PICTET
1805
Asset Management

Responsible investment report

2021

REVIEW OF PAST 12 MONTHS

PHOTOGRAPHY BY
MARINA WEISHAUPT

Marina is a photographer based in Ulm, southern Germany, who is passionate about the great outdoors and traveling. She captures the beauty of the big and small things that nature has to offer in her own, atmospheric way.

Due to her environmental interests she uses her voice and her photography to draw attention to climate-related topics or other urgencies which endanger nature in general.

The series of photographs in this report are from the Rhone Glacier, part of the "farewell to a vanishing giant" series.

1805

Introduction

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

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

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

2020 saw continued progress in ESG integration across Pictet Asset Management, especially in the following areas:

We transformed our Active Ownership Policy into a fully-fledged Responsible Investment Policy now covering key topics such as research, investments and monitoring of issuers, our new exclusion framework, our governance beliefs, product classification in line with SFDR[1] and active ownership activities. All our strategies now integrate ESG factors and sustainability risks, and strategies that promote environmental or social characteristics or have a sustainable investment objective represent around 50% of our AuM[2] (as of 31st March 2021).

We set up a network of ESG Champions made up of 50 professionals across the firm, who lead ESG activities within their teams and work closely with the dedicated ESG Team to advance key projects. We established a comprehensive internal ESG training program to firm up ESG expertise across the company.

Together with investment teams across the Pictet Group, we have developed and rolled-out a proprietary ESG Scorecard that provides a holistic view of companies' ESG strengths and weaknesses to inform investment decisions and active ownership activities.

During 2020, we tracked and led engagements with 227 companies on 272 ESG issues through a combination of bilateral discussions, collaborative initiatives and third-party engagement services. This is a significant increase compared to 192 engagement cases (+42%) with 166 companies (+37%) in 2019. Supporting the shift away from coal power generation was a particular focus. We started to systematically engage with relevant investee companies with the expectation that they stop investments in new coal assets and establish a low carbon transition plan aligned with the Paris Agreement on climate change. We also continued our engagement activities through Climate Action 100+, the Investor Initiative for Sustainable Forests and the Mining & Tailings Safety Initiative.

Over the year, we voted at a total of 5,510 shareholder meetings of which around 40% had at least one vote against management resolutions. We supported management in 90% of resolutions whilst voting against or abstaining in 10% of cases. We supported 77% of shareholder resolutions including many relating to environmental and/or social concerns.

ShareAction ranked Pictet Asset Management among the top ten asset managers for supporting shareholder resolutions on climate change, social issues, diversity and inclusion in their 2020 "Voting Matters" report.

Pictet Asset Management was also recognised for its work to encourage greater diversity and inclusion in the workplace, receiving "Winner of Diversity" at the Insurance Asset Management Awards 2020 and the "Diversity of the Year" award at the UK Asset Management Awards ceremony. Finally, Pictet Asset Management maintained its 3rd position in Europe for Social responsibility/Sustainability in the Broadridge "Fund Brand 50" 2021 report.

While we are proud of the progress achieved in 2020, we are looking to further accelerate and scale our ESG activities in 2021 and continue to contribute to the transition to a more resilient and sustainable economy.

LAURENT RAMSEY
MANAGING PARTNER AND
CO-CHIEF EXECUTIVE OFFICER

1805

Table of contents

Who we are

Pictet Asset Management is one of the four business lines of the Pictet Group, an investment-led service company offering wealth management, asset management and related services. Founded in Geneva in 1805, the Pictet Group has more than 4,900 employees in 30 offices around the world. We are privately owned and managed by seven partners[3].

At Pictet Asset Management we currently oversee more than USD250 billion[4] of investments across a range of equity, fixed income, alternative and multi asset products. Our clients are some of the world's largest pension funds, financial institutions, sovereign wealth funds, intermediaries and their clients. Our purpose is to build responsible partnerships with our clients, colleagues, communities and the companies in which we invest, in order to safeguard and transmit wealth, of all kinds, in the service of the real economy. Our business is investment-led and centred around a long-term perspective with a dedication to client service. Our aim is to be the investment partner of choice to our clients. This means giving them our undivided attention, offering pioneering strategies and being committed to excellence.

"Not only does it help us make better investment decisions for our clients, we take a responsible approach as we think it is the right thing to do."

SÉBASTIEN EISINGER
MANAGING PARTNER AND
CO-CHIEF EXECUTIVE OFFICER

We believe in responsible capitalism and take an enlarged view of the economy and its interactions with civil society and the natural environment. We are convinced that Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients. We are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhancing returns and/or mitigating risks over the long term. We embed ESG in our risk management and reporting documents to maintain high standards of transparency and accountability.

Pictet's responsible vision

At Pictet Group level, we have three ambitions before 2025:

- To significantly reduce the environmental impact of our activities and investments
- To fully integrate ESG factors and active ownership into all investment processes
- To be a leading provider of responsible products and solutions

To achieve these ambitions, we have identified 10 levers of action for conducting our own activities and for managing assets on behalf of our clients.

DID YOU KNOW?

Responsibility is part of Pictet's DNA: it is one of our

7 strategic priorities

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

How we conduct our activities

As a firm, responsibility starts with what we do with our own assets.

1. Investing our balance sheet
   This includes our corporate treasury as well as seed investments. As we have full control over our balance sheet, we have committed to portfolio decarbonisation and investing in activities that contribute to accelerating the transition to a low-carbon economy.

2. Employee engagement to foster responsibility
   Our employees are our most crucial asset and a key amplifier when it comes to sustainability and responsible behaviour. We will continue to engage with our colleagues on sustainability topics and encourage them to be involved in local actions, especially where we have a strong presence.

3. Managing our direct environmental impacts
   In our own business activities, we are taking every possible step to cut our carbon footprint by employing the most advanced building technology, reviewing every aspect of our operations and reducing the environmental impacts of our infrastructure and employee mobility.

4. Philanthropy
   As the ultimate "risk capital", philanthropy can be an important part of tackling some of the world's most intractable problems. Through our initiatives and supported projects, we seek to stimulate action on environmental and social issues.

5. Advocacy and partnerships
   We strive to encourage all our stakeholders and partners to implement sustainability and responsible investment. We have therefore signed the UN Principles for Responsible Investment for all business lines, including our pension fund, and committed to the UN Principles for Responsible Banking.

How we manage client assets

As an investor, our biggest impact lies in how we manage assets on behalf of our clients.

6. ESG integration into investment processes and risk management
Across research, investment decisions, risk management and advisory services, we will continue to boost the integration of material and emerging environmental, social and governance factors in our evaluation of corporate and sovereign issuers.

7. Responsible products and solutions
We will continue to develop investment strategies that provide capital to companies which help to make a positive impact on society or the environment, as well as to those that have a plan to successfully mitigate the negative externalities of their products, services, operations and supply chains.

8. Active ownership
We will strive to engage with issuers that fall short of our expectations – either directly or through collaborations with other investors. Where necessary, we will escalate to Board representatives, vote against management or support shareholder resolutions. Depending on the severity of the concern and the issuers' capacity or willingness to adopt generally accepted standards of best practice, we may choose to sell the investment.

9. Client disclosure
Where relevant data are available, we will strengthen reporting on the ESG characteristics of client portfolios and the impact of active ownership activities. Where data are missing, we will encourage issuers to report according to international standards.

10. Research and thought-leadership
We will use our substantial experience across key environmental and social themes to publish targeted research and help raise awareness and capital for a sustainable transition.

We are convinced that these 10 levers of action will make us better investors and corporate citizens and help us play our part in designing a thriving system for future generations. Ultimately, they align us with our purpose:

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.

Investment approach

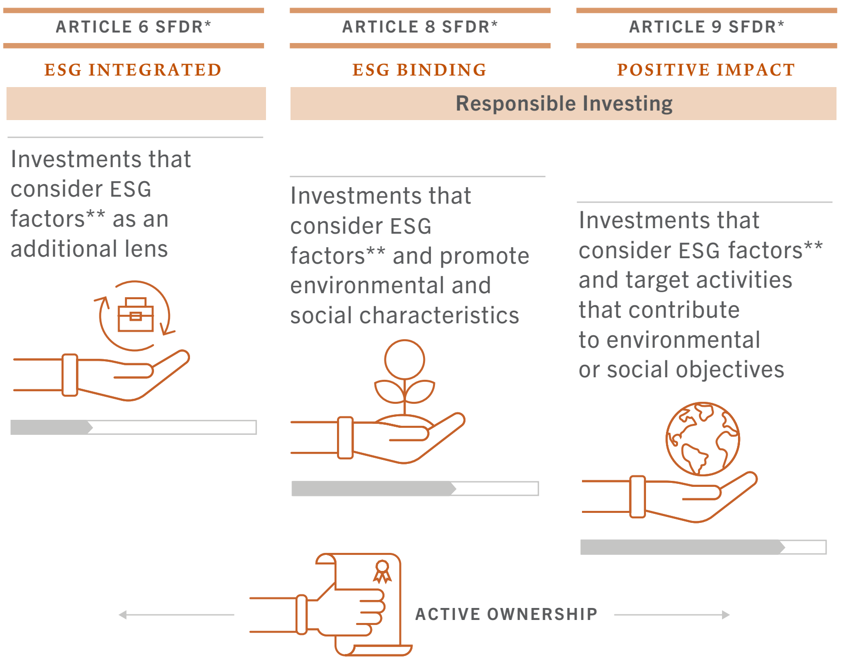
At Pictet Asset Management, we are convinced that ESG considerations can help us make better long-term investment decisions for our clients, both in terms of achievement of superior returns and better management of risks. This is why every investment team is expected to integrate ESG issues into their investment process.

Our Responsible Investment Policy explains how we integrate ESG in research, investment decisions active ownership activities and monitoring of issuers. This Policy is approved by Pictet Asset Management's Investment Management Committee and reviewed annually.

Our clients will naturally have different needs and time horizons, and our investment strategies are aimed at supporting these. We offer a variety of options for our clients to embed ESG and engage with them to help them find the proposition that best meets their requirements. Fundamentally, Pictet Asset Management is a long-term investor and views ESG as an additional lens for evaluating investment risks & opportunities, thus seeking to generate and enhance returns for our clients.

FIG. 1

RESPONSIBLE INVESTMENT STRATEGIES AT PICTET ASSET MANAGEMENT



**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).*
***ESG Factors: Sustainability risks and Principal Adverse Impacts*

Consistent with our fiduciary duty to act in the best interests of our clients, we integrate material ESG criteria in all our investment processes and active ownership activities with a view to enhance returns and/or mitigate risks. We also include ESG in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

For example, bi-annual "Quality Reviews" are held with investment managers, the CIO in charge of the asset class and the Co-CEO. Led by our Investment Risk & Performance team, these Reviews incorporate an analysis of portfolios' ESG characteristics and active ownership activities. In parallel, Compliance teams monitor adherence to exclusion lists, client-specific ESG constraints and investment universes on an on-going basis.

Another way to address ESG risks is by excluding specific activities from our portfolios. As a matter of principle, 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.

For investors who want to go further, our responsible strategies invest in companies and countries based on their social and environmental characteristics in addition to their financial prospects. In fact, we were one of the first asset managers to launch a range of best in class and positive impact strategies in the late-90s, which have since become mainstream solutions.

Today, we are a world leader in positive impact strategies that aim to deliver a financial return alongside achieving a positive and measurable impact by investing in companies that provide solutions to environmental and/or social problems such as water scarcity and climate change.

In all cases, ESG characteristics of our portfolios are measured and disclosed. We have developed over the years a variety of metrics to suit client needs including ESG profiles, carbon footprint and voting activity, which are available for active and passive equity strategies.

Where appropriate, our sustainability reports provide additional insights on environmental and social impacts. For example, we have developed innovative methodologies based on the Planetary Boundaries framework and the United Nations Sustainable Development Goals.

Research and thought leadership

ESG research

Across research, investment analysis, risk management and advisory services, we place an emphasis on the inclusion of high quality environmental, social and governance data. As such, and specifically to inform investment decisions and active ownership activities, we have developed a proprietary ESG Scorecard providing a focused view of ESG risks and opportunities. The Pictet ESG Scorecard is at the foundation of ESG integration across the Group, and is one of the key building blocks to reach our vision 2025 of being a leading responsible investment firm.

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

The Pictet ESG Scorecard is underpinned by a robust framework, driven by deep data knowledge, analysis and experience. It indicates areas of concern through red flags. Meanwhile, areas seen as positive from an ESG perspective are indicated through green flags. Flags can stem from each individual data source and are summed at pillar, as well as Scorecard level. Companies can be uniformly compared within and across sectors and locations, to identify leaders and laggards. Our ESG Scorecard is curated by a committee of experts which meets quarterly to discuss the evolution of the model and ensure we continue to bring a meaningful and comprehensive view of ESG factors to consider in the investment process.

ESG SCORECARD

Source: Pictet Asset Management

CORPORATE GOVERNANCE

Are companies managed for the long-term?

e.g. board competence and independence, executive remuneration, audit and risk control.

PRODUCTS & SERVICES

How "future-fit/SDG compatible" is their product-mix?

e.g. are they generating revenue by addressing public health and/or environmental issues? Are they offering "clean and safe" products and services?

OPERATIONAL RISK

How do they run their business?

e.g. what is the carbon intensity of their operations? Are they exposed to extreme weather events and other climate risks? Are they managing other environmental and social impacts associated with their activities and supply chain?

CONTROVERSIES

Are they walking the talk?

e.g. bribery and corruption, market abuse, product recalls.

ESG data providers

Pictet Asset Management has selected a range of providers for ESG data (see FIG. 2). ESG scoring of companies is directly available to investment managers in our portfolio management system and through our proprietary ESG scorecard.

Research providers are subject to rigorous due diligence by Pictet Asset Management and are reviewed on a regular basis.

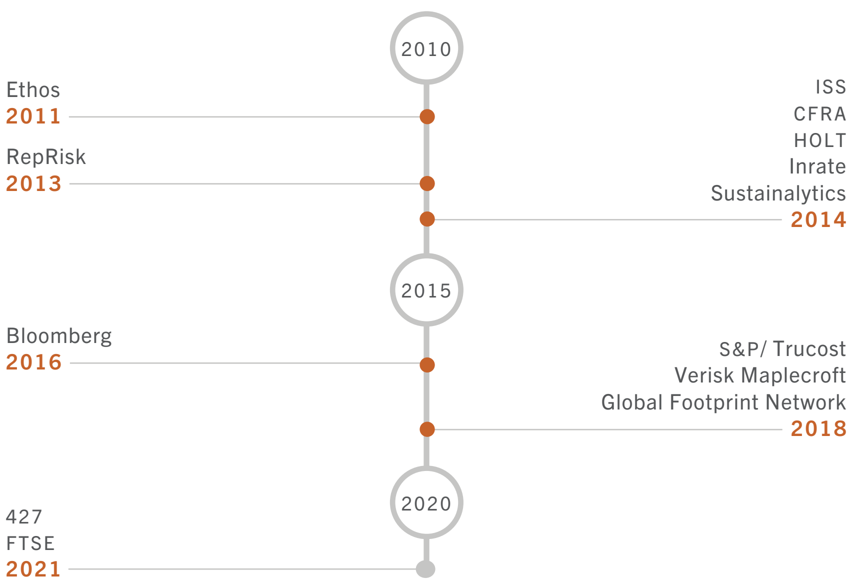
Training

Cutting edge tools can only be used to their full potential if investment teams are well versed on their value add to our day-to-day work. This is why we support our staff in strengthening their technical skills and professional qualifications related to ESG through in-house and/or external training. As part of this effort, investment teams regularly attend in-house training sessions organised by our ESG Team in collaboration with Human Resources. In particular, we established a comprehensive programme to firm up ESG expertise across the company on a range of specific topics such as corporate governance, proxy voting, controversial corporate behaviour, the green economy or the physical impacts of climate change with input from selected external experts.

We also pride ourselves in providing clients with leading edge advice and have conducted over the last three years a number of training sessions covering topics such as the key features of responsible investment strategies, data provider methodologies and application of big data to ESG research, active ownership including proxy voting and engagement, and the deployment of various reporting metrics.

FIG.2

RESEARCH PROVIDERS



Source: Pictet Asset Management March 2021

Partnering with academic and financial institutions

In assessing the investment risks and opportunities linked to climate change and the green economy, we build our own models and conduct research in partnership with leading academic and financial institutions combining it with the latest data from external providers.

In 2020, we partnered with Professor Cameron Hepburn and his team at the University of Oxford Smith School of Enterprise and the Environment to undertake an analysis of the risks that climate change presents for emerging economies in particular. Using the latest economic and modelling techniques, the research presented investors with several scenarios that could unfold over the next 50 years.

We have also continued our long-standing partnership with the Stockholm Resilience Centre, whose work on the pioneering Planetary Boundaries has allowed us to form a science-based investment framework channelling over EUR 10 bn to companies solving some of the biggest environmental challenges of our time.

With the Copenhagen Institute for Futures Studies, a think-tank whose expertise in megatrends and scenario analysis, we produced a detailed research project that looked at the likely long-term effects of Covid-19 on the economy, society, environment and geopolitics.

Our investment teams also undertake their own research on sustainability and have developed several models and tools that they use in complement to the analysis provided by third-party ESG rating agencies. Most recently, our research has focused on better understanding how governance affects investment performance, particularly in family-controlled businesses.

All of this research can be found under the insights section of our website at assetmanagement.pictet.

We build our own models and conduct research in partnership with leading academic and financial institutions combining it with the latest data from external providers.

Rhône Glacier once was an even more impressive sight, stretching from the top of the so called Tieralplistock (3,383 m) until far down into the valley.

Our organisation

Governance, resources and incentives

Our Responsible Investment Policy, which sets the framework for integrating ESG within our investment processes and active ownership activities is reviewed and approved by CIOs at our Investment Management Committee.

We do not delegate ESG research and investment decisions to a dedicated team of ESG experts. Instead we have chosen the challenging but more rewarding route of fostering a responsible investing mindset within our investment teams. Ultimately, we want this to be part of their DNA and every investment decision they make. In 2020, we successfully completed firmwide integration of ESG factors into the investment decision process and risk monitoring. To achieve this goal, we focused on hiring and retaining the right investment professionals, offering them specialist training to keep abreast of a rapidly evolving environment and support from a dedicated ESG team.

To further strengthen and scale up ESG activities across the firm, we set up in 2020 a network of ESG Champions made up of 50 professionals across the firm, whose role is to lead ESG activities within their teams and work closely with our dedicated ESG Team to advance key projects and roll out training to all our staff.

The entry into force of SFDR[1] in March 2021 provided an opportunity to transform our Active Ownership Policy into a fully-fledged Responsible Investment Policy covering key topics such as research, investments and monitoring of issuers, good corporate governance practices, product classification and active ownership.

In parallel, Pictet Asset Management's Executive Committee has embedded ESG considerations in our Remuneration and Conflicts of Interest Policies in order to further align individuals' actions with the long-term interests of our clients. In particular, our Remuneration Policy integrates sustainability risks by way of the policies and procedures which employees of the Pictet Group are bound to respect. Compliance with internal policies and procedures form a part of an employee's annual review, which may include the consideration of sustainability risks based on the type of products or services offered to clients served by that employee. Our Conflict of Interest Policy provides our framework for identifying, escalating and managing conflicts of interest, including those arising from issuer engagement or proxy voting.

Finally, Pictet Asset Management also works closely with investment teams and colleagues from other business lines and Group key functions on several transversal initiatives which aim to maximize our impact as investors. These initiatives are overseen by the Group Stewardship & Sustainability Board (GSSB) which is chaired by Laurent Ramsey, Managing Partner and Co-CEO of Pictet Asset Management, and comprises specialists and C-suite representatives from relevant corporate functions and all four business lines (Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services, Pictet Alternative Advisors).

> "Engaging with standard setters and reporting bodies help to track and communicate progress against global sustainability goals."

MARIE-LAURE SCHAUFELBERGER, HEAD OF GROUP ESG AND STEWARDSHIP, PICTET GROUP

Our contribution to industry initiatives

As committed advocates of responsible investing, we play an active role in supporting organisations that promote responsible finance and sustainable investments. We participate in several investor initiatives aimed at sharing best practices between asset managers and asset owners, and encouraging better corporate disclosure on ESG issues. Our objective is to help steer the industry towards more inclusive thinking around people, the planet and portfolios. Indeed, we believe that over the long term these are inextricably linked.

In Switzerland, the Pictet Group was a founding member of Swiss Sustainable Finance in 2014. At European level, we contribute to similar organisations in the UK, Germany, Italy and Spain, and actively support the Institutional Investors Group on Climate Change (IIGCC).

At global level, we have been a signatory of the UN's Principles for Responsible Investment (UNPRI) since 2007 and obtained in 2020 an A+ rating under the PRI's Reporting and Assessment Framework.

To better understand and positively influence our overall impact as a firm, we have endorsed the Task Force for Climate Related Financial Disclosures (TCFD). We use it to strengthen our governance, strategy and risk management, to measure climate related risks and to assess green investment opportunities. In the same spirit, we participated in the Swiss Federal Office for the Environment's Paris Agreement Capital Transition Assessment (PACTA) pilot exercise in 2020 and are in the process of setting shorter term science-based targets where possible.

In 2019, we signed the Principles for Responsible Banking to signal our intention to ensure our business strategy is consistent with – and contributes to – individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

One way to slow the melting down at least a bit is to cover up the ice with huge pieces of white fabric. It actually prevents the covered part from melting as fast as the rest of the glacier.

Engagement

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

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

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

Process

Where we consider that a company is underperforming, governance or management structures are failing to meet the standards expected, or we have other concerns on, for example, strategy or environmental or social matters, we would pursue a number of courses of action. We typically begin with discussions with company representatives. If we are not satisfied with the outcome of these discussions, we may prioritise the company for engagement either bilaterally, in collaboration with others or through our engagement service provider. These companies are identified jointly by investment teams and our ESG team. Each company is selected because we identify significant ESG risks and the strategic nature or size of our holding is significant enough to indicate that our engagement will likely be effective.

If we are still not satisfied that the management team are acknowledging or addressing our concerns, we may vote against management at company meetings, or consider supporting the submission of shareholder resolutions initiated by third-parties or joining shareholder groups.

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

Approach

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

Tier 1
Targeted Engagement

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

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

Tier 2
Collaborative Engagement

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

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

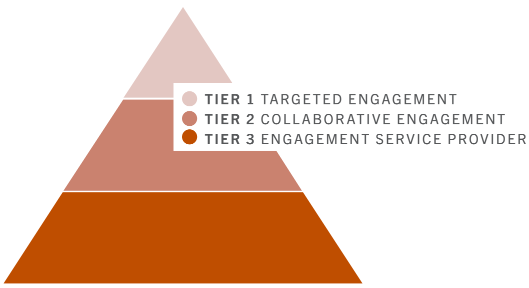
Tier 3
Engagement Service Provider

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

Engagement activity conducted by Pictet Asset Management is coordinated by the ESG team and always involves participation from investment teams either as engagement leads or as support. In each case, we have defined objectives and track progress against them.

FIG.3

TIERED APPROACH TO CORPORATE ENGAGEMENT



Source: Pictet Asset Management, December 2020

Collaborations

Pictet Asset Management is a member of the following engagement collaborations:

Climate Action 100+

Climate Action 100+ is a five-year initiative led by global asset managers and asset owners. Launched in December 2017, this initiative is designed to implement the investor commitment first set out in the Global Investor Statement on Climate Change in the months leading up to the adoption of the historic Paris Agreement in 2015. It engages with the largest global greenhouse gas emitters, and with other companies that have significant opportunities to drive the clean energy transition and achieve the goals of the Paris Agreement. By April 2021, 575 investors with more than USD 54 trillion in assets under management had signed up to this initiative to engage with 167 companies[5].

Investor Initiative for Sustainable Forests

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

Mining & Tailings Safety Initiative

Mining & Tailings Safety Initiative is an investor led initiative covering 983 extractives companies which was launched in the wake of Vale's Brumadinho dam disaster in January 2019 resulting in circa 270 deaths. This initiative has broad support from a large number of institutional investors and a range of industry bodies including UNEP, PRI and ICMM. Key objectives are to develop the first public global database of toxic mining waste storage facilities and to create a new, independent global standard in tailings safety.

Other collaborations

We are also constantly evaluating other collaborative initiatives in key areas such as water and nutrition where our sector expertise can be put at work to scale positive impacts. In this context, we have ongoing discussions with leading organisations such as CERES[6] and Farm Animal Investment Risk and Return (FAIRR[7]).

We recognise that there are occasions when it is better to act collectively rather than individually, particularly if our investment is relatively small in relation to the enterprise value of the company.

2020 engagement activity

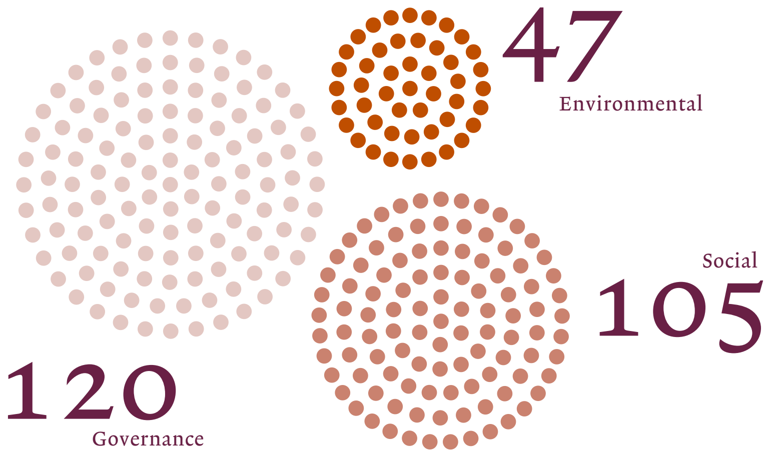
In 2020, we led or supported engagements with 227 companies through a combination of of bilateral discussions, collaborative initiatives and third-party engagement services. This engagement activity encompassed a diverse range of 272 environmental, social and governance issues (with multiple issues at some companies) spanning across many regions and industry sectors. This is a significant increase compared to 192 engagement cases (+41%) with 166 companies (+37%) in 2019. Climate change and supporting the shift away from coal power generation were a particular focus.

In summary, 12 per cent (32 cases) of all engagement cases were resolved in 2020, while the remaining 88 per cent (240 cases) are ongoing.

The tables below illustrate the spread of the 272 engagement cases by ESG topic, and the 227 companies engaged by geography and sector.

FIG.4

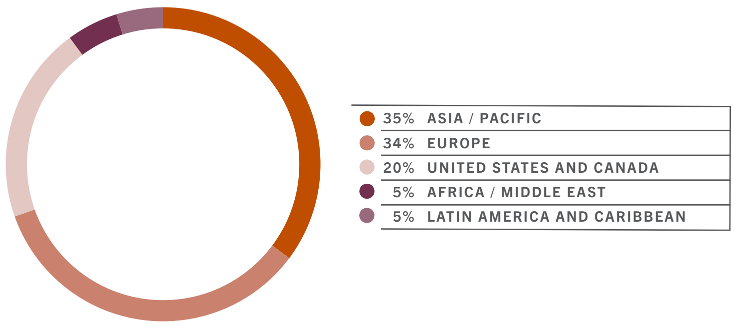
BREAKDOWN OF ENGAGEMENTS BY ESG TOPIC



Source: Pictet Asset Management, December 2020

FIG.5

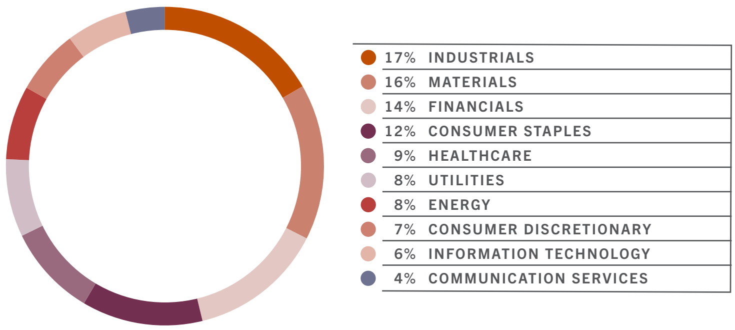
BREAKDOWN OF COMPANIES ENGAGED BY GEOGRAPHY



Source: Pictet Asset Management, December 2020

FIG.6

BREAKDOWN OF COMPANIES ENGAGED BY SECTOR



Source: Pictet Asset Management, December 2020

Details on engagement

For more information on the breakdown of engagements per ESG topic, country, sector or company, please refer to the Appendix.

Engagement on environmental and social issues

Examples of social issues that we engaged on during the year include human rights, labour standards and public health. Environmental topics for engagement have included pollution prevention, climate change mitigation and adaptation, and natural resources preservation.

Climate change is a theme that forms the cornerstone of our engagement programme. We believe that climate change may present material risks to our portfolios and asset values in the short, medium and long term. We, therefore, support the Paris Agreement and the need for the world to transition to a lower carbon economy consistent with a goal of keeping the increase in global average temperature to well below 2° Celsius above pre-industrial levels. Supporting the shift away from coal power generation was a particular focus. We started to systematically engage with relevant investee companies with the expectation that they stop investments in new coal assets and establish a low carbon transition plan aligned with the Paris Agreement.

We are members of Climate Action 100+ (CA100+), the PRI-Ceres Investor Initiative for Sustainable Forests and the Mining and Tailings Safety Initiative. These initiatives combined address a range of key global environmental and social issues.

The following are illustrative examples of our engagement on environmental and social issues during 2020.

> Climate change is a theme that forms the cornerstone of our engagement programme.

OUR ACTIONS TO TACKLE CLIMATE CHANGE

Pictet aims to contribute to tackling climate change through a set of clear business and investment objectives and transparent reporting. We will ensure that our investment decisions and solutions have a positive impact, drive decarbonisation and exclude firms unwilling to transform.

The following four aspects of our interactions with clients and the assets we manage for them underscore how we are concretely addressing the above commitments.

1. Driving positive change
2. Fostering the transition
3. Addressing climate risks
4. Excluding assets

Multiple companies

Tier 1

Thermal coal

We believe that companies involved in thermal coal mining and those who operate coal-fired power stations are at risk due to falling costs of renewables and energy storage, combined with more stringent regulation for safeguarding air quality and reducing greenhouse gas emissions in line with the Paris Agreement. These risks can materialise in different ways. For example power generation companies may be unable to pass the rising costs of GHG emissions onto customers or may have to depreciate coal-fired power stations earlier than expected. Mining companies may see a faster-than-expected reduction in coal demand, and may find it harder to develop coal assets due to a lack of appetite from capital markets and/or support from regulators.

For these reasons, Pictet Group systematically (i) excludes companies that generate more than 25 per cent of revenue from thermal coal mining, unless there is strong evidence of a transition to other revenue sources, and (ii) engages with companies that generate more than 25 per cent of revenue from coal power generation, with the requirement to not further invest in new coal assets and establish a low carbon transition plan aligned with the Paris Agreement.

On that basis, Pictet Asset Management reviewed its exposure to thermal coal, executed a number of exclusions across different portfolios, and launched formal engagements with eight companies and initiated fact-finding dialogues with another six. Through our engagement activities, our aim is to use our power as shareholders to reduce the economy's dependency on thermal coal, the most carbon intensive fossil fuel of all, and accelerate the much needed low carbon transition in the energy sector. We will continue our engagement efforts throughout 2021 and aim to target more companies involved in thermal coal, including below our threshold of 25 per cent of revenue.

> We believe that climate change may present material risks to our portfolios and asset values in the short, medium and long term.

German power company
Tier 1 & 2
Climate change

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

Further engagement objectives with this company have included pressing them to align their business strategy with the goals of the Paris Agreement, publicly disclose information (including scenario analysis) according to Task Force on Climaterelated Financial Disclosures (TCFD) requirements, improve transparency on direct and indirect lobbying practices and link remuneration practices to carbon reduction targets.

We had multiple bilateral and collaborative meetings with the company throughout 2019 and 2020 and made considerable progress on a number of engagement objectives. During our meetings with the company in late 2019, we were pleased to learn that they had: 1) started to work with the Science Based Target Initiative (SBTI) in order to assess the disparity between the company's own carbon reduction targets and the goals of the Paris Agreement, 2) committed to improve the alignment of their reporting with TCFD recommendations, 3) begun considering linking executive pay to climate targets, and 4) initiated a global review on climate-related lobbying practices to ensure they are consistent with the company's own climate strategy.

As we gained conviction that our engagement efforts were being successful, the company gradually became one of the top holdings in one of our funds.

As we gained conviction that our engagement efforts were being successful, the company gradually became one of the top holdings in one of our funds. The company's shares remained depressed because of poor ESG agency ratings and we became increasingly convinced that this risk premium would disappear as the company would continue to develop and execute their climate strategy. Other investors picked up on this.

Over the course of 2020, we continued to bilaterally engage with the company. Prime achievements over the course of the year include: 1) clarity on decarbonisation targets that are aligned with the Paris Agreement and audited by the Science Based Targets Initiative, 2) legal ring-fencing of the coal assets, and 3) remuneration policy for senior management and the board that better incorporates ESG targets.

Whilst we are very happy with the outcome of our engagements so far, and aim to maintain a constructive dialogue with the company over the long term.

American utility
Tier 1
Water and remuneration

Our engagement commenced in 2019 and focused on ensuring the company's business strategy and compensation is aligned with customers (social & environmental), given the regulated nature of the company's business and the need for consumer acceptance of tariffs.

The engagement commenced with an Investment Manager travelling to the company headquarters to make a presentation to the Board, highlighting areas for improvement in environmental management (water use reduction), customer relations and compensation. Despite this, the 2020 AGM showcased a significant deviation of compensation relative to peers, which we believe could jeopardize their license to operate in the minds of their consumers who end up paying this compensation through their regulated rates. We voted against this at the AGM and sent detailed feedback to the management in a letter. We were informed that the Board had requested a compensation review on the subject.

Furthermore in 2020, the regulator removed a water saving decoupling mechanism for revenues, which removed an incentive for both the customer and the utility to reduce water use. We again engaged with the management to understand how the consumer's negative perception of utilities had driven such targeted focuses of the regulatory commission, how they would manage this conflict of interest (for example between environmental aims of water saving and financial returns) and reiterated our desire to see management aligned with their consumers. At the 2021 AGM, whilst the compensation package had undergone some positive changes (including temporary salary reductions and actuarial changes) we did not perceive this to be enough. For example, they still benchmark ahead of even larger peers. We voted against the package and continue to engage with the company on aligning their compensation and strategy with their consumers.

American online retail company

Tier 3

Labour rights

Over the past several years, the company has experienced recurring health and safety issues at its operations. These include employee fatalities and serious physical injuries, which have occurred at rates that show a deteriorating trend and exceed the retail industry average in the US. There have also been allegations of poor and stressful working conditions that have negatively affected the mental health of many of the company's warehouse workers. The company has faced repeated protests by its staff globally over dangerous working conditions, as well as thousands of lawsuits in the US brought by injured workers who have alleged that they were denied benefits or had them delayed.

Sustainalytics is engaging with the company so that it take steps to (i) understand the health and safety (H&S) risks faced by its workers, (ii) introduce appropriate improvements involving H&S policies and practices aligned with international standards, including proactively mitigating hazards and improving working conditions, and (iii) report on its H&S performance and consider independent third-party verification of its management system.

The company acknowledged the importance of workplace H&S during two conference calls in 2020 and reported notable investment in H&S management during the year. Further, the company's Global Human Rights Statement included a formal commitment to health and safety. The engagement will continue in 2021 with a focus on the company's existing disclosure, understanding how H&S is monitored including key metrics utilised, and how the company is prioritising aspects for disclosure.

French food services company

Tier 1

Human rights

In 2019, Pictet Asset Management started an engagement dialogue with the company, which mainly offers health facilities and food services to clients globally. Our engagement focused on the company's involvement in correction facilities for more than 5,000 prisoners and associated human rights violations due to understaffing and inadequate staff training.

After the end of the unsuccessful engagement dialogue we decided to close our position. We may consider reinvesting if the company decides to sell the prison services business to focus more on their core business segments.

DID YOU KNOW?

Climate change could cost some

USD **422**tn

to economies globally by the end of the century.[8]

Engagement on corporate governance

In 2020, we continued to engage with companies to support a strong culture of corporate governance, including the effective management of environmental and social issues.

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

The following are illustrative examples of our engagement on corporate governance during 2020.

Spanish financial services company
Tier 1
Remuneration

We identified governance concerns at this company, particularly on director compensation. Our primary concerns were: 1) it is unclear whether pay is aligned with performance, 2) the chairman has received 45 per cent 25 per cent increases in pay over two years, 3) the chairman receives a significant annual pension payment, and 4) disclosure on performance targets tends to be after the event.

We engaged the company on these legacy issues and followed up in writing to formally confirm our points on fostering greater alignment between management and shareholders through operational compensation metrics. The company confirmed they would consider our points.

French utility
Tier 1
Governance practices

Pictet Asset Management started engaging with this company in 2019 with a focus on better oversight from the Board of Directors, such as the split between CEO and Chairman responsibilities and a change of the Head of Nominating and Governance committee. This followed some historical controversies and a need for increased alignment between the compensation of management and external stakeholders, due to the company's environmental & social centric business model.

We voted against items in the 2019 Annual General Meeting ("AGM") and communicated our feedback to management in person at a number of meetings. We were informed the company was undergoing a strategic review. At the start of 2020, we met with the Lead Independent Director to further reiterate our desire to see changes to the Board and to the compensation. A month later the company unveiled a set of very strong environmental and social 2023 targets that were integrated into both STI & LTIP compensation at material weightings. Despite the positive directionality of compensation, we still see opportunities to improve the governance of the company, and have continued to engage on these topics, meeting with the Lead Independent Director again in 2021, and further voting against some items at 2021 AGM.

DID YOU KNOW?

Governance data (unlike Environmental or Social data) has been compiled for a longer period of time and more widely discussed and accepted.[9]

American hardware manufacturing company
Tier 1
Shareholder rights

A Fortune 500 American manufacturer of industrial tools and household hardware and provider of security products. At the 2020 annual meeting, shareholders, including Pictet Asset Management, supported a shareholder proposal to act by written consent in lieu of a meeting. We engaged with the company to understand how they are implementing this proposal which enhances shareholder rights.

The board is considering two options in response to this proposal: (i) enacting written consent with certain provisions; or (ii) lowering the threshold to call a special meeting. Their initial concern with written consent is that it may disenfranchise long-term shareholders, for example where a short-term shareholder may take action without notification.

We provided feedback to the company on our preferred response to the proposal.

British publishing company
Tier 1
Remuneration

A British multinational publishing, business intelligence, and exhibitions group. Headquartered in London, it is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index. It has offices in 43 countries and around 11,000 employees

The company received only 65 per cent support for their most recent remuneration policy, which was a one-year extension on the existing policy. The negativity was primarily due to executives receiving a 25 per cent of salary cash contribution in lieu of pension, which is significantly more than normal employees. Pictet Asset Management voted against.

The company approached Pictet Asset Management proposing a rebalancing of compensation with a greater proportion delivered through equity, achieved through a restricted share plan with time-based vesting only.

Whilst this style of remuneration provides greater certainty and potentially lower levels of pay, we confirmed to the company that we seek alignment of management and shareholder interests through stretching financial performance metrics. In view of this, we could not support the adoption of a long-term incentive plan without appropriate financial metrics.

Japanese online games publisher
Tier 1
Board and governance

Our Japanese team has consistently engaged with the company to push for better governance practices and improvements to the board. Due to the company's repeated lack of positive improvement in these areas as well as lack of best practice in others, we have reduced our exposure to the company and put a cap on the potential investment going forward.

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Dialogue with sovereign issuers

Actively incorporating the assessment of social, governance and environmental factors into our Emerging Market Debt team's country analysis is a vital part of: (i) understanding the key, often hidden, areas of risk in an emerging country; (ii) providing a complete picture of a sovereign's long-term sustainable trajectory in terms of economic and human development; and (iii) enabling targeted and informed dialogue with sovereign issuers in areas of importance for the long-term outlook of the country.

One way of enabling such dialogue is through careful construction of our country due diligence trips to ensure that we meet with organisations and partners who can give us greater insight into a wider range of issues. With the Covid-19 pandemic, many of these engagements have moved online.

In 2019 we began to build a partnership with EMpower, a well-respected and innovative global philanthropic organisation focused on youth in emerging economies. Contact with its programme officers in key regions and countries gives us a local perspective and puts us in touch with people and organisations we would otherwise never have access to. Such depth of analysis and understanding forms a credible base for meaningful dialogue with sovereign issuers.

In 2020 we further deepened partnerships that allow us to build a more credible and targeted foundation for dialogue with sovereign issuers. At a time when travel is restricted due to the ongoing global health emergency, such partnerships give us an essential insight into local developments and their implications. As well as continuing to nurture our partnership with EMpower, we will look to develop similar links to organisations that can give insights into other ESG areas.

In 2019 we began to build a partnership with EMpower, a well-respected and innovative global philanthropic organisation focused on youth in emerging economies.

Romania

In September 2020, one of our portfolio managers met with Romanian government officials at a virtual investor roundtable to discuss the country's focus on environmental targets, specifically the issuance of green bonds.

In line with the EU's efforts on this front via their EU Climate Target Plan 2030, sustainability is rapidly rising in importance as an investment driver to us as fund managers, our end clients and also the wider investor landscape.

Romania will also be one of the largest recipients of EU funds within the EUR 750 billion post-pandemic recovery, providing scope for the development of a sustainable bond framework that aligns with the EU's sustainability aims.

Other countries in the Central and Eastern Europe (CEE) region, namely Poland and more recently Hungary, are already present in the green bond market. As enthusiastic supporters of green bonds as a means for governments to finance climate change initiatives, we previously encouraged Hungary to start a green bond program and were happy to participate and buy those bonds at the time of new issuance.

The Romanian government is aware of increasing efforts by neighbouring countries on this front and have started studying the possibility of issuing green bonds in the future. However, with the pandemic, this has not been the largest focus area in the last few months.

We believe the situation in Romania requires the development of a green framework with specific targets as a first step. Ultimately, we would like to see this in place in the next year, from which they may then consider issuing green bonds.

Chile

We believe Chile has a strong sustainable bond framework, issuing both green and social Euro-bonds since 2019 and 2020 respectively.

This framework clearly aligns with the country's strategic aims to reduce carbon emissions and encourage social cohesion in the wake of protests that shook the country in 2019, before the pandemic brought additional pressures for government stimulus that tends to the economic well-being of the population.

On the basis of Chile's almost exclusive issuance of sustainable bonds in the Eurobond market for the majority of the past year, one of our portfolio managers met with the Chile Debt Management Office to review their 2021 financing planning and encourage their continued use of sustainable formats. Within this meeting we referenced our use of Chile's focus on sustainability as an example to other issuers in the Latin America (Latam) region and ultimately wanted to confirm Chile's commitment to exclusively issue sustainable Eurobonds in 2021, to which they agreed.

Chile has now already completed 2/3 of its financing planning in the Eurobond market for 2021, with USD 4 billion out of the USD 6 billion initial plan issued in sustainable bonds. They intend to issue the remaining USD 2 billion of Eurobonds also in sustainable bonds. While social bonds are prioritised to aid recovery of the real economy post 2020, green bond issuance is becoming more restrained with Eurobond proceeds tied to specific green projects that have been postponed as other social expenditures becomes more crucial in the short-term.

THE GREENING OF EM DEBT

In the five years to the end of 2020, annual issuance of green, social and sustainability bonds by emerging market governments grew nearly four-fold to

USD **16.2** billion.[10]

Since the 1870's, this beautiful natural phenomenon has been made accessible by the man-made glacier grotto. Being freshly carved about 100 meters into the glacier every year - the first 30m will be gone only during one summer. Every year.

Exercising voting rights and responsibilities

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

Voting scope

For our equity funds, the following principles are used to 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 who delegate the exercise of voting rights to us have the choice between Pictet Asset Management's policy or their own voting policy.

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

For fixed income funds, Pictet Asset Management actively votes at the handful of bondholder meetings that we are eligible to vote at in any calendar year.

Stock lending

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

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

Voting policy

As active managers, we usually look to support the management of the companies that we invest in. However, we will oppose 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 and will publicly disclose the reason behind this. Our proxy voting policy is based on generally accepted standards of best practice in corporate governance, including board compensation, executive remuneration, risk management, shareholdwer rights. Because the long-term interests of shareholders are the paramount objective, we do not always support the management of companies and may vote against management from time to time. We also reserve the right to deviate from our voting policy to take into account company-specific circumstances.

To assist in exercising proxy votes, we use the services of third-party advisors, whose expertise and international experience allows us to vote at all relevant company meetings worldwide.

The complete version of this policy can be found under the following links:

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

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

Family/majority-owned firms

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

Japan

In February 2020, we adapted our proxy voting guidelines for Japanese companies with no female board members and have pledged to vote "abstain" on male candidates to boards with no female directors. We believe that board diversity can lead to improved corporate governance and strategic oversight. It can also lead to greater innovation, better risk management and stronger connections with customers, employees and business partners. Therefore, we are keen to play our part in encouraging Japanese businesses in their progress towards more gender-balanced boards.

> "We believe that leveraging the power of investors to trigger positive change helps shape a more sustainable form of capitalism."

ERIC BORREMANS
HEAD OF ENVIRONMENTAL, SOCIAL & GOVERNANCE, PICTET ASSET MANAGEMENT

Research and execution

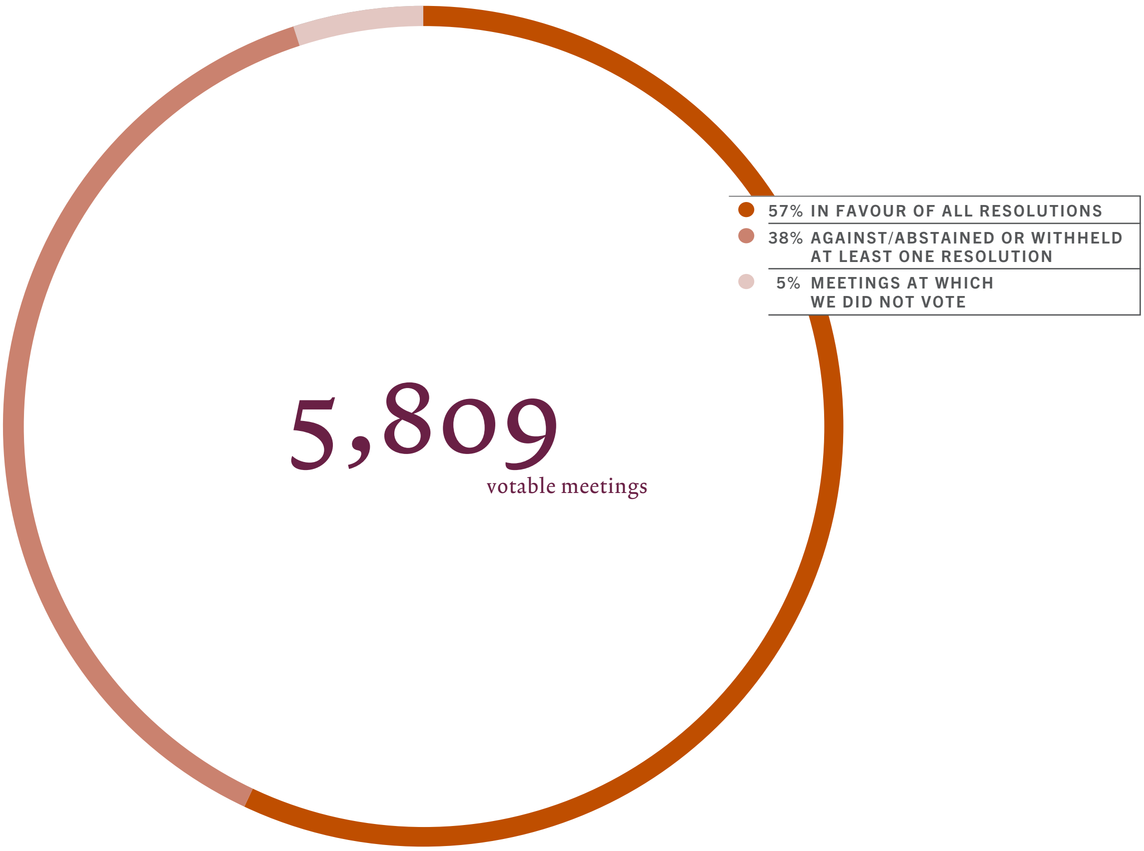
To assist us in performing our proxy voting responsibilities, Pictet Asset Management uses the services of third-party specialists to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide. Third-party specialists are tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to Voting Guidelines defined by Pictet Asset Management. All recommendations are communicated to relevant investment teams and the ESG team.

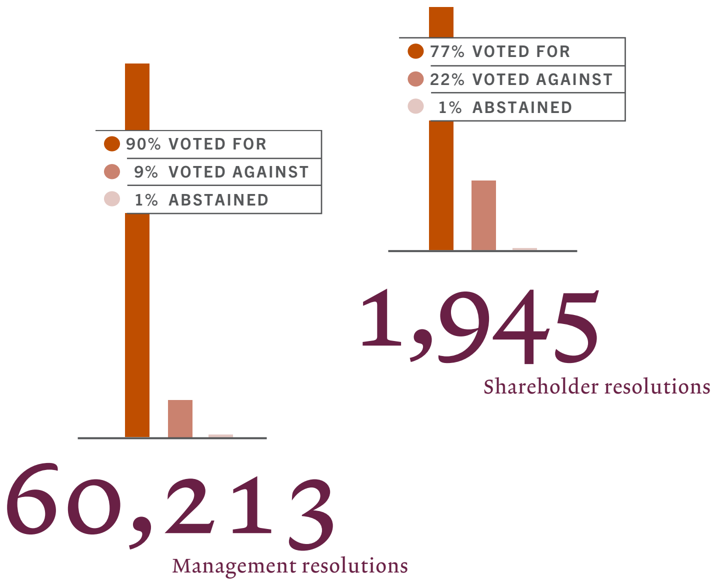
Pictet Asset Management always reserves the right to deviate from third-party voting recommendations on a case by case basis in order to act in the best interests of our clients. Such divergences may be initiated by investment teams or by the ESG team and must be supported by written rationale.

Pictet Asset Management conducts annual due diligence meetings of ISS with representatives from 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 last such meeting took place in February 2021.

2020 VOTING ACTIVITY

Source: ISS, Pictet Asset Management, December 2020





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).

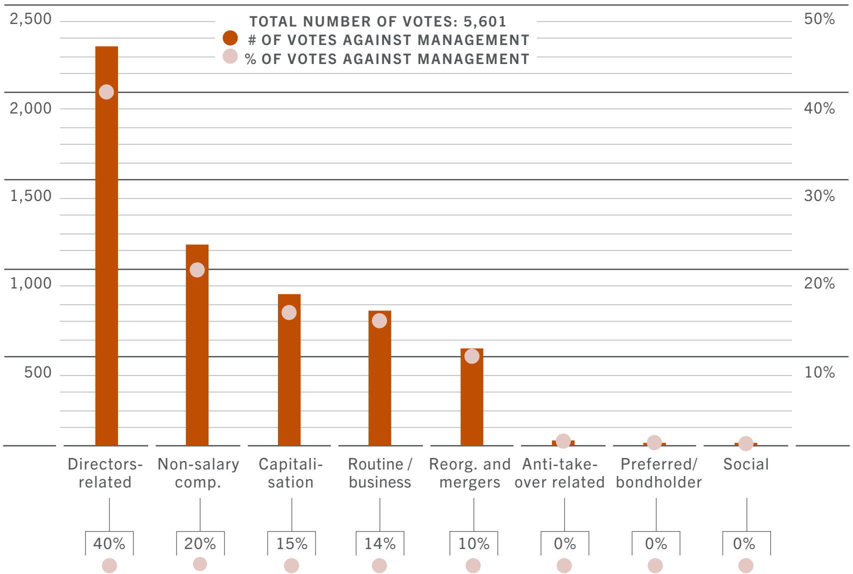
Portfolio level (collective investment schemes & segregated accounts):

- 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.

FIG.7

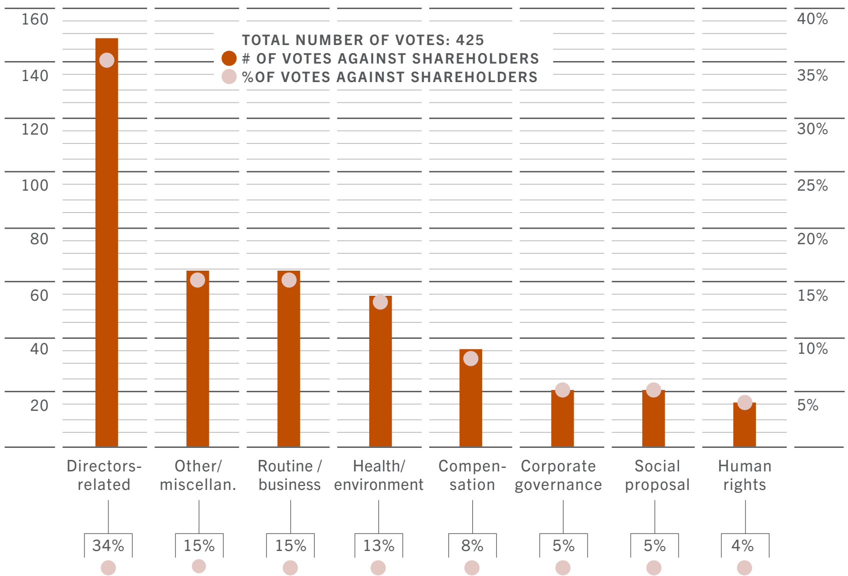
BREAKDOWN OF MANAGEMENT RESOLUTIONS NOT SUPPORTED



Source: Pictet Asset Management, ISS, December 2020

FIG.8

BREAKDOWN OF SHAEHOLDER RESOLUTIONS NOT SUPPORTED



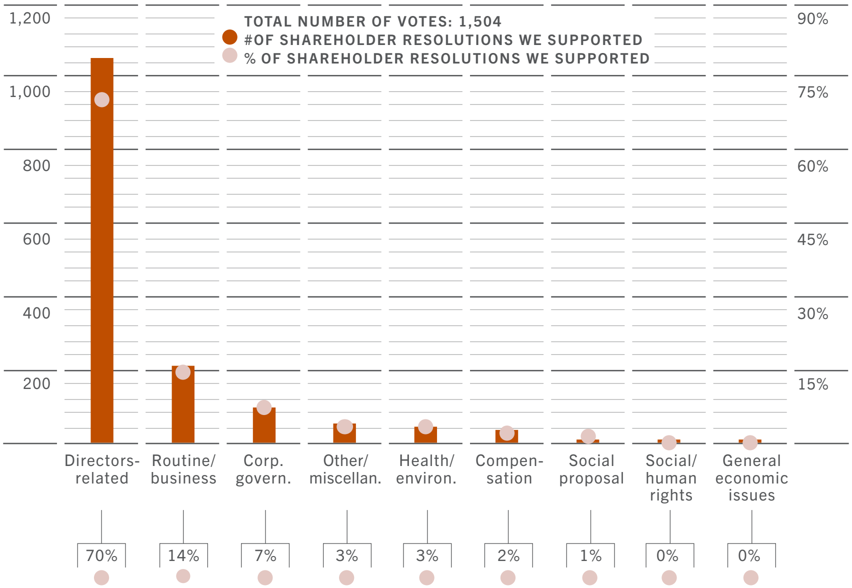
Source: Pictet Asset Management, ISS, December 2020

2020 voting activity

The following charts provide an overview of Pictet Asset Management's 2020 voting activity.

FIG.9

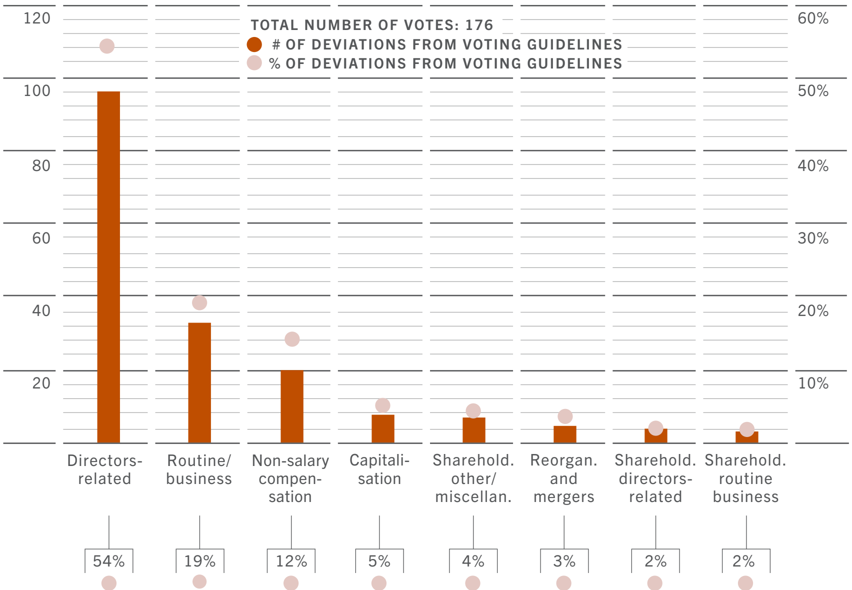
BREAKDOWN OF SHAREHOLDER RESOLUTIONS SUPPORTED



Source: Pictet Asset Management, ISS, December 2020

FIG.10

BREAKDOWN OF DEVIATIONS FROM PICTET ASSET MANAGEMENT'S VOTING POLICY



Source: Pictet Asset Management, ISS, December 2020

As the years are getting warmer, unfortunately the grotto is also melting away faster and faster. The white fabric cannot fully prevent that.

UK Stewardship Code 2020

Statement of compliance

This Responsible Investment Report details our policies and procedures in relation to stewardship. Accordingly, it provides detailed insight into how Pictet Asset Management discharges its stewardship responsibilities in relation to the specific requirements of the UK Stewardship Code 2020.

THEME	NUMBER	PRINCIPLE	BEGINS
Purpose & Governance	1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	Page 8
	2	Signatories' governance, resources and incentives support stewardship.	Page 19
	3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Page 20
	4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Pages 17/21
	5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Page 19
Investment Approach	6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Page 12
	7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Page 13
	8	Signatories monitor and hold to account managers and/or service providers.	Page 16
Engagement	9	Signatories engage with issuers to maintain or enhance the value of assets.	Page 23
	10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	Page 25
	11	Signatories, where necessary, escalate stewardship activities to influence issuers.	Page 23
Exercising Rights and Responsibilities	12	Signatories actively exercise their rights and responsibilities.	Page 37

Appendices

APPENDIX 1 - BREAKDOWN OF ENGAGEMENTS BY ESG TOPIC

	NUMBER	%
Environment	**47**	**17.3**
Air Quality / Pollution Prevention	23	8.5
Transition to Low-Carbon Economy	13	4.8
Biodiversity and Ecosystems	9	3.3
Waste Management / Circular Economy	1	0.4
Physical Impacts of Climate Change	1	0.4
Social	**105**	38.6
Human Rights	57	21.0
Labour Standards / Health and Safety	28	10.3
Public Health	19	7.0
Data Privacy	1	0.4
Governance	**120**	**44.1**
Board Functioning and Composition	51	18.8
Business Ethics and Corruption	48	17.6
Accounting and Taxation	9	3.3
Remuneration	8	2.9
Shareholder Rights	4	1.5
Grand Total	**272**	**100.0**

Source: Pictet Asset Management, Sustainalytics, December 2020

APPENDIX 2 - BREAKDOWN OF COMPANIES ENGAGED BY GEOGRAPHY		
	NUMBER	%
Asia / Pacific	**80**	**35.2**
India	20	8.8
South Korea	17	7.5
China	16	7.0
Japan	9	4.0
Indonesia	5	2.2
Australia	4	1.8
Singapore	3	1.3
Hong Kong	2	0.9
Taiwan	2	0.9
Malaysia	1	0.4
Pakistan	1	0.4
Europe	**78**	**34.4**
United Kingdom	16	7.0
Germany	13	5.7
Switzerland	11	4.8
France	10	4.4
Spain	7	3.1
Italy	4	1.8
Russia	3	1.3
Sweden	3	1.3
Netherlands	3	1.3
Austria	2	0.9
Ireland	2	0.9
Norway	1	0.4
Finland	1	0.4
Portugal	1	0.4
Denmark	1	0.4
United States and Canada	**46**	**20.3**
United States	42	18.5
Canada	4	1.8
Africa / Middle East	**12**	**5.3**
South Africa	7	3.1
Israel	2	0.9
Saudi Arabia	1	0.4
Egypt	1	0.4
Morocco	1	0.4
Latin America and Caribbean	**11**	**4.8**
Brazil	7	3.1
Mexico	3	1.3
Chile	1	0.4
Grand Total	**227**	**100.0**

Source: Pictet Asset Management, Sustainalytics, December 2020

APPENDIX 3 - BREAKDOWN OF COMPANIES ENGAGED BY SECTOR	NUMBER	%
Industrials	**38**	**16.7**
Industrial Conglomerates	7	3.1
Aerospace & Defense	6	2.6
Machinery	5	2.2
Automobiles	5	2.2
Commercial Services	4	1.8
Electrical Equipment	4	1.8
Transportation Infrastructure	3	1.3
Traders & Distributors	2	0.9
Construction & Engineering	1	0.4
Transportation	1	0.4
Materials	**36**	**15.9**
Chemicals	13	5.7
Diversified Metals	12	5.3
Precious Metals	4	1.8
Steel	4	1.8
Paper & Forestry	2	0.9
Containers and Packaging	1	0.4
Financials	**31**	**13.7**
Banks	21	9.3
Diversified Financials	8	3.5
Insurance	2	0.9
Consumer Staples	**28**	**12.3**
Food Products	21	9.3
Household Products	6	2.6
Food Retailers	1	0.4
Healthcare	**21**	**9.3**
Pharmaceuticals	17	7.5
Healthcare	4	1.8
Utilities	**18**	**7.9**
Utilities	18	7.9
Energy	**17**	**7.5**
Oil & Gas Producers	11	4.8
Refiners & Pipelines	4	1.8
Oil, Gas and Consumable Fuels	1	0.4
Energy Services	1	0.4
Consumer Discretionary	**15**	**6.6**
Retailing	5	2.2
Textiles & Apparel	4	1.8
Consumer Durables	3	1.3
Consumer Services	3	1.3
Information Technology	**14**	**6.2**
Software & Services	8	3.5
Technology Hardware	6	2.6
Communication Services	**9**	**4.0**
Telecommunication Services	8	3.5
Media	1	0.4
Grand Total	**227**	**100.0**

Source: Pictet Asset Management, Sustainalytics, December 2020

APPENDIX 4 - ENGAGEMENT DURING 2020, BY COMPANY

COMPANY	E	S	G
3M Co	1		
3M India Ltd.	1		
Adani Enterprises Limited	1		
Adani Ports & Special Economic Zone Ltd	1		
AES Gener	1		
Amazon.com Inc		1	
Ameren	1		
America Movil SAB de CV			1
American Electric Power Company	1		
AMP Limited			1
Andritz AG		1	
AstraZeneca PLC			1
Atlantia S.p.A.		1	
Autostrade per l'Italia SpA		1	
AviChina Industry & Technology Company Limited		1	
Banco Bilbao Vizcaya Argentaria SA			1
Banco Santander, S.A.			1
Bank of America Corp.			1
Barclays PLC			2
Barry Callebaut AG		1	
Bausch Health Companies Inc		1	1
Bayer AG		2	
Bayer CropScience Limited		2	
BBVA			1
Beiersdorf AG			1
Bezeq The Israeli Telecommunication Corp. Ltd.			1
Bharat Heavy Electricals Limited	1		
BMW Group			1
BNP Paribas SA			1
Bolloré SA		1	
Boohoo group Plc		1	
BRF S.A.	1	1	1
British American Tobacco p.l.c.		1	
BT Group PLC			1
Bunge Ltd.	1		
Caterpillar Inc		1	
Centrais Elétricas Brasileiras SA		1	
China Huaneng Group	1		
China Huarong Asset Management Co Ltd			1
China Northern Rare Earth (Group) High-Tech Co Ltd	1		
China Petroleum & Chemical Corp.		1	
China Railway Group Ltd		1	
China Resources Power Holdings Company	1		
Chocoladefabriken Lindt & Sprüngli AG		1	
Citigroup, Inc.			2
CMC Markets PLC			1

COMPANY	E	S	G
Coal India		1	
Commonwealth Bank of Australia			1
Convoy Global Holdings Ltd			1
CoreCivic Inc		1	
Corteva, Inc.	1		
Covestro			1
Credit Suisse Group AG			3
Daimler AG			1
Danone			2
Danske Bank A/S			1
Deutsche Bank AG			2
Deutsche Telekom AG			1
DNO ASA		1	
Dow, Inc.		1	
DuPont de Nemours, Inc.	1		
Edison International		1	
EDP - Energias de Portugal, S.A.			1
EDP - Energias do Brasil SA			1
EDP Renováveis, S.A.			1
El Sewedy Electric Co	1		
Enbridge Inc		1	
Eni SpA			1
Equifax Inc		1	
Eskom Holdings SOC Limited	1		
Facebook Inc		1	
FGV Holdings Bhd.		1	
Formosa Chemicals & Fibre Corp.		1	
Formosa Taffeta Co., Ltd.		1	
G4S PLC		1	
Gazprom PJSC			1
GEO Group, Inc.		1	
Gilead Sciences Inc			1
GlaxoSmithKline PLC			1
Glencore PLC	3		1
Golden Agri-Resources Ltd	1		
Grupo México, S.A.B. de C.V.	1	2	
Habib Bank Limited			1
Haier			1
Halma			1
Hangzhou Hikvision Digital Technology Co Ltd.		1	
Harmony Gold Mining Co. Ltd.		1	
Henkel AG & Co. KGaA			1
Hindustan Zinc Limited		1	
HSBC Holdings PLC			1
Hyundai Motor Co., Ltd.			1
Indivior PLC			1

COMPANY	E	S	G
Informa PLC			1
ING Groep N.V.			1
Inner Mongolia Baotou Steel Union Co. Ltd.	1		
International Business Machines Corp			1
JBS S.A.	1	1	2
Johnson & Johnson		1	
Kering S.A.			1
Kimberly-Clark Corp			1
Korea Electric Power Corporation		1	
Kuehne & Nagel			2
L&T Finance Holdings Ltd		1	
L&T Technology Services Ltd.		1	
Larsen & Toubro Infotech Limited		1	
Leonardo S.p.a.			1
Lockheed Martin Corp		1	
L'Oréal SA			1
Lotte Chemical Corp			1
Lotte Chilsung Beverage Co Ltd			1
Lotte Corp			1
Lotte Fine Chemical Co., Ltd.			1
Lotte Food Co., Ltd.			1
Lotte Himart Co.,Ltd.			1
Lotte Shopping Co., Ltd.			1
Luckin Coffee, Inc.			1
Mallinckrodt PLC		1	
Marathon Oil Corp.			1
Marfrig	1		
McDonald's Corp		1	
McKesson Corp		1	
Minerva	1		
Mitsubishi Materials Corporation			1
MMC Norilsk Nickel PJSC	5	1	
Mondelez International, Inc.		1	
MTN Group Limited		1	
Naspers			1
Nestlé S.A.		1	
NMC Health PLC			1
Nordea Bank Abp			1
Novolipetsk		1	
NTPC Limited	1	1	
OCP S.A.		1	
OFILM Group Co., Ltd.		1	
Oil and Natural Gas Corporation Limited		1	
Olympus Corporation		1	
OMV	1		
Orange S.A.			1

COMPANY	E	S	G
Page Industries Ltd.		1	
Pan American Silver Corp.		1	
Patterson-UTI Energy, Inc.		1	
Pepkor Holdings Ltd.			1
PetroChina Co Ltd		2	
Petroleos Mexicanos S.A. de C.V.		1	
Pfizer Inc			1
PG&E Corp		1	
Pilgrim's Pride Corp.		1	1
Porsche Automobil Holding SE			1
POSCO		2	
POSCO INTERNATIONAL Corp.		2	
PT Indah Kiat Pulp & Paper Tbk	1		
PT Indofood Sukses Makmur Tbk		1	
PT Indonesia Asahan Aluminium (Persero)	1		
PT Pabrik Kertas Tjiwi Kimia Tbk	1		
PT Perusahaan Perkebunan London Sumatra Indonesia Tbk		1	
Raytheon Technologies Corp.		1	
Reckitt Benckiser Group PLC			1
Reliance Industries Ltd.			1
Repsol, S.A.			1
Richemont			4
Rio Tinto Ltd.		1	
Roche Holding AG			1
Royal KPN NV			1
RWE	2		1
Samsung BioLogics Co Ltd			1
Samsung C&T Corp.			1
Samsung Electronics Co., Ltd.			1
Sanofi		1	1
Sanofi India Ltd.		1	
Saudi Basic Industries Corp		1	
Shimano			1
Sibanye Stillwater Ltd.		1	
Siemens AG		1	
Siemens Energy AG		1	
Siemens Gamesa Renewable Energy, S.A.		1	
Singapore Technologies Engineering Ltd.			1
Sinopec Kantons Holdings Ltd		1	
SK Chemicals Co. Ltd.		1	
SK Discovery Co. Ltd.		1	
SK Holdings Co Ltd		1	
SMC Corp			1
Smurfit Kappa			1

COMPANY	E	S	G
Southern Copper Corporation	1	2	
Standard Chartered PLC			1
Stanley Black & Decker			1
Steinhoff International Holdings N.V.			1
Stryker Corporation		1	
Suez			1
Suruga Bank Ltd.			1
Swedbank AB			1
Swiss Re AG			1
Takeda Pharmaceutical Co., Ltd.			1
Tata Consultancy Services Ltd.		1	
Tata Steel		1	
TC Energy Corp.	1		
Telefonaktiebolaget LM Ericsson			1
Telefónica, S.A.			1
Teva Pharmaceutical Industries Limited			1
The Boeing Company		1	
The Chemours Co	1		
The Estée Lauder Companies, Inc.			1
The Goldman Sachs Group, Inc.			2
The Hershey Co.		1	
Tiger Brands Limited		1	
Tokyo Electric Power Company Holdings, Incorporated	1		
Toshiba Corp.			1
Total SE			1
Uber Technologies, Inc.		1	
UBS Group AG			1
Vale S.A.		1	1
Vedanta Limited		1	
Vedanta Resources Ltd.		1	
Volkswagen AG	2		1
Volvo AB		1	
Walmart Inc.		1	
Wells Fargo & Company			2
Westpac Banking Corporation			1
Wilmar International Limited		2	
Wirecard AG			1
Wockhardt Limited		1	
Wolverine World Wide, Inc.	1		
Yes Bank Ltd			1
Z Holdings Corp.	1		
Zhejiang Huahai Pharmaceutical Co., Ltd.		1	
Zijin Mining Group Company Limited	1	1	
ZTE Corporation		1	
Veolia			1

Source: Pictet Asset Management, Sustainalytics, December 2020

Glossary

Classification of votable items

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

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

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

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

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

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

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

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

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

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

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

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

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

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

References

1 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).
2 Please note that the assets stated include all assets either managed or distributed by Pictet Asset Management excluding mandates, in scope for SFDR.
3 As at 31st March 2021.
4 As at 31st March 2021. The AUM represents the consolidated AUM of all Pictet AM entities.
5 Source: Climate Action 100+, April 2021.
6 https://www.ceres.org/
7 https://www.fairr.org/
8 Pictet Asset Management's Climate Change and Emerging Markets after COVID-19 report, October 2020.
9 Source: S&P Global, 2020.
10 Source: JPM EMBI-GD and GBI-EM. Data as at 25.01.2021.

1805

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