PICTET ASSET MANAGEMENT (EUROPE) S.A.

Statement on principal adverse impacts of investment decisions on sustainability factors

JUNE 2023

STATEMENT ON PRINCIPAL ADVERSE IMPACTS[1] OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS[2]

FINANCIAL MARKET PARTICIPANT :

PICTET ASSET MANAGEMENT (EUROPE) S.A. (LEI: 222100XYKRC53LF88Y28)

Summary

PICTET ASSET MANAGEMENT (EUROPE) S.A. (LEI: 222100XYKRC53LF88Y28) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Pictet Asset Management (Europe) S.A. and its subsidiary, namely Pictet Asset Management (Europe) S.A., Italian branch.

This statement on principal adverse impacts on sustainability factors covers the reference period from **1 January to 31 December 2022**.

Pictet Asset Management (Europe) S.A considers principal adverse impacts subject to data availability and quality.
Our strategies in scope of SFDR use a combination of approaches to consider and, where possible, mitigate material adverse impacts of our investments on society and the environment. Such adverse impacts include but are not limited to GHG emissions, air pollution, biodiversity loss, emissions to water, hazardous/ radioactive waste, human rights, labour standards, corruption and bribery and public health. The degree and the way these impacts are considered depend on factors such as the investment strategy, the specific context of the investment that is causing the adverse impact, or the availability of reliable data.

Our investment strategies are defined according to three main categories, reflecting the variety of approaches to responsible investment implemented across our firm.

ESG Integrated (equivalent to a SFDR Article 6): these strategies integrate material sustainability risks and opportunities into investment decisions to complement financial analysis. However, they may invest in securities with principal adverse impacts. Such strategies represented around 17% of AUM in scope of this report as end of December 2022.
ESG Focused (equivalent to a SFDR Article 8): these strategies consider principal adverse impacts through a combination of integrating ESG factors in portfolio management decisions, conducting active ownership activities, and excluding issuers associated with controversial conduct or activities.

- ***Positive Tilt**:* these strategies seek to increase the weight of securities with low sustainability risks and/or to decrease the weight of securities with high sustainability risks, subject to good governance practices
- ***Best in Class***: these strategies seek to invest in securities of issuers with low sustainability risks while avoiding those with high sustainability risks, subject to good governance practices

1 Principal adverse impacts (PAIs) are defined by the European Commission as those factors that have "negative, material or likely to be material effects on sustainability factors that are caused, compounded by or directly linked to investment decisions and advice performed by the legal entity."
2 The Sustainable Finance Disclosure Regulation (SFDR) defines sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

Positive Impact (equivalent to a SFDR Article 8 or 9): Such strategies seek to invest mainly in economic activities that contribute to an environmental and/or social objective[3]. The ESG characteristics of issuers are taken into account to increase or decrease their target weight, subject to good governance practices. These 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. Principal adverse impacts are considered through a combination of universe definition, integrating ESG factors in portfolio management decisions, conducting active ownership activities, and excluding issuers associated with controversial conduct or activities.

As a starting point, we identify and mitigate principal adverse impacts through the application of our exclusion framework[4].
Exclusions are categorised into three levels, which are applied across our product range (see exclusion table in section ”*Identification and assessment of principal adverse impact*”). Exclusion criteria are applied by all actively managed strategies.

- **Level 1** (applied to ESG integrated strategies): addresses the adverse impacts on (i) Greenhouse gas emissions by excluding companies with more than 25% revenue from thermal coal extraction (PAI 1-6), and (ii) Social and employee matters by excluding controversial weapons production. Such weapons include anti-personnel mines, cluster munitions, biological & chemical weapons (including white phosphorous) and nuclear weapons from countries not signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (PAI 14).
- **Level 2** (applied to positive tilt strategies): addresses adverse impacts through a combination of sector and severe controversies exclusions. For example, we exclude companies that severely violate either the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption or the OECD Guidelines for Multinationals, including severe social and employee issues. (PAI 10).
- **Level 3** (applied to best in class and positive impact strategies): addresses adverse impacts through a more stringent set of exclusions targeting specific sectors and severe controversies. For example, we exclude companies with more than 10% revenues from the production or retail of pesticides because of their principal adverse impact on biodiversity.

Furthermore, we address principal adverse impacts on the environment and society through further analysis by investment teams which maybe a driver for active ownership activities, including voting and engagement. In 2022, we supported more than 600 shareholder resolutions on a broad range of ESG issues, including over 140 relating to principal adverse impacts including greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.

Finally, we may engage issuers on material ESG factors to encourage issuers to address them effectively over the short, medium and long term. As part of our approach we rolled out a Pictet Group Engagement Framework focusing on a number of themes including climate change, biodiversity and water. Overall, we had 295 engagement objectives directly linked to PAI indicators in 2022.

In addition, Article 8 & 9 strategies may address adverse impacts through portfolio construction and/or universe definition.

A summary of principal adverse impacts considered is presented in table 1.

Note: Indicators highlighted in light grey in the table 1 have limited data availability (i.e. coverage <50%). We consider a threshold of 50% coverage necessary in order to provide a meaningful view.

[3] Example environmental and social objectives may include climate change mitigation and adaptation, pollution prevention, promotion of the circular economy, sustainable use of water and marine resources, support of healthy ecosystems, social cohesion, social integration, support of labour relations and human capital development.
[4] For further information on our exclusion framework see Appendix B of Pictet Asset Management’s RI policy.

DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Indicators applicable to investments in investee companies – eligible assets (79%)[5]

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation / Coverage[6]	Actions taken, and actions planned and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO2eq)	8'106'075	n/a	94%	**Exclusions** Actively managed SFDR Article 6 strategies apply level 1 exclusions and exclude companies that receive more than 25% revenue from thermal coal extraction. Passively managed strategies apply such exclusions on a best effort basis. Strategies that apply level 2 exclusions exclude companies that derive a significant portion of their revenue from activities detrimental to the environment, such as: fossil fuels (including thermal coal extraction & power generation (> 25% revenue), unconventional oil and gas (> 25% revenue) and offshore arctic oil & gas exploration (> 10% revenue). In addition, strategies that apply level 3 exclusions exclude companies that derive > 25% revenue from oil & gas production and > 10% revenue from unconventional oil and gas. **Universe and portfolio construction** SFDR Article 8 and 9 strategies may address principal adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider greenhouse gas emissions where they are material to their strategy or to the issuers they invest in.
		Scope 2 GHG emissions (tCO2eq)	1'118'412	n/a	94%	
		Scope 3 GHG emissions (tCO2eq)	26'042'087	n/a	94%	
		Total GHG emissions (scope 1+ 2) (tCO2eq)	9'224'528	n/a	94%	
		Total GHG emissions (scope 1+ 2+3) (tCO2eq)	35'279'765	n/a	94%	
	2. Carbon footprint	Carbon footprint (scope 1+ 2) (tCO2e/mln EUR EVIC)	97	n/a	94%	

5 Eligible assets indicate the proportion of assets that are considered in scope.
6 Coverage represents eligible assets with available reported/estimated data.

		Carbon footprint (scope 1+ 2+3) (tCO2e/mln EUR EVIC)	370	n/a	94%
	3. GHG intensity of investee companies	GHG intensity of investee companies (scope 1+ 2) (tCO2e/mln EUR rev)	385	n/a	94%
		GHG intensity of investee companies (scope 1+ 2+3) (tCO2e/mln EUR rev)	1'161	n/a	94%
	4. Exposure to companies active in the fossil fuel sector	Exposure to companies active in the fossil fuel sector	7%	n/a	98%
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources			
		Non-renewable Energy consumption	70%	n/a	48%

Active ownership

In 2022 we initiated our Group Engagement Focus program which includes the priority theme of climate change. We also published our Pictet Climate Action Plan, which includes a commitment to net zero by 2050, as well as interim science-based targets. Key actions to progressing towards these objectives include engaging with issuers to encourage them to set science-based targets, develop decarbonization plans to achieve them, and report on their progress. We had 104 active engagement objectives related to climate change mitigation in 2022.

For example, we engaged with Baker Hughes, one of the world's leading oil & gas services companies, to encourage it report on its Scope 3 greenhouse gas emissions and set reduction targets. Scope 3 emissions represent the vast majority of the company's carbon footprint. We also engaged with RWE, one of Europe's largest coal miners, energy producers and CO2 emitters, asking it to ring-fence its coal assets.

Where relevant, we used proxy voting to reinforce our engagement activity on climate change, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. From 2023, our voting policy states that for companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain, we generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.

Our policies were already delivering votes of this nature in 2022. For example, in 2022 there were 39 management resolutions identified by ISS as relating to climate of which we voted against 20 (51%) including the climate policy reports of Rio Tinto, Glencore, BP, Shell, and Total. In addition there were 112 shareholder proposed resolutions identified as climate related by ISS. Of these we voted in favour of 84 (75%) of them.

Actions planned

Under the Pictet Climate Action Plan, we have committed to reducing our own scope 1 and 2 emissions at operational level and, critically, to steadily increasing the proportion of our investee companies with specific, science-based targets to combat climate change to 40% by 2025, 60% by 2030 and 100% by 2050. In 2023, we plan to continue our efforts to engage with issuers across our investment portfolios to encourage them to set science-based targets, grow and launch new investment solutions that foster the

		Non-renewable Energy production	38%	n/a	18%	low-carbon transition, and motivate other stakeholders join the net-zero transition.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector				
		Agriculture, Forestry & Fishing (NACE A)	6	n/a	1%	
		Mining and Quarrying (NACE B)	10	n/a	1%	
		Manufacturing (NACE C)	1	n/a	26%	
		Electricity, gas, steam, and air conditioning supply (NACE D)	8	n/a	8%	
		Water supply, sewerage, waste management, and remediation activities (NACE E)	1	n/a	4%	
		Construction (NACE F)	25	n/a	0%	
		Wholesale and retail trade; repair of motor vehicles and motorcycle (NACE G)	0	n/a	2%	

		Transportation and storag (NACE H)e	2	n/a	0%	
		Real estate activities (NACE L)	1	n/a	2%	

Biodiversity	**7.**	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (% in-volved)	8%[7]	n/a	97%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider biodiversity if material to their strategy or to issuers they invest in. **Exclusions** Strategies that apply level 3 exclusions exclude companies with a significant proportion of activities or products that are harmful to biodiversity (e.g. Pesticides production or retail if revenue are > 10%). SFDR Article 8 and 9 strategies exclude companies in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe biodiversity losses. **Active ownership** In 2022 we initiated our Group Engagement Focus program which includes the priority topics of biodiversity and deforestation. We also joined a range of multi-stakeholder initiatives such as the FinBio initiative, the Finance for Biodiversity Pledge and several engagement initiatives by FAIRR related to biodiversity. As signatories to the Pledge, we committed, among other topics, to set nature-related targets by year-end 2024. We had 26 active engagement objectives related to biodiversity and ecosystems in 2022. For example, we strongly encouraged Brazil's meatpacking company JBS to enhance its approach to reversing and preventing deforestation in the Amazon and other critical biomes in the country from cattle sourcing. Where relevant, we used proxy voting to reinforce our engagement activity on biodiversity and deforestation, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. Examples of votes relating to Biodiversity/Forestry from 2022 include those at Home Depot, Procter and Gamble, and Archer-Daniels Midland. Home Depot was a shareholder resolution seeking a Report on Efforts to Eliminate Deforestation in Supply Chain which we supported. At Procter and Gamble we voted against three Director elections due to the board's insufficient actions to adopt adequate no-deforestation commitments and at Archer-Daniels Midland we considered a vote against the Chair and CEO Juan Luciano and Lead Director Donald Felsinger were warranted as a signal to

						the board that stronger independent oversight and board ma'agement of climate and deforestation risks at the company are necessary. **Actions planned** As part of our plan to step up engagement efforts on issues related to biodiversity in 2023, we look forward to joining Nature Action 100. This new global engagement initiative will see investors driving urgent action on nature-related risks and dependencies at companies, in key sectors, that are deemed to be systemically important to the goal of reversing nature and biodiversity loss by 2030.

7 For activities negatively affecting biodiversity-sensitive areas, we rely on a dedicated data set from a third-party data provider. The data provider is currently reviewing its methodology for this indicator, consequently, the roll-out of the enhanced data set may alter the values.

Water	**8.**	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average (t/EURm)	2	n/a	6%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider water quality if material to their strategy or to issuers they invest in. **Exclusions** SFDR Article 8 and 9 strategies exclude companies that are in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including emissions to water. **Active ownership** In 2022 we initiated our Group Engagement Focus program which includes the priority theme of water. We also became a founding signatory of Ceres' Valuing Water Finance Initiative aimed at promoting good corporate water stewardship practices through collaborative engagement. We had 13 active engagement objectives related to water in 2022. In 2022, we engaged with water utility Pennon in the UK to encourage it to strengthen management of wastewater pollution, including by aligning executive remuneration with combined sewage overflow (CSO) incident reduction targets. Where relevant, we used proxy voting to reinforce our engagement activity on water, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. For example we voted in favour of five water related shareholder resolutions during 2022 at Rockwool International, The Kraft Heinz Company, Alphabet Inc., Tesla, Inc., and Origin Energy Limited. All of these votes were against the recommendation of management, and focused on requiring additional disclosure about the management of water risks including the resolution at Rockwool which also sought disclosure about facility siting as well as water risk. **Actions planned** In 2023, we plan to continue leverage the Valuing Water Finance Initiative and engage with issuers across our investment portfolios to encourage them to adopt good corporate water stewardship practices.

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average (t/EURm)	3	n/a	35%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider waste if material to their strategy or to issuers they invest in. **Active ownership** We may engage with companies involved in the production of hazardous waste or with poor waste management pracctices. For example, we have had discussions with companies involved in the production of PFAS, a group of synthetic chemicals that are harmful to human health and the environment, to understand their approaches to managing PFAS waste disposal and pollution including by increasing testing and monitoring of health impact of PFAS-related products and phasing out PFAS-related product lines. Where relevant, we used proxy voting to reinforce our engagement activity on waste, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. For example we supported three shareholder resolutions (out of three) during 2022 relating to waste at Metro Inc., Amazon.com, Inc., and Sysco Corporation. At Metro Inc we supported the proposal to provide an action plan to achieve zero plastic waste by 2030, and we supported the resolutions requiring both Amazon and Sysco to report of efforts to reduce plastic waste.

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Developmen t (OECD) Guidelines for Multinationa l Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% in-volved)	1%	n/a	97%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider social and employee matters if material to their strategy or to issuers they invest in. **Exclusions** SFDR Article 8 and 9 strategies exclude companies that severely violate (i) the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption or (ii) OECD Guidelines for Multinationals, including severe social and employee issues. **Actions planned** No further actions planned.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (% in-volved)	66%	n/a	46%	**Active ownership** In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as community impacts, human rights, labour standards, health and safety, or business ethics and corruption. In 2022, we had 61 active engagement objectives related to community impacts and human rights, 42 related to labour standards and health and safety, and 38 related to business ethics and corruption. For example, on human rights and community relations, we have engaged with Vale to ensure the effectiveness of remediation programs to compensate for the damage caused by the failure of its tailings dam in Brazil. As for labour standards, we engaged with Tyson Foods to ask it to implement long-term changes to improve management and disclosure of labour-related risks and opportunities in areas related to health and safety, fair working conditions and worker representation. Our Group Engagement Focus program also includes the priority topic of talent retention and development, of which gender diversity is an important factor. In 2022, we had 11 active engagement objectives related to human capital, diversity and inclusion. Where relevant, we used proxy voting to reinforce our engagement activity on waste, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. In addition, we vote against or withhold on Directors individually, on a committee, or potentially the entire Board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks. In 2022 there were 65 resolutions at 25 companies where we voted against or withheld due to concerns about a backdrop of significant risks to shareholders stemming from severe ESG controversies which were identified at the company, reflecting a failure by the board to proficiently guard against and manage material environmental, social and governance risks. While some of these related only to climate change related issues the majority included concerns about more than one risk or controversy. Examples include Shell, ExxonMobil, Raytheon Technologies Corporation,

						Marathon Petroleum Corporation, Cia de Saneamento do Parana, Glencore Plc and Vale SA.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14%	n/a	3%	**Active ownership** Where relevant, we used proxy voting to reinforce our engagement activity on topics mentioned above, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. This includes generally voting against or withhold from the chair of the nominating committee, or relevant committee member depending on jurisdiction, if the board lacks at least one director of an underrepresented gender identity. In 2022 there were at least 120 cases where we voted against the re-election of one or more Directors on the grounds of a lack of gender diversity on Boards of over 84 companies.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	32%	n/a	89%	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	n/a	98%	**Exclusions** Companies involved with nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NMT) and other controversial weapons, are excluded for all actively managed strategies and on a best effort basis for passively managed strategies. **Active ownership** Where relevant, we used proxy voting to reinforce our engagement activity on weapons, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. For example we supported a shareholder resolution at Geberal Dynamics Corporation proposing a Report on Human Rights Due Diligence on the basis that shareholders would likely benefit from more disclosure on how the company evaluates and mitigates any human rights impacts from the sale of its weapons and other lethal products. **Actions planned** No further actions planned.

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS – ELIGIBLE ASSETS (10%)

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation Coverage	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries (KtonCO2eq/EUR m)	1	n/a	92%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider GHG intensity if material to their strategy or to issuers they invest in.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				**Exclusions** For sovereign and quasi-sovereign issuers, exclusions or enhanced due diligence is applied based on (i) international sanctions as defined by Switzerland, the European Union and/ or the US Office of Foreign Assets Control (OFAC), (ii) EU financial sanctions, (iii) countries affected by violent conflict as defined by the World Bank (iv) an independent assessment of countries' vulnerability to conflict or collapse as determined by the Fragile State Index (FSI) , (v) countries subject to export related sanctions by the EU. **Actions planned** We will continue to monitor social violations. We will continue to review and expand our approach to sovereign engagement.
		By number	5	n/a	92%	
		In %	4%	n/a	92%	

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	n/a	n/a	n/a	Not applicable given investment universe of our strategies.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	n/a	n/a	n/a	Not applicable given investment universe of our strategies.

ADDITIONAL INDICATORS

Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	36%	n/a	98%	**Universe and portfolio construction** SFDR Article 8 and 9 strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider carbon emission reduction initiatives if material to their strategy or to issuers they invest in. **Active ownership** In 2022 we initiated our Group Engagement Focus program which includes the priority theme of climate change, and we published our Pictet Climate Action Plan which includes our commitment to net zero by 2050 as well as interim science-based targets. Key actions to progressing towards these objectives included engaging with issuers to encourage them to set science-based targets, develop decarbonization plans to achieve them, and report on their progress. We had 104 active engagement objectives related to climate change mitigation in 2022. Where relevant, we used proxy voting to reinforce our engagement activity on climate change, either by supporting shareholder resultions or by voting against management when we felt that progress was not sufficient. From 2023, our voting policy states that for companies that are significant greenhouse gas (GHG) emitters, through their operations or value chain, we generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory. But our policies were already delivering votes of this nature in 2022. For example, in 2022 there were 39 management resolutions identified by ISS as relating to climate of which we voted against 20 (51%) including the climate policy reports of Rio Tinto, Glencore, BP, Shell, and Total. In addition there were 112 shareholder proposed resolutions identified as climate related by ISS. Of these we voted in favour of 84 (75%) of them. **Actions planned** Under the Pictet Climate Action Plan, we have committed to steadily increasing the proportion of our investee companies with specific, science-based targets to combat climate change, as well as to reducing our own scope 1 and 2 emissions at operational level. The race is now on to meet these objectives, with the first interim target looming already in 2025.

Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	1%	n/a	97%	**Exclusions** SFDR Article 8 and 9 strategies exclude companies in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe corruption and bribery issues. **Active ownership** In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as business ethics and corruption. In 2022, we had 38 active engagement objectives related to business ethics and corruption. Where relevant, we used proxy voting to reinforce our engagement activity on business ethics and corruption, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient. For example, during 2022 we voted against the re-election of directors at Samsung due to concerns over governance and oversight at the company and at Petroleo Brasileiro SA due to concerns over a nominee who had been indicted in 2021 due to allegations of fraudulent management. In addition, we vote against or withhold on Directors individually, on a committee, or potentially the entire Board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks including on issues such as business ethics and corruption.

Exclusions: Categories and thresholds vary between SFDR strategy classification.
Indicators highlighted in light grey in table 1 have limited data availability (i.e. coverage <50%). We consider a threshold of 50% coverage necessary in order to provide a meaningful view for PAI indicators.
Source: Pictet Asset Management, Sustainalytics, VeriskMaplecroft, ISS, SBTi – Data for 2022.

OTHER INDICATORS FOR PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (a) in the format in Table 2]

In addition to the set of mandatory indicators above, we consider two additional indicators.
We consider an indicator relating to emissions, that measures the share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement.

This indicator is part of the set of additional indicators that relate to climate and the environment, as defined in the SFDR (Table 2, indicator 4). For more information see table 1 above.

[Information on the principal adverse impacts on sustainability factors referred to in Article 6(1), point (b), in the format in Table 3]

We also consider an indicator that relates to the share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption.
This indicator is part of the set of additional indicators that relate to social and employee, respect for human rights, anti-corruption and anti-bribery matters, as defined in the SFDR (Table 3, indicator 15). For more information see table 1 above.

[Information on any other adverse impacts on sustainability factors used to identify and assess additional principal adverse impacts on a sustainability factor referred to in Article 6(1), point (c), in the format in Table 2 or Table 3]

We do not use other indicators to identify and assess additional principal adverse impacts on a sustainability factor than those mandatory indicators that are set out in table 1 above, and the additional indicators that we have opted to consider as per the above.

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Governance in relation to policies

Our Responsible Investment (RI) Policy sets the framework for expectations, responsibilities and processes relevant to the incorporation of ESG factors within our investment processes and stewardship activities. The policy covers, among others:

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

The Executive Committee reviews and approves the Policy and any changes to it prior to its publication. We review and potentially revise the Policy annually, but it can also be updated outside this annual cycle as required.

The last update of the RI policy came into force in January 2023. The policy is accessible from our website or through the link: https://documents.am.pictet/library/en/other?documentTypes=RI_POLICY&businessLine=PAM

Identification and assessment of principal adverse impact

Our strategies in scope of SFDR use a combination of approaches to consider and, where possible, mitigate material adverse impacts of our investments on society and the environment. Such adverse impacts include but are not limited to GHG emissions, air pollution, biodiversity loss, emissions to water, hazardous/ radioactive waste, human rights, labour standards, public health and corruption and bribery.

The degree and the way these impacts are considered depend on factors such as the investment strategy, the specific context of the investment that is causing the adverse impact, or the availability of reliable data.

Our investment strategies are defined according to three main categories, reflecting the variety of approaches to responsible investment implemented across our firm.
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ESG Focused (equivalent to a SFDR Article 8): these strategies consider principal adverse impacts through a combination of integrating ESG factors in portfolio management decisions, conducting active ownership activities, and excluding issuers associated with controversial conduct or activities.

- ***Positive Tilt:*** these strategies seek to increase the weight of securities with low sustainability risks and/or to decrease the weight of securities with high sustainability risks, subject to good governance practices
- ***Best in Class***: these strategies seek to invest in securities of issuers with low sustainability risks while avoiding those with high sustainability risks, subject to good governance practices

Positive Impact (equivalent to a SFDR Article 8 or 9): Such strategies seek to invest mainly in economic activities that contribute to an environmental and/or social objective. The ESG characteristics of issuers are taken into account to increase or decrease their target weight, subject to good governance practices. These strategies aim to deliver a financial return while also achieving a positive and measurable im-pact, by investing in companies that provide solutions to increasingly complex sustainability challenges. Principal adverse impacts are considered through a combination of universe definition, integrating ESG factors in portfolio management decisions, conducting active ownership activities, and excluding issuers associated with controversial conduct or activities.

As a starting point, we identify and mitigate principal adverse impacts through the application of our exclusion framework[8].
Our exclusions framework covers companies and sovereign/quasi sovereign issuers:

- For companies, exclusions are based on a combination of revenue thresholds derived from controversial activities that are deemed harmful to society and/or the environment, and severe breaches of international norms on human rights, labour standards, environmental protection and anti-corruption.
- For sovereign and quasi-sovereign issuers, exclusions or enhanced due diligence are based on (i) international sanctions as defined by Switzerland, the European Union and/ or the US Office of Foreign Assets Control (OFAC), (ii) EU financial sanctions, (iii) countries affected by violent conflict as defined by the World Bank (iv) an independent assessment of countries' vulnerability to conflict or collapse as determined by the Fragile State Index (FSI)[9], (v) countries subject to export related sanctions by the EU.

Exclusions apply to all types of securities (equities, bonds, convertible bonds) issued by excluded entities, as well as bonds issued by related financial vehicles. They also apply to participation notes and derivatives issued by third parties on such securities. Short positions (direct or indirect) are allowed.

[8] For further information on our exclusion framework see Appendix B of Pictet Asset Management's RI policy.
[9] The FSI is an annual ranking of over 175 countries based on different pressures they face that impact their levels of fragility. The index assesses structural indicators of a country which are grouped into four clusters: (i) cohesion (eg security apparatus, group grievances), (ii) economic (eg economic decline, uneven development), (iii) political (public services, state legitimacy), and (iv) social and cross-cutting indicators (eg demo-graphic pressure, refugees and internally displaced persons). Source: https://fragilestatesindex.org/global-data/

Exclusions apply to actively managed funds, certificates, and discretionary mandates. They do not apply to passive strategies that replicate market indices or open-ended funds managed by third-party managers.
Exclusions are categorised into three levels, which are applied across our product range (see table below). Exclusion criteria are applied by all actively managed strategies.

- **Level 1** (applied to ESG integrated strategies): addresses the adverse impacts on (i) Greenhouse gas emissions by excluding companies with more than 25% revenue from thermal coal extraction (PAI 1-6), and (ii) Social and employee matters by excluding controversial weapons production. Such weapons include anti-personnel mines, cluster munitions, biological & chemical weapons (including white phosphorous) and nuclear weapons from countries not signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (PAI 14).
- **Level 2** (applied to positive tilt strategies): addresses adverse impacts through a combination of sector and severe controversies exclusions. For example, we exclude companies that severely violate either the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption or the OECD Guidelines for Multinationals, including severe social and employee issues (PAI 10).
- **Level 3** (applied to best in class and positive impact strategies): addresses adverse impacts through a more stringent set of exclusions targeting specific sectors and severe controversies. For example, we exclude companies with more than 10% revenues from the production or retail of pesticides because of their principal adverse impact on biodiversity.

Company Exclusions based on Controversial Activities and Revenue Thresholds

ACTIVITY	LEVEL 1	LEVEL 2	LEVEL 3
Fossil Fuels and Nuclear Energy			
Thermal Coal Extraction	>25%	>25%	>25%
Thermal Coal Power Generation	-	>25%	>25%
Oil & Gas Production	-	-	>25%
Oil Sands Extraction	-	>25%	>10%
Shale Energy Extraction	-	>25%	>10%
Off-shore Arctic Oil & Gas Exploration	-	>10%	>10%
Nuclear Power Generation	-	-	>50%
Weapons			
Production of Controversial Weapons[10]	>0%	>0%	>0%
Military Contracting Weapons	-	>10%	>10%
Military Contracting Weapon-Related Products and/or Services	-	-	>50%
Small Arms Civilian Customers (Assault Weapons)	-	>10%	>10%
Small Arms Civilian Customers (Non-Assault Weapons)	-	>10%	>10%
Small Arms Military/Law Enforcement Customers	-	>25%	>25%
Small Arms Key Components	-	>25%	>25%
Other Controversial Activities			
Adult Entertainment Production	-	>10%	>10%
Gambling Operations	-	>10%	>10%
Genetically Modified Plants and Seeds Development	-	-	>25%
Genetically Modified Plants and Seeds Growth	-	-	>25%
Pesticides Production	-	-	>10%
Pesticides Retail	-	-	>10%

[10] Controversial weapons include anti-personnel mines, cluster munitions, biological & chemical weapons (including white phosphorous) and nuclear weapons from countries not signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT).

Company Exclusions based on Controversial Activities and Revenue Thresholds

ACTIVITY	LEVEL 1	LEVEL 2	LEVEL 3
Tobacco Products Production	-	>10%	>10%

Company Exclusions based on Breaches of International Norms

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3
Companies in severe breach of UN Global Compact Principles on human rights, labour standards, environmental protection and anti-corruption	No	Yes	Yes

Country Exclusions

CRITERIA	LEVEL 1	LEVEL 2	LEVEL 3
Countries (i) listed as State Sponsors of Terrorism as defined by the Office of Foreign Assets Control [11] or (ii) subject to EU financial sanctions targeting central banks and/or State-Owned enterprises (SOEs)	Yes	Yes	Yes
Countries (i) classified as very high or high risk in the Fragile State Index or (ii) affected by violent conflict as defined by the World Bank	Watchlist[12]	Yes	Yes
Countries (i) listed under "alert" on the Fragile State Index or (ii) subject to export related sanctions by the EU	No	Watchlist	Watchlist

We retain full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis in instances where it is deemed incorrect or incomplete. Such exemptions may be initiated by investment teams or by the ESG team and must be supported by a written rationale subject to validation by Pictet Asset Management's Investment Management Committee and the Head of ESG.

Furthermore, Pictet Asset Management's voting guidelines are designed to support a strong culture of corporate governance and drive effective management of environmental and social issues. These guidelines also seek to support recognized global governing bodies promoting sustainable business practices advocating for stewardship of environment, fair labor practices, non-discrimination, and the protection of human rights. Voting policy in our underlying voting guidelines have specific sections on Director elections in the event that we are not saatisifed with a company approach on topics such as: diversity, material ESG failures, or climate risk mitigation and net zero.
In 2022, we supported more than 600 shareholder resolutions on a broad range of ESG issues, including over 140 relating to principal adverse impacts including greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.

Finally, we may engage issuers on material ESG factors to encourage issuers to address them effectively over the short, medium and long term. As part of our approach we rolled out a Pictet Group Engagement Framework focusing on a number of themes including climate change, biodiversity and water. Overall, we had 295 engagement objectives directly linked to PAI indicators in 2022.

In addition, Article 8 & 9 strategies may address adverse impacts through portfolio construction and/or universe definition.

[11] "State Sponsors of Terrorism" is a designation applied by the United States Department of State to countries that repeatedly provided support to acts of international terrorism.
[12] In addition to hard exclusions, Pictet Asset Management maintains a watchlist including countries that require additional due diligence by investment teams prior to investment.

Data sources

Pictet Asset Management has selected a range of specialist providers for ESG data to support our firm-wide ESG integration and active ownership activities. Data received from external providers may be complemented by internal research and analysis provided by our Investment teams and ESG specialists.

Service providers are subject to rigorous due diligence supervised by the Pictet Group ESG Data Committee and covering topics such as review of their business model, research process, technical expertise, data coverage, quality assurance mechanisms, and prevention of conflicts of interests. In addition to external ESG data, the Committee approves and oversees the development of in-house ESG data infrastructure and the annual ESG data budget.

The existing list of ESG data providers is subject to regular revisions for data quality, coverage and other attributes.

The following providers are used for PAI consideration / reporting:

ESG DATA PROVIDER	ADVERSE IMPACT INDICATOR
Sustainalytics	PAI 1-9 PAI 11-12 PAI 14 Table 3 PAI 15
Sustainalytics, MSCI	PAI 10
Sustainalytics, SBTi	Table 2 PAI 4
ISS	PAI 13
VeriskMaplecroft	PAI 15 -16

Source: Pictet Asset Management – December 2022.

More information about the external data sources used is available upon request.

What are the measures taken to ensure data quality?
Pro-active data quality controls are implemented in our data warehouse. The type of checks assess gaps and volatility in the time series, and changes in coverage.
Quality issues trigger automated alerts, which are followed by manual reviews from our data and ESG analysts/specialists, and where necessary, by engagements with third-party ESG data providers.

How is data processed?
ESG data are updated daily in our internal data warehouse and are made available to our investments teams via different systems, such as our internal ESG Scorecard, Portfolio Management System, and Tableau dashboards.

What proportion of data are estimated?
Although we prioritise reported data over estimated data, we do rely to some extent on estimations, where reported data are not available. Data reported by companies and regulatory authorities are prioritised over estimated data from external providers and ranked higher in terms of realiability for investment and active ownership activities.
The proportion of estimated data varies depending on the ESG indicator. For example, for GHG emissions scope 1 and 2, around 80% of the data is reported, while the majority of scope 3 emissions are estimated.

Margin of error
Key limitations to our methodologies may include lack of data coverage and/or quality. Our methodologies are informed by reliable sources gathered from diverse reputable third-party research providers that are experts in their areas.

In instances where the information from third-party providers is deemed incorrect or incomplete, we retain the right to engage with them or to deviate, on a case-by-case basis.

Principal Adverse Indicators highlighted in light grey in table 1 indicate limited data availability, i.e., with a coverage <50%, which we consider inadequate in order to provide a meaningful view at the entity level.

Engagement policies

We consider it our fiduciary duty to engage selected corporate issuers in order to positively influence a company's ESG performance and to protect or enhance the value of our clients' investments. We press management to adopt appropriate policies, practices and disclosure in line with established best practice but focus on those that lag behind or where accidents or events bring to light structural weaknesses in their governance and/or management of environmental and social issues. Interaction with issuers take the form of one-to-one discussions, shareholder/bondholder meetings, investor roadshows and/or conference calls. The objectives of these interactions are to assess an organization, monitor that their strategy is being implemented in line with our expectations and ensure that issuers are on track to meet their goals and objectives.

We engage on behalf of our long only, managed equity and debt holdings. Our engagement activities include a combination of targeted in-house-led discussions, collaborative institutional investor initiatives, and third-party engagement services. Collaborative initiatives we participate in include Climate Action 100+, Ceres Valuing Water Finance, ATNI Investors in Nutrition and Health, and FAIRR.

Engagement targets may be identified independently by investment teams, or as part of our Group Engagement Focus program, a group-level engagement initiative focusing on four key ESG themes (climate change, water, nutrition and long-termism) and on companies involved in severe controversies or in high-risk activities. Our Pictet Climate Action Plan, which includes our commitment to net zero by 2050 as well as interim science-based targets, also drives some of our engagement activity as we use active ownership to make progress against our climate targets.

Table 1 above indicates the indicators for adverse impacts which may be considered in the different engagement activities.

More detailed information on engagement and proxy-voting policies activities can be found in Pictet Asset Management's Responsible Investment Report and Responsible Investing Policy.

References to international standards

Pictet Asset Management is an early adapoter (since 2007) of the Principles of Responsible Investment (PRI). We respond every year on our pogress against the six principles of the PRI and our answers are made publicly available.
As committed advocates of responsible investing, we seek to help steer the industry and the markets towards 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:

Organisation/Initiative	Involvement of Pictet Asset Management	Adverse impact indicator
UNPRI	Signatory	
UN Global Compact	Signatory (Pictet Group)	PAI 10
CFA Institute Asset Manager Code	Adopter	
FNG, SpainSIF, ItaSIF	Member	

Organisation/Initiative	Involvement of Pictet Asset Management	Adverse impact indicator
CDP (Carbon Disclosure Project)	Signatory (Pictet Group)	PAI 1-6, Table 2 PAI 4
Ceres Investor Network on Climate Risk and Sustainability	Member (Pictet Group)	PAI 8
IIGCC (Institutional Investors Group on Climate Change)	Member of the Adaptation & Resilience Working Group	PAI 1-6, Table 2 PAI 4
Net Zero Asset Managers Initiative	Signatory (Pictet Group)	PAI 1-6, Table 2 PAI 4
Science Based Targets initiative (SBTi)	Signatory (Pictet Group)	PAI 1-6, Table 2 PAI 4
Taskforce on Climate-related Financial Disclosures (TCFD)	Signatory (Pictet Group)	PAI 1-6, Table 2 PAI 4
Finance for Biodiversity Pledge	Signatory	PAI 7
International Corporate Governance Network (ICGN)	Member (Pictet Group)	

Stewardship codes

Pictet Asset Management is a member of a number of local responsible investment associations, including the Asset Management Association Switzerland, the UK's Investment Association, the German Invesment Funds Association, and the European Fund and Asset Management Association. We are also signatories to global stewardship and sustainable investment standards and codes, such as the UK Stewardship Code and Japan's Principles for Responsible Institutional Investors.

Paris Agreement

Paris Agreement (PAI 1-6): In 2021, Pictet joined the Net Zero Asset Manager initiative, committing to the net-zero greenhouse-gas emissions transition by 2050 or sooner. We also commit to ensuring a science-based approach to target setting through supporting the Business Ambition for 1.5 degrees from the Science-Based Targets Initiative and are an official supporter of the Taskforce for Climate-Related Financial Disclosures (TCFD.

Historical comparison

The earliest historical comparison will be provided in June 2024.

Disclaimer

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Any investment incurs risk. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested.

Pictet Asset Management retains full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis. For more information please refer to the Pictet Asset Management Responsible Investment Policy .

For passive strategies exclusions are implemented to the extent portfolio structure, weight deviations, volatility and performance are not materially affected.

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