be more cost-effective, or practical, than client-led voting in pooled funds, for asset owners in this space.

EXECUTION OF VOTES

The execution of voting rights is performed by an external Proxy Voting Agent. To facilitate this process, Pictet Asset Management sends the Proxy Voting Agent a daily overview of relevant equity holdings, which the Agent reconciles with the associated ballots provided by the Custodian's Proxy Voting Facilitator. The Proxy Voting Agent further provides Pictet AM with periodic activity reports – including all resolutions, respective votes and statistical analysis.

The Event Processing team receives a monthly file highlighting where ballots are not being received from the Custodian's Proxy Voting Facilitator, or where the Proxy Voting Agent is not receiving holdings. These are investigated and resolved by the Event Processing team.

If there is no deviation from third party research recommendations, ballots for votable shares are forwarded by the Proxy Voting Agent via the Custodian's Proxy Voting Facilitator, for execution by Custodians and Sub-Custodians.

If, however, a decision is made to override a third-party research recommendation, Pictet Asset Management's Event Processing team is required to update the Proxy Voting Agent's voting platform, with an override instruction and rationale. The Proxy Voting Agent then sends this amended voting instructions to the Custodian's Proxy Voting Facilitator, for execution by Custodians and Sub-Custodians.

If a member of an investment team attends the AGM in person, voting cards are ordered by the Custodian via the Event Processing Team and sent to the attendee with Pictet Asset Management voting decisions. In case the person attending the AGM deviates from Pictet Asset Management voting decisions or is unable to cast his/her vote for whatever reason, an email must be sent to the Event Processing & ESG team explaining the rationale for the deviation(s).

For accounts which do not delegate voting rights to Pictet Asset Management, it is the clients' responsibility to send voting instructions to the Custodian/Custodian's Proxy Voting Facilitator.

MONITORING & CONTROLS

We have set up a range of monitoring and control mechanisms to ensure we can exercise our voting rights in an effective and consistent manner:

TABLE 4
Monitoring & controls

TASK	FREQUENCY	LEAD	OTHER TEAMS
1. Check holdings sent to Proxy Voting Agent	Weekly	Event Processing team	
2. Reconciliation of holdings/ ballots received by Proxy Voting Agent and audit of unvoted ballots	Monthly	Event Processing team	
3. Independent audit (ISAE3402)	Annually	Compliance team	
4. Due diligence of third party research provider*	Annually	ESG team	Operations, Legal, Compliance, Business Risk, Investment
5. Complete United Nations Principles For Responsible Investment self-assessment questionnaire	Annually	ESG team	

Source: Pictet Asset Management

* The annual due diligence meetings with the third-party proxy advisory firm cover for example the following topics: organisational set up, audit and internal validation, conflicts of interest, compliance with laws, operational errors and insurance, data

protection and security, contingency planning, assessment of the capacity and competency of the third party provider to perform its proxy voting services, spot checks to ensure that proxy voting recommendations are compliant with our proxy voting guidelines.

VOTING DISCLOSURE

Proxy voting activity is reported at firm level and portfolio level:

Firm level:

- Pictet Asset Management voting statistics (annually)
- Pictet Asset Management voting instructions by AGM (monthly)

Portfolio level (collective investment schemes & segregated accounts):

- Investment reports include sections on proxy voting where appropriate for the asset class (quarterly)
- Legal reporting, e.g. N-PX reports for US clients (annually)

For the purposes of transparency and meeting various regulatory requirements, we publish how we have voted [here](#).

2021 VOTING ACTIVITY

The following tables provide an overview view of Pictet Asset Management's 2021 voting activity.

FIG.7
Breakdown of resolutions not supported
Management resolutions

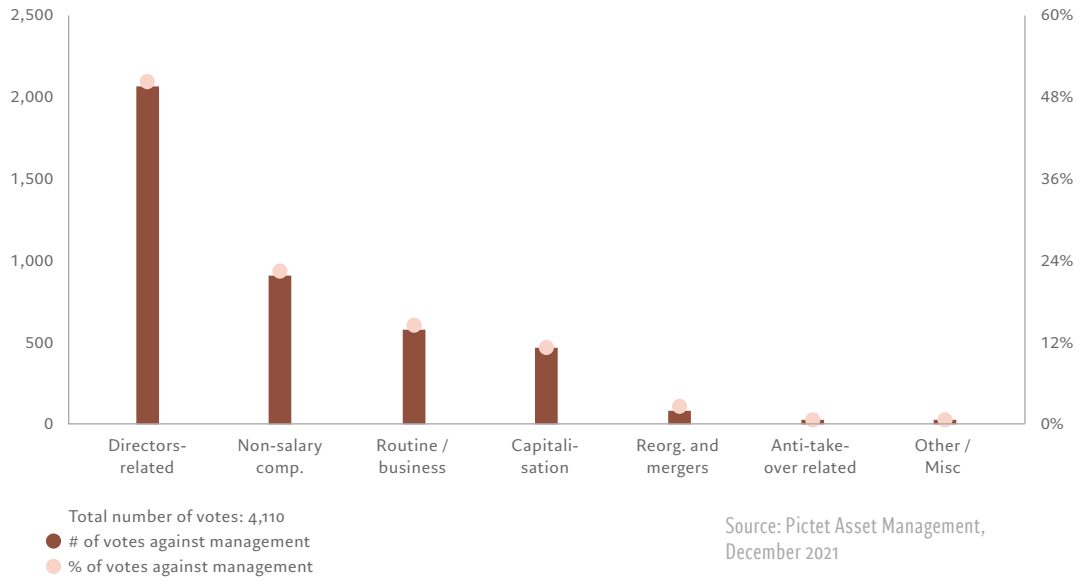


FIG.8
Breakdown of resolutions not supported
Shareholder resolutions

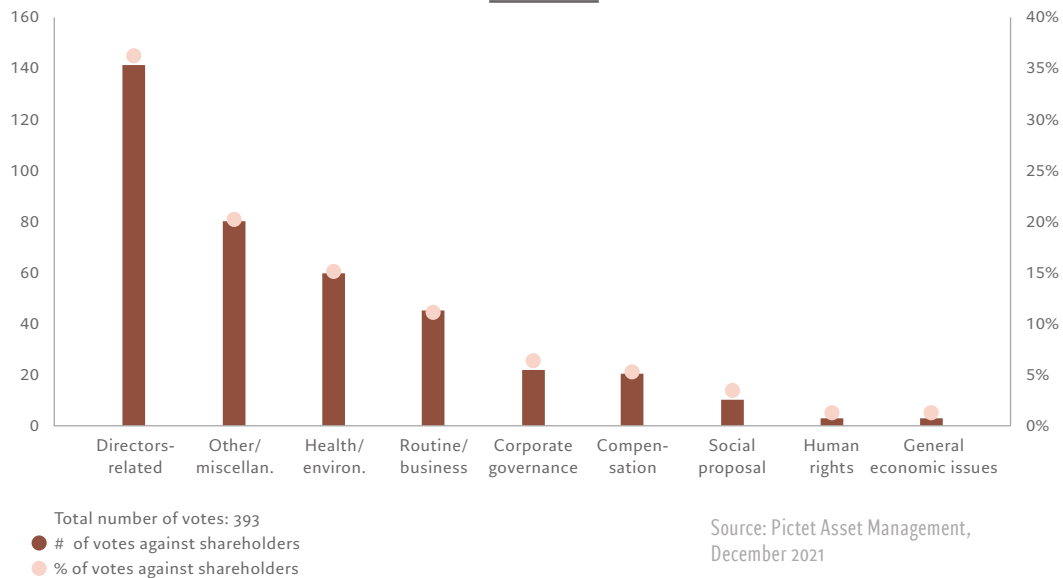


FIG.9
Breakdown of shareholder resolutions supported

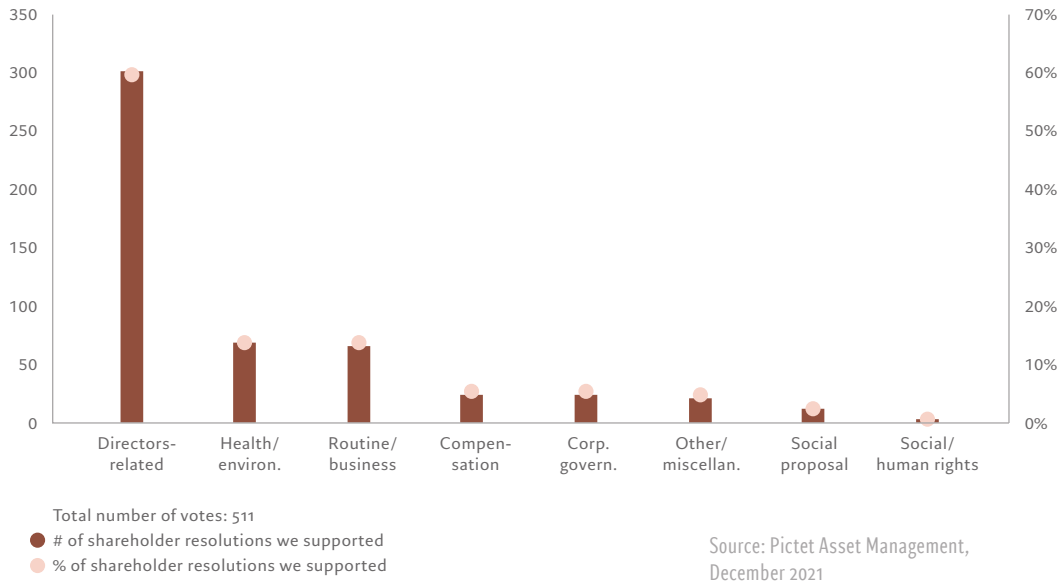
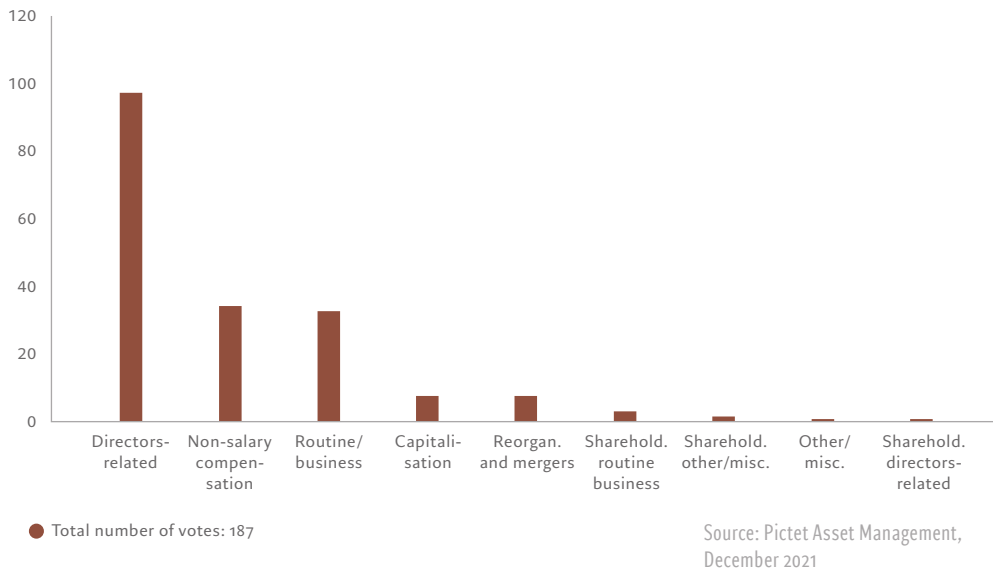


FIG.10
Breakdown of deviations from Pictet Asset Management's Voting Policy



Governance and resources

Our governance framework retains oversight of our responsible investment activities, reflecting the nature of our organisation and ensuring accountability. The independent governing bodies described below benefit from considerable overlap in membership, specialisation, periodic reporting and open lines of communication.

PICTET GROUP

Pictet is a partnership of eight owner-managers responsible for the entire activity of the Group, including the 2025 Responsible Vision. The Group Stewardship & Sustainability Board (GSSB), which reports to the Partners and meets quarterly, is responsible for driving action and setting KPIs to achieve the Responsible Vision's three ambitions. The GSSB is chaired by Laurent Ramsey, Managing Partner and co-CEO of Pictet Asset Management. It brings together representatives from relevant corporate functions across Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services and Pictet Alternative Advisors.

We have three group-wide distinct committees. These are composed of specialists from the business lines supporting and reporting to the GSSB:

- ESG Data Committee: approves sourcing and use of external ESG data, development of in-house ESG data infrastructure, and annual ESG data budgeting
- Operational Committee: drives and reports progress in implementation of responsible investment commitments and ambitions across business lines
- Environmental Policy Committee: identifies and mandates corporate environmental initiatives

PICTET ASSET MANAGEMENT

Pictet Asset Management is led by two of Pictet's Managing Partners, Laurent Ramsey and Sébastien Eisinger. The 12-member Executive Committee, made up of the co-CEOs, CIOs and department heads, decides and approves Pictet Asset Management's Responsible Investment Policy and oversees its implementation through various committees. These include the Investment Management, Risk, Distribution and Product Committees.

Pictet Asset Management's Responsible Investment Policy sets the framework for expectations, responsibilities and processes relevant to the incorporation of ESG factors within our investment processes and responsible investment activities. Among other things, it covers:

- Purpose, scope and approach to engagement
- Proxy voting principles and guidelines
- Expectations of corporate governance practices
- Conflicts of interest
- Exclusions framework
- Transparency and disclosure

The Policy is reviewed annually but can also be updated as required. Teams taking part in the review include ESG, Investment and Legal. In 2021, we made the following key changes to our Responsible Investment Policy, many of which were driven by first regulations of the EU Action Plan on Sustainable Finance:

- Alignment of the definitions of our Responsible Investment strategies with the SFDR product classification
- Inclusion of Sustainability Risks definitions, in line with EU regulations
- Enhancement of our Exclusions Framework
- Inclusion of Principal Adverse Impacts definitions, in line with EU regulations
- Inclusion of expectations on Good Corporate Governance Practices

DEDICATED ESG TEAM

Pictet Asset Management's ESG team is there to support the adoption and implementation of our Responsible Investment policy across the firm. This includes:

- Supporting ESG integration in investment processes
- Defining active ownership strategies, coordinating and monitoring their implementation
- Coordinating Pictet Asset Management's participation in collaborative engagement initiatives
- Selecting and monitoring external ESG data providers in collaboration with relevant teams
- Helping integrate ESG datasets in IT systems and defining quality checks
- Developing ESG metrics for client reporting

The team also leads internal training and raises awareness of responsible investing issues across the Group. It is instrumental in shaping Pictet Asset Management's response to ever-increasing sustainable finance regulation.

The team reports directly to Sébastien Eisinger, Managing Partner of the Pictet Group, CO-CEO of Pictet Asset Management and Head of Investments. At year-end 2021, the team comprised six members, with a wide range of professional backgrounds and an average of 13 years' relevant experience.

ESG CHAMPIONS NETWORK

To strengthen and grow ESG activities across the firm, in 2020 we created an internal network of ESG Champions, made up of 50 investment, risk, sales and marketing professionals. Their role is to lead ESG activities within their teams, and work closely with our dedicated ESG team to advance key projects and provide training to all our staff. The network has proven invaluable to establishing and enhancing stewardship and other ESG activities across the firm.

INVESTMENT TEAMS

More than 380 investment professionals in Pictet investment teams are responsible and accountable for integrating ESG factors into research, investment and active ownership activities. Ultimately, we want ESG in the DNA of our fund managers and research analysts, informing every investment decision. The ESG team acts a hub of expertise to support investment teams in their stewardship responsibilities.

TRAINING

Innovative tools can only fulfil their potential if investment teams understand their relevance to our daily work. This is why we support and encourage our staff in strengthening their ESG technical skills and related professional qualifications, both in-house and externally. Investment teams regularly attend internal training sessions organised by our ESG and Human Resources teams. We have established a comprehensive programme to improve ESG expertise across the company on a range of specific topics, including corporate governance, proxy voting, controversial corporate behaviour, the green economy or the physical impacts of climate change, all with input from selected external experts.

INCENTIVES

The Executive Committee has worked to integrate ESG considerations in our approach to employee remuneration, to further align individual action with the long-term interests of clients. Our Remuneration Policy integrates sustainability risks through policies and procedures employees are bound to respect. Compliance with internal policies and procedures form part of annual job reviews. These can take into consideration sustainability risks posed by the products or services elected by the clients an employee serves. Employees are held to the firm's sustainability and responsible investment strategy.

ESG DATA PROVIDERS

Service providers are subject to rigorous due diligence. This is overseen by the Pictet ESG Data Committee, which sits within the GSSB. For new and existing ESG provider data and research, the due diligence generally includes a critical review of the content & methodologies, assessment of the (data) quality, confirmation of adequate coverage and benchmarking against peer providers. We engage with our providers regularly to discuss outstanding issues, and review progress. We have in place data quality controls, with robust governance to swiftly tackle any necessary improvements identified through the daily use of the data.

In 2021, we had significant interactions with two of our service providers. As the EU Green Taxonomy came into force, we were in regular communication with our provider of green revenue data, FTSE Russell, to discuss how they could further tailor their solution. We were also in frequent contact with our provider of carbon data, S&P Global Trucost, learning about their carbon data model and its implementation so that we could make suggestions and improve data accuracy.

TABLE 5
ESG data providers

RESEARCH PROVIDER	DATA
ISS	Corporate Governance
CFRA	Forensic Accounting
HOLT	Financial Performance
Sustainalytics	ESG Research and Ratings
Four Twenty Seven	Climate Change Risk
S&P Global Trucost	Carbon Emissions
Verisk Maplecroft	Country Risk Analytics
FTSE Russell	Green Revenues



A NCC* Hotshot crew member stands guard of a plantation as embers from the main head of the fire ignite palm tress that line a district road. Flying embers are one of the most unpredictable dangers associated with fighting wildfires and can over throw days of hard work in a second.

*NCC Environmental Services (Pty) LTD is a leading consultancy providing specialist environmental, health, safety, risk, sustainability, training and quality management services, alongside integrated conservation biodiversity management. The NCC Hotshot firefighting crews are the most advanced and well trained firefighting crews on the African continent.

Date: 2017
Location: Robertson, South Africa

Risk management and assurance

THREE LINES OF DEFENCE

Risk management at Pictet Asset Management is based on multiple levels of risk control, aiming to protect client portfolios. Three lines of defence uphold our risk management framework:

- First line of defence includes investment teams and a dedicated Investment Risk team with clear ownership of portfolio risk, managed on a day-to-day basis
- Second line of defence includes Compliance, Legal and Business Risk, performing independent oversight of investment risks for Pictet Asset Management and ensuring regulatory compliance for related matters
- Third line of defence, with internal and external audit, provides independent challenge to the assurances achieved by business operations and oversight functions

Through our risk management framework, we identify and assess the potential impacts of market-wide and systemic risks on our investment portfolios. These include those related to the pandemic, climate change, biodiversity, social inequality and cybercrime. We monitor and manage those impacts. Our approach integrates system-level considerations in investment strategies and, importantly, targets change through active ownership, working together with peers and other stakeholders.

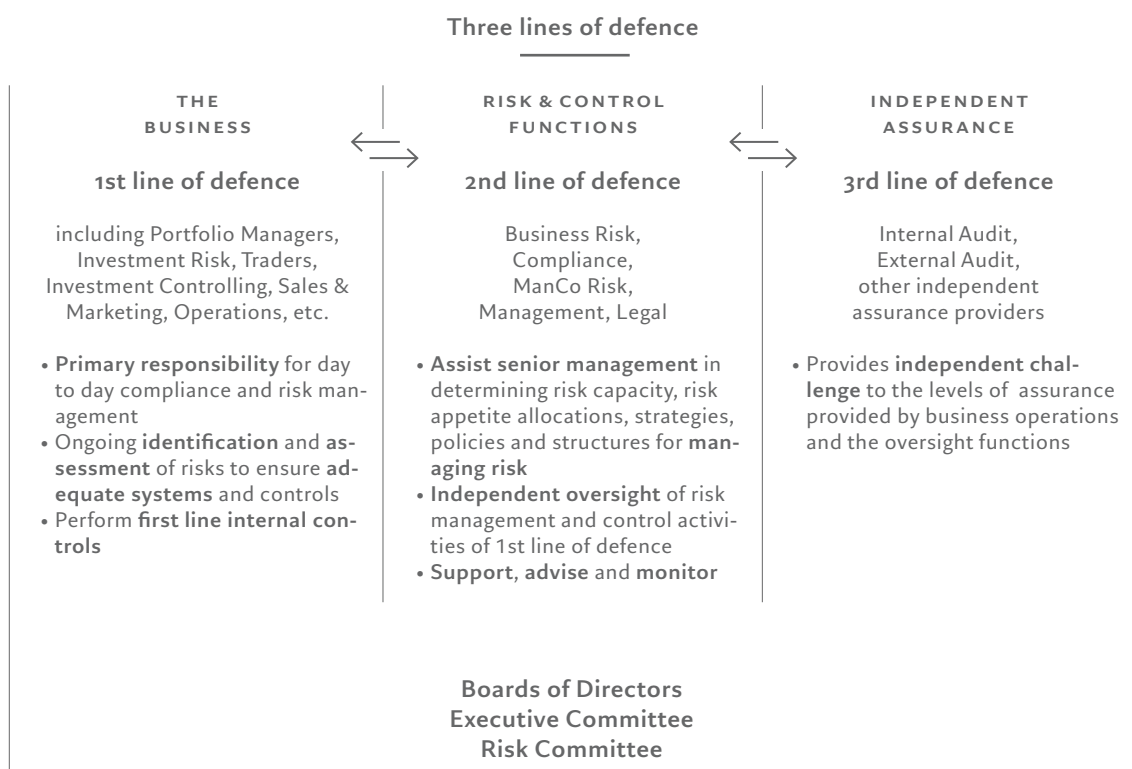
RISK MANAGEMENT

ESG risk is fully integrated into our risk management framework. The Investment Risk team monitors all portfolios independently and provides regular risk reports to senior management. The team also conducts periodic reviews of performance and risk issues, along with the quality of the investment process for each investment strategy.

Portfolio risk analysis is supported by a series of ESG risk dashboards, ensuring transparency at portfolio level on single or company-specific ESG issues as well as systemic risk factors. ESG factors are regularly added to the risk monitoring framework as new data sources become available.

The risk and performance of all investment strategies are monitored daily by the team and reviewed weekly with the investment teams. The head of Investment Risk and the Head of each risk unit meet monthly with the relevant CIO. Quality reviews are conducted twice a year with the Head of Investments and the CIO in charge of the analysed strategy.

When risk alerts arise on a portfolio's internal limits, the Investment Risk team notifies the portfolio manager to agree on action to bring the portfolio back to its pre-defined risk limits. At this stage the second line of defence is informed. If the Investment Risk team and Portfolio Manager cannot agree, the issue is escalated to the respective CIO and Head of Investments. Where there is recurrent alert, the CEO and CRO are informed and take appropriate measures.



Source: Pictet Asset Management,
January 2022

INVESTMENT CONTROLLING UNIT

Our Investment Controlling Unit is independent of the investment, operations and internal control teams. It checks that the investment funds comply with their Investment Policy and investment restrictions (as referred to in their prospectus or any relevant legal documentation). Investment controls are carried out by identifying and resolving active and passive breaches. A report on compliance is produced monthly.

INTERNAL AUDIT

Pictet Asset Management's Internal Audit team (IA) is part of the Pictet Group Internal Audit department. IA helps Pictet Asset Management accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of investment and risk management processes. This includes internal controls to ensure alignment with the Responsible Investment, Conflicts of Interest and other relevant policies.

The team continually audits the main business and operational activities of Pictet Asset Management, according to a multi-year audit plan. Audit assignments are designed to evaluate policies and processes, assess compliance with laws and regulations, provide recommendations for improvement, and follow up. All internal audit reports are distributed to the Executive Committee and legal entity board members.

EXTERNAL AUDIT

The external audit of all Pictet Asset Management entities is carried out by PwC. It includes the audit of our financial report and accounts and the verification of our performance numbers. The ISAE 3402 internal controls audit report provides an opinion on the operation of the processes and issues that should be addressed. Processes covered include proxy voting, which ensures our relevant activities comply with our policy. Furthermore, a PwC team visits the firm annually to audit an activity of its choice. It conducts a full regulatory review as well as a statutory audit. PwC reports directly to the Swiss regulator FINMA.

CONFLICT OF INTEREST

Pictet Asset Management's Executive Committee is responsible for handling conflicts of interest across the firm. This involves implementing systems, controls and procedures to identify, escalate and manage situations. Our Conflicts of Interest Policy identifies those which may give rise to a material risk of damage to clients' interests. It also outlines procedures to manage and mitigate conflicts that cannot be prevented.

Main features of the policy include the following:

- Every employee is responsible for identifying and escalating potential conflicts of interest for appropriate management and resolution. All staff undertake regular training to ensure awareness of obligations and adherence to the Policy
- The Risk Committee is responsible for the oversight of conflict management
- Policies and procedures to manage conflicts include a Code of Ethics, Proxy Voting Policy, Order Execution Policy and Order Handling Procedures, and Compliance Manual
- A periodic exercise is undertaken to identify actual or potential conflicts of interest within Pictet Asset Management. These are recorded in our conflicts of interest register, maintained by the Compliance department and reviewed annually or upon any material change.
- If our organisational arrangements and efforts to avoid or manage conflicts of interest are not sufficient to prevent damage to a client's interests, we will clearly disclose the specific description of the nature and sources of the conflict to the client

A periodic exercise is undertaken to identify actual or potential conflicts of interest within Pictet Asset Management. These are recorded in our conflicts of interest register, maintained by the Compliance department and reviewed annually or upon any material change.

For additional information on our Policy, please refer to <https://www.am.pictet/-/media/pam/uk/pdf/pam-ltd-conflicts-of-interest-policy.pdf>.

CONFLICTS OF INTEREST IN ACTIVE OWNERSHIP

Pictet Asset Management recognizes that conflicts of interest may arise within the context of exercising our active ownership responsibilities. Potential examples may include:

- A Pictet Asset Management employee, or a family member, has a close relationship with the company with which Pictet AM seeks to engage, or they have been nominated to the Board of Directors
- Fund Managers/Analysts have a material personal investment in a company with which Pictet Asset Management seeks to engage
- The senior management of the company are clients of other Pictet Group entities (e.g. Pictet Wealth Management) and may try to exert influence on Pictet Asset Management through this relationship
- Pictet Asset Management has an investment management relationship with the company, perhaps via its pension fund, or one of the mutual funds that Pictet Asset Management manages on a sub-advisory basis, or the company has invested in Pictet Asset Management funds
- Pictet Asset Management may exercise proxy votes at a company meeting which could favour one client over another

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

Some of our controls and monitoring mechanisms include the following:

- Our Code of Ethics requires all employees to disclose outside business interests and directorships, together with those of their connected persons, and to seek prior approval for new interests. In the event of a conflict arising, Pictet Asset Management would remove the individual from the engagement process
- Engagement targets are determined by a methodology that does not consider Pictet Asset Management's commercial relationships
- Proxy Voting Policy is administered by ISS, our voting service provider. The voting policy was designed to ensure that votes favour the best interests of clients rather than Pictet Asset Management. Sample Checks are performed annually by the ESG Team to ensure that ISS is voting in compliance with our policy
- We are in the process of developing a register for engagement-related conflicts

There were no material conflicts of interest from active ownership activities during the reporting year.

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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 2022

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