Responsible Investment Report 2023

Review of past 12 months

MARKETING MATERIAL April 2023

PICTET
Asset Management

Foreword

2022 was another extraordinarily challenging year for the world. The war in Ukraine triggered a significant shock to the global economy, particularly to energy and food markets, squeezing supply and pushing up prices to unprecedented levels. As central banks countered inflation with interest rate hikes, global financial markets recorded their worst year since 2008.

It is imperative that, in the face of these immediate challenges, governments, businesses and investors do not lose sight of the medium- and longer-term risks to planetary health arising from climate change, biodiversity loss, food security and runaway natural resource consumption.

At Pictet Asset Management we remain deeply committed to embracing environmental, social and governance (ESG) factors in the way we do business. In 2022, we put this into action by further enhancing our investment strategies and stewardship efforts, and backing initiatives to help solve the existential challenges we face.

Climate change was high on our agenda during the year. We launched our Climate Action Plan, outlining the path towards achieving net zero emissions by 2050. At the heart of our efforts is persuading portfolio companies to set independently validated 1.5° C science-based targets. We also stepped up activity to help address the biodiversity crisis, including signing the Finance for Biodiversity Pledge and supporting a research initiative led by the Stockholm Resilience Center aimed at helping our industry develop strategies to protect natural capital.

On active ownership, we voted at nearly 3,700 shareholder meetings, and supported more than half of shareholder resolutions, including over 140 relating to environmental and social concerns. At Group level, we rolled out an engagement framework that helped increase the number of companies we engaged with by 30%, and broadened our participation in collaborative initiatives, including Ceres' Valuing Water Finance Initiative.

On the regulatory front, we further enhanced ESG disclosures in line with SFDR and MIFID II regulations. Against this backdrop, we also undertook significant work to strengthen ESG integration by investment teams and support functions, address greenwashing risk and improve client reporting practices.

Our responsible investment journey is far from over. In a year where ESG investment came under sharp scrutiny, our belief that truly responsible investing is key to supporting the transition to a more sustainable future became only stronger. We are confident that our commitment to ESG has helped and will continue to help us make better investment decisions and, ultimately, serve our purpose to build responsible partnerships with our clients, colleagues, communities and the companies in which we invest.

LAURENT RAMSEY
Managing Partner and
Co-Chief Executive Officer

1805

ENGAGEMENT

Led or supported engagement with **352** companies on **552** ESG issues

PROXY VOTING

Supported **89%** of management resolutions

Supported **53%** of shareholder resolutions, including 143 relating to environmental and/or social concerns

Voted at a total of **3,677** shareholder meetings and **43,679** resolutions

RESPONSIBLE INVESTMENT PRODUCTS

Launched **3** new Responsible Investment strategies: Positive Change, ReGeneration and Global Climate Bonds

Broadridge 'Fund Brand 50' 2023

The Fund Brand 50 report analyses the top asset management brands in Europe, which tracks the perceptions of over 1,200 fund selectors of third-party funds through an annual survey.

#4

in Europe for the seventh consecutive year

in Europe on social responsibility/ sustainability

NMG 'ESG Leaders Rankings' 2023

NMG Group's ESG Leaders Rankings are based on ~3,400 global interviews that took place in 2022 with asset owners, consultants, gatekeepers financial advisers and wholesale fund selectors. The survey asks respondents to state up to two active manager brands that come to mind for ESG investing, measuring the "Top of mind awareness for ESG".

#6

globally in the ESG Leaders ranking across all client types

ShareAction 'Point of No Returns' 2023

ShareAction's 2023 reports assess the policies and practices of 77 of the world's largest asset managers across a range of environmental and social themes. It provides overall rankings of responsible investment performance across governance, stewardship, climate, biodiversity, and social issues.

#14

in 2023, compared to #22 in 2020

Responsible Investment Brand Index 2023

The Responsible Investment Brand Index (RIBI™) highlights the ability of close to 600 asset managers globally to translate their efforts towards responsible investment into their core brand. We remain

"Avant-Gardist"

or forerunners of responsible investment, a category comprising only 19% of RIBI 2023 asset management companies.

Sources: Fund Brand 50 © Fund Buyer Focus, Broadridge Analytics Solutions Limited, Twelfth edition, March 2023; NMG Consulting 2022 Global Asset Management Study, March 2023; Point of No Returns, ShareAction, February 2023; Hirschel and Kramer (H&K) Responsible Investment Brand Index, March 2023

1805

Photography by JB Russell

JB Russell is a Paris-based documentary photographer, filmmaker and educator. For over 25 years he has worked extensively throughout Europe, Africa, the Middle East, Asia and Latin America focusing on current events, the human consequences of conflict, human rights, environmental and development issues. His work appears regularly in major print and online publications worldwide and has been recognised by numerous accolades. He collaborates frequently with international humanitarian and development organisations producing images, video and written material on critical issues for their communication needs. In addition to his documentary work, JB creates impactful video and photography content for the branding and digital marketing needs of commercial clients.

'West Africa Climate Change and Biodiversity' series features the way of life, traditional livelihoods, and local culture which are profoundly intertwined with the region's unique ecosystem and natural resources. West Africa is disproportionally subjected to the adverse consequences of climate change: drought, flooding, rising sea levels, and extreme weather. Seventy per cent of Africa's mangrove forests are located along the Atlantic coast. Their rich biodiversity makes mangroves extremely efficient carbon sinks for regulating global warming and one of the most important ecosystems on the planet. Nevertheless, human activity and climate change are destroying mangroves, and the livelihoods that depend on them, at an alarming rate.

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Table of contents

Introduction

Pictet Asset Management is one of the four business lines of the Pictet Group, along with Wealth Management, Alternative Advisors, and Asset Services. Founded in Geneva in 1805, the Pictet Group has more than 5,000 employees in 30 offices around the world. We are privately owned, led by eight managing partners.

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

THINKING AND ACTING RESPONSIBLY

Responsibility goes hand in hand with a long-term, partnership approach. It ensures a sense of responsibility and integrity towards not only the present generation but also to future generations — and towards the real economy and the wider world.

The transition to a resilient and sustainable global economy is a collective responsibility. It requires taking the long view. The nature of Pictet's governance structure has enabled us to do exactly that for more than two centuries. In addition, the investment leadership at the heart of Pictet's founding principles aligns our decision-making with this economic evolution.

Pictet believes in its fiduciary responsibility to accelerate the global economic transition towards net zero emissions, in line with climate science. As a global financial institution, this means leveraging all the tools at our disposal to protect clients' assets and effect positive change. Those tools include our own assets and operations, how we manage our clients' assets and how we use our influence.

We understand that collaboration is necessary to achieve net zero greenhouse gas emissions to avoid the worst effects of climate change. It is in our collective best interest to work together for a better future.

As a responsible firm, Pictet has three ambitions to achieve by 2025: to significantly reduce the environmental impact of our activities and investments; to fully integrate ESG factors and active ownership across all our investment processes; and to be a leading provider of responsible investment products and solutions. This 2025 Responsible Vision shapes our purpose, investment beliefs, strategy and culture.

Ambitions 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

Source: Pictet Group, August 2022

10 levers of action
How we conduct our activities

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

1. INVESTING OUR BALANCE SHEET

As we have full control over our balance sheet, we have committed to eliminate our balance-sheet exposure to fossil-fuel producers and extractors (defined as companies deriving more that 25 per cent of their revenues from the relevant carbon-intensive activities, including oil and gas, and thermal coal). This includes our corporate treasury as well as seed investments.

2. EMPLOYEE ENGAGEMENT TO FOSTER RESPONSIBILITY

Our employees are our most crucial asset and a key amplifier when it comes to sustainability and acting responsibly. We continue to engage with our colleagues on sustainability topics through a year-round agenda of educational and interactive events and initiatives and encourage participation in local actions, especially where we have a strong presence.

3. MANAGING OUR ENVIRONMENTAL IMPACT

In our own business activities we are taking material steps 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 address environmental and social issues, particularly around water and nutrition, two of the Group’s four strategic focus themes.

5. ADVOCACY AND PARTNERSHIPS

We aim to encourage all our stakeholders and partners to implement sustainability and responsible investment. We have signed the UN Principles for Responsible Investment for all business lines, including our pension fund, and committed to the UN Principles for Responsible Banking. We also play leading roles in focused partnerships, including Ceres (water), Building Bridges (sustainable finance) and FAIRR (animal proteins).

10 levers of action
How we manage client assets

As an investor, our biggest potential for 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 continue to place emphasis on the inclusion of environmental, social and governance factors when evaluating corporate and sovereign issuers.

7. RESPONSIBLE PRODUCTS AND SOLUTIONS

We continue to develop investment strategies that provide capital to companies contributing to a positive impact on society and/or the environment. We also support transitioning companies that plan to mitigate the negative externalities of their products, services, operations and supply chains.

8. ACTIVE OWNERSHIP

When issuers lack a robust plan to transition to sustainable operating models, we use our voting rights and seek to engage to drive more sustainable practices. To help us enhance our engagement activities, we rolled out a Group Engagement Framework in 2022 focused on four themes in which we have credibility and expertise.

9. CLIENT DISCLOSURE

We strive to continuously strengthen client reporting on the ESG characteristics of portfolios and the impact of our active ownership activities. Where data is missing, we encourage issuers to report according to international standards. Where relevant, we also report on our strategies' exposure to sustainability frameworks, including the United Nations Sustainable Development Goals and Planetary Boundaries.

10. RESEARCH AND THOUGHT LEADERSHIP

We use our substantial experience across key environmental and social themes, particularly climate change, water and nutrition, to publish targeted research and help raise awareness and capital for a sustainable transition. In 2022, Pictet became an "impact partner" on the Stockholm Resilience Center's four-year biodiversity research initiative aimed at helping the financial industry develop strategies to protect natural capital and halt biodiversity loss.

2022 highlights

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

This report provides details on the progress we achieved in 2022 across key areas of investor stewardship: ESG integration, responsible solutions, active ownership, client disclosure and research and thought leadership.

Collaborations

PRINCIPLES OF RESPONSIBLE INVESTMENT (PRI)	INVESTOR INITIATIVES	COLLABORATIVE ENGAGEMENTS
Signatory since 2007	Signatory of the Net Zero Asset Managers and Glasgow Financial Alliance initiatives	**Water** Valuing Water Finance Initiative
	Founding member of Swiss Sustainable Finance	**Nutrition** Investor expectations on diets, nutrition and health
	Active member of the Institutional Investors Group on Climate Change since 2013	Investor network focusing on ESG risks in the global food sector

Pictet Asset Management as of 31.12.2022.

In 2022, we:

- Launched the Pictet Climate Action Plan, which outlines our path towards achieving net zero emissions by 2050 in line with climate science. The plan's long-term and interim targets are validated by the Science Based Targets initiative
- Rolled out the Pictet Group Engagement Focus (GEF) framework, a top-down engagement programme centred on four overarching themes, across the firm
- Increased the number of companies engaged from 270 in 2021 to 352 in 2022
- Improved fund factsheets by incorporating additional ESG-related information
- Developed a dedicated ESG business risk management framework
- Developed a proprietary Social Taxonomy to meet evolving regulatory and client expectations around sustainable investments
- Launched new responsible investment strategies – Positive Change, ReGeneration and Climate Government Bond
- Conducted thorough market research in order to source the best SFDR data, and developed/enhanced ESG data capabilities to meet the regulatory asks and new GEF program

As much as we have progressed along the path to our 2025 ambitions, the ESG landscape and our clients' expectations evolve rapidly. In this context, it is imperative to keep investing time, efforts and resources to continuously improve and innovate our stewardship practices. In 2023, our efforts will focus on issues such as effective implementation of the Pictet Climate Action Plan; improving internal and external communication around active ownership; enhancing quality of engagement documentation and reporting; developing high-quality reporting for clients as regulatory requirements in the EU and other jurisdictions enter into force; advancing diversity, equity and inclusion efforts across the firm; and further developing our plan to address biodiversity-related risks and opportunities.

Diversity, equity and inclusion (DEI)

Pictet values of long-term thinking and responsibility naturally lead to a culture of collaboration and partnership. We believe in valuing our differences and ensuring that everyone can bring their true self to work.

We are committed to making diversity, equity and inclusion an integral part of this culture, and in order to order to drive this change we have a broad, multidimensional approach to DEI, defined as follows:

DIVERSITY

Acknowledge, value and support the difference in representation, cultivate diversity of thought and embrace intersectionality.

EQUITY

Address inconsistencies in the organisation's structure and reshape talent processes, benefits and policies to ensure they are fair, transparent and equitable.

INCLUSION

Drive personal transformation in leaders and employees, enabling them to recognise bias and mitigate it and empowering them to identify, model and advance inclusive behaviours.

Our aim to promote greater diversity and inclusion extends beyond our business, to the industry and the communities in which we operate. We have established partnerships with numerous organisations that not only provide support to our employees in their personal and professional lives, but also allow us to make a difference in areas such as socio-economic mobility, disability, minority and gender representation. We also encourage employees to give back to their local communities and participate in charitable engagement.

The Pictet Group is committed to giving gender-related dimensions a high priority in the management of our business, and raised its global EDGE certification from Level 1 (Assess) in 2019 to Level 2 (Move) in 2021. EDGE certification recognises our continued focus on building a gender-balanced talent pipeline, ensuring pay equity, having an effective framework of policies and practices to ensure equitable career flows and fostering an inclusive culture.

The 2023 Pictet Asset Management DEI report shares the actions and initiatives we have taken to advance DEI both within our firm and in support of our peers and the wider investment industry.

> "My ambition for DEI is that a role like mine becomes obsolete. All individuals, regardless of the diversity they bring, should be afforded equal opportunities and feel included."

ZAHRA SHEIKH
Head of DEI
Pictet Group

Engagement

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

Through our engagement programme, we seek to encourage investee companies to improve their ESG practices and performance where they are material for long-term shareholder value creation, as well as to mitigate negative impacts on the environment and society whilst enhancing positive ones. We also engage with policymakers and standard-setters, usually via industry collaborations, to advocate for policy frameworks addressing sustainability challenges and promoting the stability of financial markets.

We engage on behalf of our long-only, actively managed equity and corporate and sovereign debt holdings. Our multi-asset strategies benefit from the engagement and voting activities carried out by the equity and fixed income teams. In addition, passive equity investment teams regularly support firmwide engagement activity.

Our approach to engagement is generally consistent across all equity and fixed income accounts and funds under our control; perhaps with some slight differences: as with ESG integration, dialogue with equity issuers can touch upon downside risk and upside potential whereas with debt issuers the focus is on on downside risk management.

We may tailor our corporate engagement to reflect the size of the company and potentially limited resources to manage and disclose ESG issues, or its domicile. For companies in emerging markets, for example, our engagement approach can be shaped by the local business and regulatory environment and culture.

ENGAGEMENT WITH SOVEREIGN ISSUERS

With sovereign issuers, we seek targeted and informed dialogue in areas of importance for the long-term outlook of the country. In 2022, for example, we had discussions with Nigeria's representative to the IMF about the risk of state fragility significantly increasing given inflationary and fiscal pressures, upcoming elections, and challenges of basic service provision across the country. We also met with Uruguayan government officials as they prepared the launch of the country's first ever sustainability-linked bonds (SLB). We asked them to introduce and enhance coupon adjustment mechanisms. Finally, and as members of a working group within the Emerging Markets Investment Alliance, we wrote a letter to the Colombian government to encourage it to enhance its approach to labelled bond issuance in areas such as use of proceeds, project evaluation and selection, and transparency.

An important feature of our approach to engaging with sovereign issuers is that we seek input via meetings or partnerships with organisations that can provide greater insight into ESG-related issues and better inform our engagement. This approach gives our investment teams a deeper understanding of the key, often hidden, areas of risk in an emerging country.

In 2022, we met with representatives from WWF Brazil to discuss challenges related to deforestation, with the Socio-Economic Rights and Accountability Project in Nigeria to discuss transparency and accountability in the context of the 2023 presidential elections, and with EMPower, our long-standing partner, to discuss initiatives to empower marginalised young people in Mexico, India and Vietnam.

Ultimately these meetings offer a new lens into the experiences of representative stakeholders on the ground and help provide a more complete picture of a government's long-run trajectory in terms of sustainable economic and human development.

ENGAGEMENT PRIORITISATION AND SELECTION

Our systematic approach to ESG integration helps investment teams identify and prioritise companies for engagement. Priorities are usually defined by some or all of the following factors:

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

Most engagement opportunities are identified bottom-up by investment teams. If a team considered there to be concerns or questions relating to a company's operations, practices or performance, it would begin a process to seek more information, deepen understanding, and requests better ESG reporting or a change in policy or approach.

To further align our engagement efforts and maximise our impact, in 2022 we launched Pictet's Group Engagement Focus (GEF), a top-down engagement programme coordinated by the ESG team that focuses on four key themes: climate, water, nutrition and long-termism. We defined more specific angles under each theme to better guide our engagement.

TABLE 1
Pictet Group engagement programme

	E		S	G
Themes	CLIMATE	WATER	NUTRITION	LONG-TERMISM
Angles	• Low carbon transition • Sustainable forests	• Water conservation • Water quality	• Healthier food • Biodiversity	• Long-term performance culture • Talent development and retention

The themes and angles were selected due to the exposure of our investment portfolios to them and the long-standing expertise we have in them. The GEF framework also includes companies exposed to harmful or controversial activities such as gambling, fossil fuels or tobacco, and those in breach of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises.

The ESG team developed a screening process to systematically identify companies with significant exposure to risks and opportunities within the four key areas, and to highlight the ones where the management of these issues can be improved.

Our target list comprises over 80 companies across a wide range of industries and countries. The ESG team also developed engagement guidelines for each of the eight angles to help investment teams formulate engagement aims and objectives. The GEF programme is still in its first year, and the scope of engagement targets continues to evolve, with additional targets identified during the year. We have not yet established a frequency for refreshing the targets, but the programme is being constantly monitored and we may consider updates on a case-by-case basis taking into account, among others, progress achieved in ongoing engagements. As this is a Pictet Group programme, some engagements may be conducted jointly by Pictet Asset Management and Pictet Wealth Management.

WATER STEWARDSHIP: CERES-PICTET PARTNERSHIP

Pictet has been investing in water solutions and technologies since 2000, directing billions of capital to solving the water challenge. This has allowed us to develop a vast network and a deep understanding of the major water-related financial risks and opportunities. In 2022, we set out to use this investment expertise and the resources from the Pictet Foundation – for which water is a focus area – to support the important work Ceres is driving to improve corporate water stewardship practices.

In partnership with the Pictet Foundation, Ceres built toward a critical mass of engaged investors by amplifying messaging and awareness-building around the release of the Valuing Water Expectations for Companies, and launched an engagement campaign in August 2022: the Valuing Water Finance Initiative (VWFI).

The VWFI is global investor-led effort to engage 72 companies with a high water footprint to value and act on water as a financial risk and drive the necessary large-scale change to better protect water systems. The initiative launched with a group of 64 signatories representing USD 9.8 trillion in assets under management. We expect it to grow as the private sector increasingly recognises the water crisis's material risks.

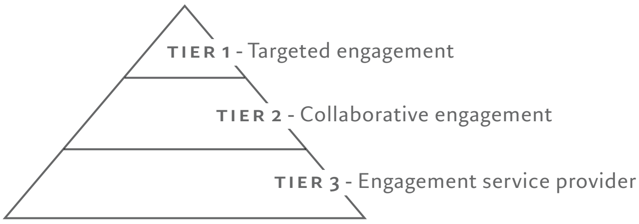
Fishermen in traditional wooden pirogues arrive on the beaches of Kafountine in the Casamance region of Senegal. Thousands of tons of fish are smoked, salted and dried along the beaches and exported throughout the region, playing a crucial role in the local economy. However, not enough has been done to protect the region's natural resources. Illegal fishing by foreign trawlers and the degradation of the mangrove ecosystem, the breeding habitat for many fish species, have drastically reduced fish stocks and hurt local fishing communities.

Kafountine, Senegal. 08/11/2014.

ENGAGEMENT TIERS

We engage with corporate issuers through a combination of targeted in-house-led discussions, collaborative investor initiatives, and third-party engagement services. For a meeting to be considered an engagement, there must be clear and measurable objectives which we set out for our targeted companies within a pre-defined time horizon. To be clear, we do not consider all routine, or monitoring interactions to be engagement even where those meetings take place with members of senior management or the Board of Directors.

Tiered approach to corporate engagement



Source: Pictet Asset Management, December 2022

TIER 1 – TARGETED ENGAGEMENT

Targeted engagement led by Pictet Asset Management entails one-on-one regular 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 occurs at least twice a year for each 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. We recognise that there are occasions when it is better to act collectively rather than individually – collaboration can enhance our influence, build our expertise, and improve efficiency of the engagement process.

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

OUR PARTICIPATION IN COLLABORATIVE ENGAGEMENT INITIATIVES

In order to maximise influence, economies of scale and to pool resources and expertise, we have joined a number of collaborative engagement investor initiatives.

A note on engagement outcomes from some of the initiatives:

Climate Action 100+

During its first 5-year phase, which culminated in 2022, this collaboration played a significant role in accelerating the transition to net zero. It has secured a number of ground-breaking commitments from targeted companies: 75 per cent of companies now have net zero commitments, 92 per cent have some level of board oversight, and 91 per cent have aligned with TCFD recommendations. However, much remains to be done for companies to progress further on their climate transition efforts. The initiative's own Net Zero Company Benchmark shows that less than 12 per cent of the targeted companies have adequate short- and medium-term decarbonisation strategies. Moreover, no company has fully aligned their capital expenditure commitments with a 1.5° C future. We look forward to actively participate in the next phase of this collaboration to helping achieve its goals.

ATNI-Investors in Nutrition and Health

Investors have met 22 of the 25 companies targeted since the collaboration started in 2021. We have already started to see positive change happen in some of the companies, including Danone, Grupo Bimbo, Nestlé and Unilever, in areas such as product reformulation, transparency, marketing and governance. The engagement officially closes in Q1 2023 and ATNI will publish an outcomes and impact report later in the year.

TABLE 2

Our participation in collaborative engagement initiatives

INITIATIVE	KEY TOPIC(S)	GOAL	PICTET'S INVOLVEMENT
Climate Action 100+	Climate change	Ensure the world's 166 largest corporate greenhouse gas emitters take necessary action on climate change	Participant in engagement with Glencore
Ceres Valuing Water Finance	Water	Encourage 72 companies with a high water footprint to value and act on water as a financial risk and drive change to better protect water systems	Leading engagement with LVMH Moët Hennessy Louis Vuitton
ATNI Investors in Nutrition and Health	Nutrition	Drive substantial change in 25 of the world's top food companies' commitments, practices and disclosure on nutrition	Signatory to the Investor Expectations on Nutrition, Diets and Health; participant in dialogue with China Mengniu, Danone and Nestlé
FAIRR	Anti-microbial resistance (AMR)	Ensure better transparency from seven animal pharmaceutical companies regarding the production and marketing of antimicrobials	Signatory to letters to Elanco, MSD and Zoetis; participant in dialogue with Elanco and Zoetis
	Waste & pollution	Address animal waste mismanagement and nutrient pollution and related biodiversity risks and impacts in 12 companies in the animal protein value chain	Signatory to letters to Darling Ingredients, JBS, Muyuan Foods and Tyson; participant in dialogue with Darling and Muyuan
	Labour standards	Encourage seven global protein producers to improve practices in three key areas: health and safety, fair working conditions and worker representation	Signatory to letters to all seven companies; participant in the dialogue with Tyson Foods
	Biodiversity, climate change	Encourage the world's eight largest salmon companies to develop a science-based approach to diversifying fish feed ingredient sources	Signatory to letters to four companies; participant in the dialogue with SalMar
	Climate change, resource use	Encourage 23 global food companies to develop a global, evidence-based approach to protein diversification	Participant in the dialogue with Walmart

Source: Pictet Asset Management, December 2022

FAIRR – Working Conditions in the Meat Supply Chain

The engagement has made great strides since it was launched back in 2021 to bring more companies to the table and deepen the dialogue with them. We have seen progress by some of the targeted companies in some areas. Tyson Foods, for example, has acted on learnings from the pandemic by implementing a permanent sick pay policy, and has markedly improved disclosure in areas like grievance mechanisms and worker representation. However, significant gaps remain in companies' practices. We look forward to continuing to work with FAIRR, partner investors, and companies as this initiative moves into its next phase.

FAIRR – Sustainable Proteins

After six years, this engagement collaboration has seen progress in the diversification of product portfolios towards more sustainable options. In 2022:

- 35 per cent of the 23 engagement companies have committed to increasing the volume or sales of meat and/or dairy alternatives – up from 28 per cent in 2021 and 0% in 2019.
- 39 per cent of engagement companies reported at least one metric showcasing how their product portfolio is shifting-up from 32 per cent in 2021 and 0 per cent in 2019.

Despite the progress, its pace is insufficient to achieve the systemic change required. Investors would like to see companies advance by setting Science Based Targets initiative (SBTi) approved targets that cover all three emissions scopes (and linking net zero goals to portfolio diversification), developing consumer engagement strategies, and conducting climate scenario analysis.

TIER 3 – ENGAGEMENT SERVICE PROVIDER

The third tier of our engagement is conducted by Sustainalytics, our engagement service provider. This addresses issues arising from companies' failings on governance issues. It also looks at significant deviations from international norms and standards such as the UN Global Compact and OECD Guidelines for Multinational Enterprises, as well as human rights, labour rights and environmental conventions.

OBJECTIVE SETTING AND TRACKING

All our Tier 1 and 2 engagement activities require investment teams to set specific and, ideally, measurable objectives and establish a pre-defined time horizon for those objectives to be achieved. If progress towards the engagement objectives is not made within that time frame, investment teams will assess options that include extending the horizon and escalating the engagement.

While we are aware that engagements are unlikely to follow a linear path, our engagements are recorded and communicated according to five milestones and a final stage, as follows:

- Milestone 1: Initial engagement outreach conducted
- Milestone 2: Engagement dialogue established
- Milestone 3: Company commits to address issues
- Milestone 4: Company develops a strategy to address issues
- Milestone 5: Company is at an advanced stage of implementing the strategy
- Final stage: Successful completion, or disengage/no longer relevant, or failed engagement

We centralise recording of all our engagement activities in a dedicated research management platform. The platform allows for a structured process for our investment and ESG teams to record and track engagement activities and objectives. The platform constitutes the base for reporting on engagement activities to our clients. The ESG team has oversight of all engagement data and runs checks frequently to ensure overall quality, accuracy, and consistency. Client-facing teams are also involved in reviewing engagement information before sharing with clients.

Did you know?
More than

8,000

companies and 500 financial institutions joined the United Nation's Race to Zero — a global campaign rallying non-state actors to halve global emissions by 2030 and deliver a healthier, fairer zero carbon world.[1]

1 Source: Race to Zero, April 2023, https://racetozero.unfccc.int/system/race-to-zero/

ENGAGEMENT ESCALATION

A typical engagement may require multiple interactions before an issue is satisfactorily resolved. Where the initial engagement does not lead to a satisfactory outcome, i.e. our engagement objectives have not been met or a company has been unresponsive, we may choose to adopt a stronger stance by using several escalation tools at our disposal.

The ESG and relevant investment teams will discuss progress and options for escalation when engagement has stalled. Escalation involves an internal approval processes and may include:

- Expressing concerns directly to senior company representatives, e.g. senior executives and/or board directors;
- Liaising directly with controlling shareholders in the case of controlled companies;
- Forming or joining investor engagement collaborations;
- Voting against management at company meetings;
- Issuing a public statement or raising questions in annual general meetings (AGMS);
- Supporting the filing of a shareholder resolution.

Ultimately, if the various escalation channels have been exhausted and we are not satisfied that appropriate steps have been taken by management to address material ESG issues over the short, medium and long term, we reassess the investment case, which may result in reducing or selling our holdings.

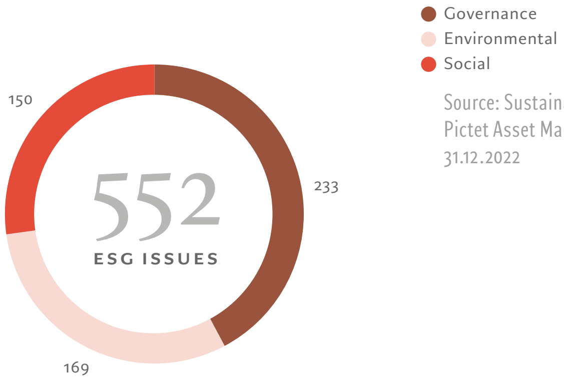
We take a consistent approach to escalation across asset classes and geographies.

2022 ENGAGEMENT ACTIVITY

In 2022, we engaged with 352 companies on 552 individual engagement objectives. 461 of the engagement objectives remained outstanding at year end, with the remaining 91 achieving final stage, i.e., successful completion, failed engagement, or disengage/archive because it is no longer relevant. Close to 60 per cent of the objectives that achieved final stage were resolved successfully, meaning that we accomplished the engagement objective.

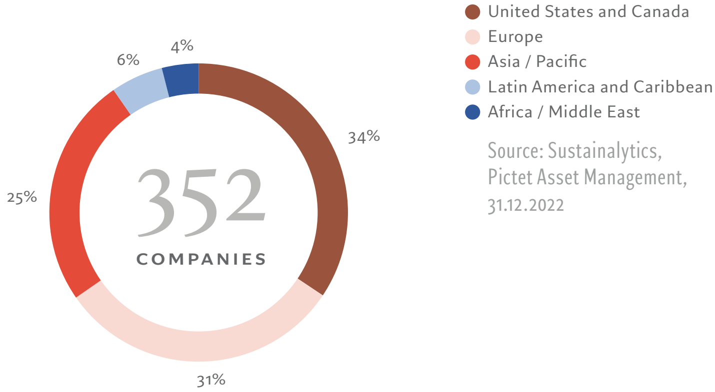
Engagement objectives encompass a diverse range of ESG issues spanning across many regions and as illustrated in the charts below. For more details on engagement statistics per ESG topic, geography, sector and company, please refer to the tables in the 'additional information' section.

FIG.1
Breakdown by ESG issue



Source: Sustainalytics, Pictet Asset Management, 31.12.2022

FIG.2
Breakdown by geography



Source: Sustainalytics, Pictet Asset Management, 31.12.2022

2022 ENGAGEMENT CASE STUDIES

The case studies below aim to provide additional insight into how we conduct engagement at Pictet. The cases feature examples across the three engagement tiers, examples where an escalation strategy was pursued, and examples of successful, ongoing and unsuccessful engagement.

TABLE 3
Engagement case studies

COMPANY NAME	Alibaba Group Holding
SECTOR	Information Technology
ASSET CLASS	Equity
ESG ISSUE(S)	Labour Standards
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	• Improve workforce-related transparency and disclosure, including but not limited to employee turnover • Set targets to increase proportion of women in managerial roles
ISSUE	At a time of rapid change in the labour market, a robust approach to measuring, tracking and reporting workforce-related metrics can help companies improve their overall management of human capital issues. Enhanced disclosure will also demonstrate publicly that their workforce practices are delivering for both the company and its workers. There is room for improvement at Alibaba when it comes to workforce-related disclosures. Regarding gender diversity, representation of women at board (39%) and senior executive (50%) levels is positive. However, only 28% of managerial roles are held by women. We would like the company to enhance the disclosure of any programmes in place to promote workforce diversity and to set diversity targets, including for managerial positions. Setting targets can provide management with the necessary focus to increase the gender balance and clarify accountabilities.
ENGAGEMENT ACTION	In 2022 we engaged with Alibaba for the first time on human capital management issues. Our requests for it to disclose metrics on training and development, turnover/retention, and health and safety were well received. All these metrics are tracked and monitored, and some disclosure was provided in its latest ESG report. There is an internal push by the ESG Steering Committee to provide additional disclosure, including on employee turnover – potentially split by business lines. We highlighted that Alibaba is in a good place to be the market leader in workforce-related disclosures and help shape industry standards. On gender diversity, the company told us that their objective is to continue to improve this by rolling out dedicated initiatives across the firm. However, there is reluctance to set firm-wide targets at this point.
OUTCOME(S)	We have yet to see positive outcomes from our engagement, but this is not surprising given that the dialogue only started in 2022. Our conversations, however, suggest we might see moves towards achieving our objectives in the near future. We are in regular communication with the company, which allows us to monitor their progress more closely. We plan to have another ESG-focused meeting later this year, as soon as the new ESG report is published.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Applied Materials, Inc.
SECTOR	Information Technology
ASSET CLASS	Equity
ESG ISSUE(S)	Board functioning & composition
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Improve disclosure relating to board skills and experience matrix
ISSUE	There is an absence of sufficient information on which skills, experience, and other attributes the board considers to be indispensable, and how and to what extent the board possesses or has access to these. This prevents shareholders from fully assessing potential skills gaps against board refreshment activities and/or understanding the context of director elections.
ENGAGEMENT ACTION	We engaged with key executives at the company on governance-related disclosures, encouraging them to provide additional and meaningful information on the skills and experiences represented on the board. We also flagged a potential skills gap in government policy expertise, especially pertaining to US-China relations in light of the geopolitical tension in the semiconductor space.
OUTCOME(S)	The company disclosed enhanced information on directors' skills and experiences as well as details on recent board refreshment activity in its 2022 proxy statement. As an example, directors' skills & experiences had gone from bullet points (a few words each) to a full section dedicated to discussing skills & experiences. Also, we were pleased to see that the enhanced information directly addressed our concerns on skills gap in government policy expertise related to US-China, for example: "Mr. Dickerson has government policy experience in guiding Applied through the geopolitical and regulatory environment, as well as from his service as a board of member of the US-China Business Council.”

TABLE 3

Engagement case studies (continued)

COMPANY NAME	Baker Hughes Company
SECTOR	Energy
ASSET CLASS	Equity
ESG ISSUE(S)	Climate change mitigation, capital allocation
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	• Reduce and report on Scope 3 emissions • Quantify and increase investment in solutions to enable the energy transition
ISSUE	Baker Hughes, an energy technology company that provides energy and industrial solutions, was one of the first in its industry to make a net zero commitment. However, carbon management efforts had been limited to Scope 1 and 2 emissions – leaving out Scope 3 emissions, which represent the vast majority of the company's carbon footprint. The company is the technology leader in compression technology, required for natural gas and LNG today but crucial to hydrogen and carbon sequestration as those markets develop. We think there is a financial opportunity that can result from increasing investment in its Climate Technology Solutions portfolio.
ENGAGEMENT ACTION	Baker Hughes has consistently shown great willingness to engage with us. We met with the CFO in the first instance and presented our engagement objectives, which were well received. This initial contact led to further meetings with the ESG team, Chairman, CEO and Chief Sustainability Officer over the course of the year. In these meetings, we discussed the company's ESG priorities and strategy, progress in rolling out and achieving those, and our objectives. We were pleased to be invited to the company's annual meeting in January 2023 as a key shareholder partner.
OUTCOME(S)	Progress towards the initial engagement objectives has exceeded our expectations. The company expanded its Scope 3 emissions reporting, and confirmed it is now proactively collaborating with suppliers, customers, and other stakeholders to assess pathways for reducing their emissions. The management team will present updated Scope 3 emissions reduction plans to the board in the first half of 2023. We expect this to set the scene for Baker Hughes to develop and set specific Scope 3 emission reduction goals in the near future. On energy transition solutions, the company announced a 60% increase in R&D investment in this segment and set aspirational targets for the potential size of the business going forward.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	China Mengniu Dairy Company
SECTOR	Consumer Staples
ASSET CLASS	Equity
ESG ISSUE(S)	Product quality and safety - nutrition
ENGAGEMENT TIER	1, 2
ENGAGEMENT OBJECTIVE(S)	Develop and publish responsible marketing policy for breast milk substitutes
ISSUE	China has the largest and fastest-growing breast milk substitutes (BMS) market and a disproportionately low exclusive breastfeeding rate. Exclusive breastfeeding is strongly recommended by the World Health Organization (WHO) for its impact on reduced infant morbidity and mortality, lower risk of childhood obesity and improved child cognitive development. As a major player in this market, we were concerned that China Mengniu did not have a policy to market BMS in line with WHO guidance to ensure that mothers are not discouraged from breastfeeding and that substitutes are used safely if needed.
ENGAGEMENT ACTION	We have engaged with the company on this issue since 2021, on a one-on-one basis as well as via the collaborative engagement initiative coordinated by the Access to Nutrition Initiative (ATNI). The company indicated the existence of a BMS policy supporting breastfeeding, but it was not a public document. We encouraged Mengniu to review its policy and publish it, ensuring that it commits not only to comply with national regulation in China (and any other countries in which it does business), but also with the WHO's International Code of Marketing of Breast-milk Substitutes, in and across all markets of operation.
OUTCOME(S)	Early this year, the company published a responsible BMS marketing policy strictly requiring its BMS marketing practices to comply with the WHO Code. The policy applies to all Mengniu employees, entities and partners involved in the marketing, distribution, and sale of BMS. This is a significant development; however, it is an initial step and there is ample room for improvement. Going forward, we will encourage the policy be improved by extending the scope to all types of infant formulas, including milk products substituting for the breast milk part of the child's diet between six months and two years; incorporating commitments around lobbying; and aligning the wording with the articles of the Code and subsequent relevant World Health Assembly resolutions and related guidance and standards.

TABLE 3

Engagement case studies (continued)

COMPANY NAME	Energias de Portugal S.A. (EDP)/ EDP Renováveis (EDPR)
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Executive remuneration
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Improve executive remuneration plans to incentivise the asset rotation strategy.
ISSUE	EDP owns EDPR, the 4th largest wind power developer worldwide. EDPR's strategy includes asset rotation, where it sells mature wind parks to finance new ones and improve profitability. The management team of EDP, which is the same as that of EDPR, was being penalised for doing asset rotation as the sale of wind assets increases the carbon intensity of the company in the short term t even if the cash is used to finance new wind projects. Additionally, EDP was remunerating management for lowering the carbon intensity of the business by selling thermal capacity.
ENGAGEMENT ACTION	We have engaged with management on this issue since 2021 on a one-on-one basis. We believe that the asset rotation strategy not only adds a significant amount of value to the company, but also allows it to continue accelerating annual renewable installations. Therefore, we asked the company to incentivise management for this strategy. Based on best practices from other companies in the industry, we also shared our views that management should not incentivised for selling thermal capacity to lower the carbon footprint. In our view, the best approach would be to pursue an early closure of the thermal capacity whilst substituting it with renewable installations. Additionally, we asked the company to consider an acceleration of annual renewable installations and asset rotation as part of their strategy. In our view this will maximise value creation and help accelerate the energy transition.
OUTCOME(S)	Our engagement was successful in achieving our initial objective. During a meeting with management early in 2023, we received confirmation that the executive remuneration approach has changed in order to incentivise asset rotation. Beyond this, we welcomed the launch of EDPR's new 2023-2026 business plan, which includes an acceleration of annual installations and asset rotation and will ultimately lead to a boost in renewable additions over the three-year period. In our view, this contributed to the success of the capital increase announced in March 2023 to help finance its growth – which we were pleased to be able to participate in on behalf of fund clients.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Fortum
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Shareholders' rights
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	The Finnish government, as a connected party with 51% ownership of Fortum shares, should waive its right to vote in an EGM called to approve an emergency liquidity package
ISSUE	In September 2022, with European power prices spiking as a result of the war in Ukraine, Fortum, Europe's third largest producer of carbon dioxide-free electricity, negotiated a financing package with the Finnish government to provide emergency liquidity. We deemed the terms of this financing to be unnecessarily punitive, and potentially detrimental to minority shareholders. Importantly, we were concerned that the deal had been struck without consulting minority shareholders, and that the government would be voting in the EGM to approve the transaction.
ENGAGEMENT ACTION	Initial contact with the Investor Relations team in September 2022 provided the rationale behind accepting the terms of the financing deal agreed with the Finnish state, but yielded little in terms of our corporate governance concerns. We moved quickly to our escalation policy, writing two letters to the Chairman of the board, copying the senior management team. A follow-up call with the CEO again addressed the rationale behind the deal but it became clear that Finnish law allowed for a connected party to vote in an EGM where share issuance was at stake and that the company's hands were largely tied on that particular objective. We again moved to escalate, arranging a discussion directly with those responsible for the Fortum shareholding within the Finnish government.
OUTCOME(S)	While we appreciate the constructive discussions both with Fortum's management team and the Finnish state, it became evident that our engagement objective would not be met. Therefore, we voted against the relevant proposal at the EGM, reduced our governance score for the company, and moved to reduce our position in the company.

TABLE 3

Engagement case studies (continued)

COMPANY NAME	Iberdrola S.A.
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Board functioning & composition
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	CEO/Chair split as part of an orderly transition
ISSUE	The Executive Chairman and CEO has been a board member of Iberdrola since 2001. While we continue to be highly supportive of his role at the company, the overall performance and strategy, we are mindful of the potential issues from a combined Chairman/CEO role, e.g. it can deny the company talent at the top and lead to blind spots that undermine its ability to manage risks and opportunities.
ENGAGEMENT ACTION	We have talked to management and board members multiple times over the past 18 months, strongly encouraging the company to develop and roll out a transparent succession planning process that would include splitting the roles of Chairman and CEO.
OUTCOME(S)	We were pleased to learn about the promotion of an internal executive to the role of CEO in October 2022, following his promotion to Business CEO in October 2021. We held a number of conversations with the company to better understand the process that had been followed, and the governance architecture supporting the split from a single Executive Chairman/CEO to the new model of Executive Chairman and CEO. We consider that this is evidence of a thoughtful and measured transition plan supported by the Board and the Lead Director. The next phase will be to further draw up remuneration to help support the split in the roles and more clearly define success for both.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	JBS S.A.
SECTOR	Consumer Staples
ASSET CLASS	Fixed income
ESG ISSUE(S)	Deforestation
ENGAGEMENT TIER	1, 3
ENGAGEMENT OBJECTIVE(S)	Enhance approach to reversing and preventing deforestation from cattle sourcing, including by developing and implementing comprehensive measures to identify non-compliant suppliers, and intensifying collaboration with peers and other relevant stakeholders.
ISSUE	As the world's largest beef producer operating in Brazil, JBS is highly exposed to deforestation risks. The company has developed and implemented robust solutions to achieve full traceability of its direct supply chain; however, there have been several NGO reports linking JBS with deforestation within its indirect supply chain. The company committed to eliminate illegal deforestation in the Amazon from its entire (direct and indirect) cattle supply chain by 2025. However, the lack of sufficiently strong law enforcement mechanisms and Bolsonaro's disastrous environmental legacy make it incredibly challenging to ensure the entire supply base is free from illegal deforestation. Where loopholes currently exist, urgent and innovative solutions are needed.
ENGAGEMENT ACTION	Our engagement service provider started engaging with the company on this issue back in 2019. Since then, it has had several interactions with the investor relations team and, more recently, with the newly appointed Corporate Sustainability Officer (CSO) for JBS Brazil. Engagement discussions have addressed progress in deforestation-related commitments, policies and practices, whilst calling for stronger efforts to meet the challenge of eliminating deforestation within the indirect cattle supply chain. We took the opportunity of the CSO's appointment to meet him directly and reiterate this message. We highlighted the need for mechanisms that would lead to more attractive financial incentives for small cattle farmers, and asked the company to consider requiring suppliers to re-forest areas previously deforested.
OUTCOME(S)	JBS's actions in the past couple of years to manage deforestation risks in its supply chain have been substantial and address most of our concerns. Actions include investing in blockchain technology platforms and satellite imagery systems, rolling out programmes to build capacity for both direct and indirect suppliers, setting up a more robust sustainability governance structure, providing better transparency and disclosure, and actively lobbying for industry-wide solutions. Importantly, and as part of its net zero by 2040 commitment, the company brought forward its zero illegal deforestation target for upstream suppliers in biomes other than the Amazon, including the Cerrado to 2025, from 2030 previously. The effectiveness of JBS's stronger approach in tackling deforestation has been hampered by the Bolsonaro presidency. However, positive developments such as the growing number of suppliers joining the company's blockchain technology platforms, and actions to block suppliers involved in deforestation, are reason for optimism. We expect that, with Lula at the helm in Brazil, JBS is now in a much better position to advance on its zero deforestation commitments. There are still significant challenges ahead as well as room for improvement in the company's approach. As such, we will continue engagement on this issue – both on our own and via our engagement provider.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Nestlé S.A.
SECTOR	Consumer Staples
ASSET CLASS	Equity
ESG ISSUE(S)	Product quality and safety - nutrition
ENGAGEMENT TIER	2
ENGAGEMENT OBJECTIVE(S)	• Improve transparency and disclosure of nutritional profile of product portfolio against independent and externally recognised nutrition profiling models. • Set concrete, measurable targets to prioritise sales and distribution of affordable, healthy products for all consumers across all markets.
ISSUE	In the context of a global push to combat the obesity crisis and promote healthier eating, food companies must develop and implement strategies to improve the nutritional profile of their products to protect and enhance their ability to generate value over the long term. Nestlé is generally considered to be at the forefront of the industry's efforts to address nutrition-related challenges. This is supported by its performance in the Access to Nutrition Indices of 2018 and 2021, where it ranked in the first place. However, in 2021, the Financial Times published leaked internal documents acknowledging that nearly 70% of the company's food and drinks products, excluding pet food and specialised medical nutrition products, did not meet a "recognised definition of health". The leak also included information indicating that the company was working on updating its nutritional strategy.
ENGAGEMENT ACTION	Increased investor focus on nutrition-related strategies and transparency prompted us to join an investor collaboration on healthy diets put together by the ATNI Foundation after the release of the 2021 Index. As members of the group engaging with Nestlé, we have met with the company several times over the past two years to encourage improvements in strategy and transparency. Nestlé has shown willingness to engage with investors at all times and has made meaningful progress towards enhancing its nutrition and health strategy and relevant disclosures. However, the company did not commit to set and publish nutrition targets as some of its peers have done. In 2022, we lent our support to a group of investors through the Healthy Markets coalition, coordinated by ShareAction, that has been working on an escalation strategy to push the company to set targets that would have the effect of increasing the sales of healthier products as a proportion of total sales.
OUTCOME(S)	In November 2022, the company announced new commitments that directly address one of our engagement aims it committed to benchmark its entire global portfolio against the globally-recognised Health Star Rating system and report findings in its 2022 annual report. It will also start reporting on local portfolios in 14 countries using their respective government endorsed front-of-pack labelling systems. Nestlé also strengthened its marketing to children policy to by prohibiting direct advertising of confectionery, ice-cream and sugary drinks to children under 16 years old. These are very positive developments that we fully support. During several engagement interactions we have had with senior executives at the company in Q1 2023, both individually and as part of the Healthy Markets Coalition investor group, Nestlé has shared its intention to set targets for increasing sales of healthier products. We have welcomed this intention and will continue to engage with the company on this subject. As one of the world's top food companies, we believe that setting meaningful targets will send a strong signal to the industry that could spur increased action to promote healthier eating.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Pacific Gas and Electric Company (PG&E)
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Climate change adaptation
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Improve management of wildfire-related risks
ISSUE	The company, one of the largest natural gas and electric utilities in the United States, has been blamed for over 30 fires in California since 2017 due to aging and/or faulty utility infrastructure. The fires have led to significant liabilities that pushed the company into bankruptcy. In 2020, the company emerged from bankruptcy with a new highly experienced management team intent on bringing a new culture of safety to the business. We saw this as an opportunity for the company to materially improve its risk profile and safety record.
ENGAGEMENT ACTION	We hosted a number of fact-finding meetings with the management and investor relations teams of the company before initiating our formal engagement at a meeting with the CEO in November 2021. Management was receptive to our approach and engagement objectives and our partnership has developed strongly with a further six meetings in 2022, including several with the CEO and other executives. We strongly encouraged the company to take decisive action to prevent fires, improve transparency and disclosure around wildfire safety statistics, and provide a solution to the Fire Victims Trust's shareholding overhang.
OUTCOME(S)	Engagement with PG&E has been successful. The company has significantly strengthened its approach to safety via a dedicated wildfire mitigation strategy and a more robust governance framework. PG&E received its wildfire safety certificate from the regulator early in 2022, and the wildfire mitigation plan in Q1 provided greater visibility. The 2022 fire season demonstrated the success of the measures taken, which led to a 90% reduction in wildfire risk and a 99% reduction in acres impacted relative to the 2018-20 average, despite challenging weather conditions. Furthermore, the sale of the Fire Victims Trust stake has been well managed, and safety-related disclosures have improved. As a result of the progress towards our engagement objectives, we improved our overall scoring for the company, resulting in an increase in our target weight in some of our investment portfolios.

TABLE 3

Engagement case studies (continued)

COMPANY NAME	Pennon Group plc
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Executive remuneration, Water quality
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	• Strengthen management of wastewater pollution • Align executive remuneration with combined sewage overflow (CSO) incidents reduction targets
ISSUE	The Environment Agency (EA) and the Water Services Regulation Authority (Ofwat) in the UK had been investigating water utilities' breaches of their licenses to operate due to an increasing number of CSOs. South West Water (SWW), a subsidiary of Pennon, was added to the investigation in June 2022. SWW had consistently ranked low in EA's Environmental Performance Assessment (EPA) Reports since 2016, reaching a low of 1 star rating (out of 4) in 2021.
ENGAGEMENT ACTION	We have met with the company several times in 2022 and 2023, including with the chair of the Remuneration Committee, CEO, CFO and the director of wastewater operations, to better understand its approach to managing wastewater pollution across six aspects: target-performance gap, pollution prevention investment & strategy, internal controls, executive compensation, and regulatory oversight (i.e. the EA/Ofwat investigation). During our engagement, we called on the company to improve CSO monitoring and mitigation, as well as to provide increasing transparency and weight of CSO reduction metrics in executive compensation scorecards – whilst aligning scorecard with Pennon's target of achieving 4-star EPA rating. Our engagement was informed by meetings with external experts, senior management at other UK utilities, and Ofwat. In these meetings, we discussed, among others, executive remuneration alignment with value-creating wastewater pollution metrics; and technology, costs and regulatory oversight of CSO prevention.
OUTCOME(S)	The company has been responsive to our engagement so far. We plan to continue our active engagement this year, including in anticipation of the 2023 AGM.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Petroleos Mexicanos (PEMEX)
SECTOR	Energy
ASSET CLASS	Fixed income
ESG ISSUE(S)	Health & safety
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Improve practices and performance to ensure a safe workplace
ISSUE	The company's workplace safety performance has been on a downward trend for the last two years. In 2021, performance worsened compared to 2020, with both lost-time injury frequency rate and lost days index due to injuries increasing significantly. As per the Pemex ESG Outlook document, performance for these two indicators in the first half of 2022 was worse than in the same period in 2021. This reverses the positive trend in safety performance Pemex saw between 2012 and 2020. Furthermore, the fatality index for direct employees rose steadily between 2018 and 2020. We remain concerned that the lack of a robust safety and of an overall ESG strategy, could make it harder for the company to continue to attract global debt investors who are increasingly focusing on ESG.
ENGAGEMENT ACTION	We met with company representatives to express our concerns regarding the deteriorating safety performance and the lack of sufficient health & safety disclosures. We encouraged management to carry out actions targeted at addressing gaps in governance and practices that are likely contributing to the increase of work-related injuries and the stubbornly high annual fatality rate. Some of our recommendations included demonstrating safety leadership by establishing a board committee on Safety, Environment and Sustainability, appointing an executive manager responsible for safety, and incorporating safety KPIs in executive remuneration plans. We also strongly encouraged management to advance swiftly in the implementation of safety culture transformation programme, and to improve safety disclosures.
OUTCOME(S)	Towards the end of 2022, Pemex unveiled structural moves to elevate ESG priorities within the organisation, a move that we fully support. However, details remain vague and execution obstacles are stiff. The company needs to demonstrate a proactive and transparent safety culture linked to attitude, behaviours and pay. We will continue our engagement in 2023 and beyond.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	RWE AG
SECTOR	Utilities
ASSET CLASS	Equity
ESG ISSUE(S)	Climate change mitigation
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Legal ring-fencing of coal assets
ISSUE	Germany plays a key role in the EU's energy transition strategy. However, its main electricity producer, RWE, is one of Europe's largest coal plant operators and CO_2 emitters, and Europe's largest lignite producer. Lignite, or brown coal, generates significantly more carbon dioxide than regular coal for the same power output. Lignite represented 31% of the total energy generated by RWE in 2022. Considering potential future liabilities linked to the continued use of coal to generate energy, we believe that ring-fencing coal assets constitutes an appropriate mechanism to protect shareholders.
ENGAGEMENT ACTION	Our targeted engagement with RWE started in early 2019. The initial objectives focused on ensuring that the company's decarbonisation plan was aligned with the Paris Agreement and that management incentives were aligned to the plan. The engagement was successful with the company moving rapidly to provide a clear coal phase-out plan in partnership with the German Government, and set a net zero goal supported by SBTi-verified emissions reduction targets. Conversations around the ring-fencing of the coal assets with company representatives, including the CEO and the Chairman, have been challenging yet constructive. RWE understands our point of view and has advanced in setting up for a potential separation of the assets. However, it must also deal with political and economic realities that have become harder to address as a result of the energy crisis brought upon by the war in Ukraine.
OUTCOME(S)	The energy crisis has drastically changed the priorities of the German government as they look to diversify the country's energy mix away from gas. This has led to a short-term increase in the use of coal generation, offset by an acceleration to 2030 from 2038 of coal plant closures, and an acceleration in renewable capacity. We consider these extraordinary circumstances as cause for a justified delay in the achievement of our engagement objective. Now that the energy markets are returning to more normal conditions, we will continue our engagement with management to ensure that the legal ringfencing of coal-generating assets remains a priority.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Tetra Tech, Inc.
SECTOR	Industrials
ASSET CLASS	Equity
ESG ISSUE(S)	Board functioning & composition
ENGAGEMENT TIER	1
ENGAGEMENT OBJECTIVE(S)	Board renewal and increased board diversity
ISSUE	Two out of the seven non-executive directors on the board had tenures of 28 and 33 years, respectively. While both had brought significant experience and skills to the board and contributed to the exceptional track record of the company, we saw an opportunity for board renewal. This related not only to a changed tenure profile, but also to create a more diverse board. We set out three advantages to doing this: allowing them to better understand the human dimension to the 'environmental justice' trend supported by President Biden's intention to increase funding for pollution prevention and public amenities to disadvantaged communities; making the board more reflective of the increasingly global footprint of its revenue streams; and making it more reflective of the employee base.
ENGAGEMENT ACTION	Engagement began in 2021 after we voted against the two long-tenured non-executive directors. At the time of the 2022 AGM, one of the directors had stepped down. We welcomed this change, but believed further changes needed to happen. We reached out to the company to express our intention to vote against the Chair of the Nomination Committee. We held further constructive engagement with the company and received assurances about the future process for board renewal, including the appointment of a new independent non-executive to the board with effect from 1 May 2022. Since then, we have continued to have further constructive engagement.
OUTCOME(S)	Since the start of the engagement, board composition has developed significantly. Changed has taken place with an emphasis on candidates who are diverse but also bring deep relevant expertise to the Tetra Tech. During the second half of 2022, a further high quality appointment was made, the company embedded a tenure limit into its processes for Board appointment and membership, and confirmed that the remaining long-tenured Board member will stay until 2024 to aid the transition before stepping down. This measured programme of renewal has delivered on the outcomes we sought back in 2021.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Tyson Foods, Inc.
SECTOR	Consumer staples
ASSET CLASS	Equity
ESG ISSUE(S)	Labour standards
ENGAGEMENT TIER	2
ENGAGEMENT OBJECTIVE(S)	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.
ISSUE	Tyson is one of the world's largest processors and marketers of chicken, pork, and beef worldwide. Workers in the meat processing industry must deal with hazardous conditions and exposure to risks from factors such as dangerous machinery, fast line speeds, repetitive tasks and biological agents. The company's initial response to the COVID-19 pandemic highlighted potential areas of improvement on its approach to managing health and safety risks employees face on the factory floor. Management has failed to effectively empower employees to report such risks, and to disclose important labour metrics publicly. Failure to protect the workforce drives labour shortages that can have material negative impacts, including unexpected costs, contracted production capacity and disruption of operations.
ENGAGEMENT ACTION	In 2022, we joined the second phase of FAIRR's collaborative engagement initiative on working conditions in the meatpacking industry, actively participating in the dialogue with the company. The investor group sent a letter early in the year outlining areas for improvement and engagement objectives, which was followed by a meeting with several operational specialists at Tyson – including the global head of labour and team member relations. During the meeting, we discussed progress and gaps around grievance mechanisms, sick pay and economic incentives, worker representation, and the engagement of workers on industry trends such as automation and climate change.
OUTCOME(S)	The company has implemented some of the recommendations made by the investor coalition in 2021, when the engagement started. These include introducing a permanent sick pay policy, improving disclosure on grievances and worker representation, and increasing board oversight of working conditions. This progress, together with the company's growing willingness to engage with the coalition, signal management's appetite to pursue long-term changes that we will continue to push for. We will assess progress made in 2022 once the annual sustainability report is released later this year, and then agree on areas of focus for engagement going forward.

TABLE 3
Engagement case studies (continued)

COMPANY NAME	Vale S.A.
SECTOR	Materials
ASSET CLASS	Equity
ESG ISSUE(S)	Community impacts, Human rights
ENGAGEMENT TIER	1, 3
ENGAGEMENT OBJECTIVE(S)	• Strengthen management of tailings storage facilities • Improve process safety governance framework • Ensure remedial programmes are fully in place
ISSUE	The collapse of the Brumandinho tailings dam in Brazil in 2019 had significantly negative social and environmental impacts: 270 people died, more than 20,000 people were evacuated, including indigenous tribes, and the wave of toxic mud spread over almost 290 hectares, contaminating regionally important rivers and water reservoirs. The disaster shed light on the weakness of the company's approach to ensuring tailings safety and security. Vale confronted sudden regulatory, reputational, financial, and operational consequences that threatened the firm's survival. Moreover, the disaster, together with Vale's false public statements regarding the safety of the dam prior to its collapse, triggered a deluge of unprecedented litigation across multiple jurisdictions that the company is still dealing with.
ENGAGEMENT ACTION	Due to the severity of the issue and the need to push Vale to make rapid changes because of the ongoing risk to downstream communities of tailings dams, our engagement service provider has held numerous meetings with the company since 2019. Over the four years the company has been responsive and shown significant progress towards achieving the engagement objectives. In 2022, our investment and ESG teams also had two of one-on-one meetings with company representatives to discuss progress and continue to push for change.
OUTCOME(S)	The implementation of a strategy to respond to the Brumandinho disaster has advanced meaningfully, including much stronger practices to manage and report on tailings safety and community relations. Improvements include progress to comply with the Global Industry Standard for Tailings Management – Vale is on track to achieve 100% compliance by YE 2023; commitment to eliminate all upstream dams by 2035 (40% of them had been eliminated by YE 2022); revamping board and executive teams; establishing a Safety and Operational Excellence Executive Office and strengthening external safety assurance and technical standards assurance; implementing a Cultural Transformation Programme focused on transparency, leadership and performance; and launching community engagement programmes to prepare and effectively respond to emergency situations related to tailings dam safety plans. Furthermore, at YE 2022 Vale had made significant progress in advancing the commitments made under the USD 7 billion programme for socio-economic reparation signed with the government of the Minas Gerais state. Our assessment of the company's response and progress is positive and has helped strengthen our internal ESG score and investment case.

Source: Pictet Asset Management, December 2022

For Pictet, climate change represents both an urgent challenge and an opportunity to build a more sustainable economy. We deem it to be our fiduciary responsibility to play an active role in accelerating the global economy's transition towards a net zero emissions future, in line with climate science. This means leveraging all tools at our disposal to effect positive change, including our own assets and operations, how we manage our clients' assets and use our influence.

In this context, we have taken several actions. In 2021, the Pictet Group joined the Net Zero Asset Managers Initiative, further strengthening its commitment to support the goal of net zero greenhouse gas emissions by 2050 or earlier. At the same time, we joined the Business Ambition for 1.5 degrees of the Science-Based Targets Initiative (SBTi) to ensure the firm follows a science-based approach to setting its emissions reduction targets. Finally, we endorsed the Taskforce for Climate Related Financial Disclosures (TCFD) and use its recommendations to strengthen our governance, strategy, and risk management, identify and manage climate-related risks and opportunities.

In 2022, we articulated an investment philosophy on climate change that resulted in a set of actionable Climate Investment Principles ("CIP"), underpinned by robust research and months of iteration across various teams. The resulting key convictions are:

- Climate change will have a material impact on asset prices and investment returns;
- The investment decisions taken today will have a strong bearing on how climate change and its consequences ultimately unfold;
- No economic system will be immune to the impacts of severe climate change, therefore such a risk cannot be easily diversified or hedged; and
- Our governance and risk management systems must be fit to enable the delivery of our climate investment principles.

The CIP underpin Pictet's Climate Action Plan, which we published in November 2022, and which covers both our own and our financed emissions. On the latter, we have set targets at Group level on 56% of our managed assets (conditional on our asset class allocation remaining the same). Over time, we plan to include targets covering 100% of our managed assets, as methodologies and guidance from SBTi become available.

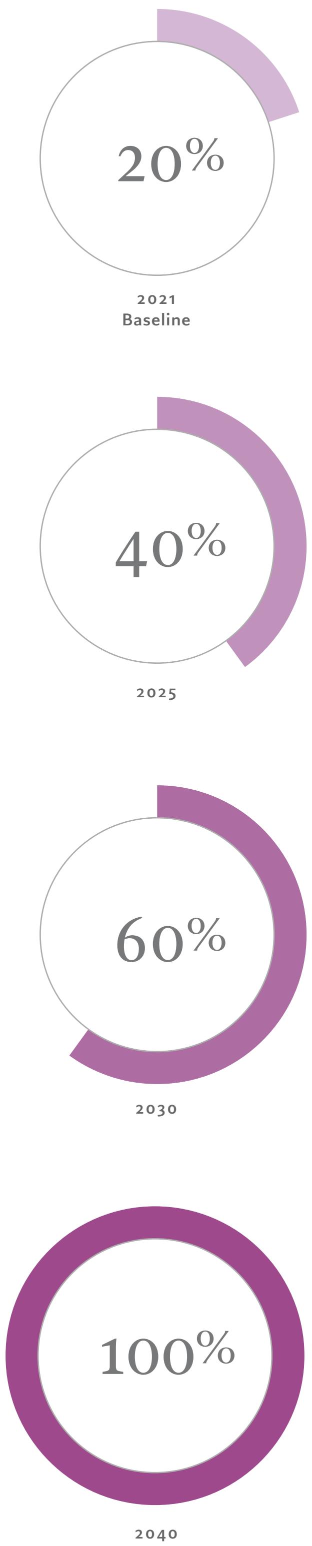
We intend to achieve these targets by leveraging and enhancing our existing practices in three areas: active ownership, responsible products and solutions, and advocacy and partnerships.

- Active ownership: engaging with issuers to encourage them to set science-based targets.
  - Climate change, particularly concerning issues around mitigation, is one of the focal themes of our engagement programme. We have achieved a notable increase in the number of companies we engaged on target setting, from 31 in 2021 to 56 in 2022. We expect this number to continue increasing going forward as we roll out the Climate Action Plan. We also plan to work on improving our approach to engagement tracking and reporting to disclose engagement progress and outcomes.
- Responsible products and solutions: growing existing strategies and launching innovative solutions focused on the low-carbon transition.
- Advocacy and partnerships: motivating other stakeholders to be part of the transition to achieve a just low-carbon economy.

FIG.3

Pictet Group's target for listed equity and fixed income

Proportion invested in assets with validated 1.5°C science-based targets (%AuM)



Source: Pictet. The current baseline and expected future progress will differ by asset class and geography. SBTi validated

We have always believed that facilitating the green economic transition represents a significant investment opportunity. Pictet has been a pioneer in developing sustainable investment strategies that allow our clients to invest in technologies, innovation and infrastructure - such as wind, solar and energy efficiency solutions - that are instrumental in accelerating this transition. In 2022, our range of solutions expanded as we launched the Global Climate Government Bond strategy, which allocates capital to developed and emerging markets based on their approach to managing carbon emissions.

We are members of industry initiatives and associations that advocate on our behalf for policy frameworks and tools that can help investors and issuers better manage climate-related risks and opportunities. Please see below examples from this advocacy work and related outcomes in 2022[2]:

TABLE 4
Advocacy work examples

ORGANISATION	INITIATIVE	PICTET INVOLVEMENT	OUTCOMES
The Investor Agenda	2022 Global Investor Statement to Governments on the Climate Crisis, published ahead of COP27, and asking governments to raise their ambition and to focus attention on adopting and implementing the specific policies needed to enable large scale zero-emissions, climate-resilient investments.	Signatory to the statement	• Agreement amongst national governments to create a 'loss and damage' fund to aid vulnerable countries to deal with the impacts of climate change • Agreement to produce a report on progress towards doubling adaptation finance by 2025 for COP28 • Number of signatories to the Global Methane Pledge increased to 150 countries
FAIRR	Investor letter calling on the Food and Agriculture Organization (FAO) to produce a Global Roadmap to 1.5 °C, Nature and Nutrition Security Goals	Signatory to the letter	At COP27, FAO confirmed work is underway to produce a roadmap for the Agriculture, Forestry and Other Land Use (AFOLU) sector to align with 1.5° C by 2050 – aiming for publication by COP28
AMAS	Template to report on the Swiss Climate Scores	Provided input to their development	Template that guarantees standardised calculation of the different indicators in the Swiss Climate Scores and uniformly displays results.

Source: Pictet Asset Management

2 We note that it may be difficult to attribute an organisation's actions to an outcome as part of an investor association or initiative. It may also be difficult to attribute the actions of such initiatives to outcomes given the wide range of stakeholders involved in shaping up said outcomes.

Furthermore, we are members of and active contributors to the Institutional Investors Group on Climate Change (IIGCC). We believe the IIGCC is instrumental in improving the investment industry's part in the transition to a low-carbon economy. In 2022, we participated in several IIGCC-led initiatives, including responding to a consultation on offsetting principles for investors and their portfolio companies, and joining of the Adaptation and Resilience Working Group. The group is working towards developing a climate resilience investment framework to address physical climate risks. As part of this, it issued a discussion paper in September 2022 calling for input and feedback from the financial community, including banks, insurers and investors, as well as climate resilience experts.[3]

Our work over the past two years to tackle the challenges that climate change poses to our investment portfolios has borne some fruits. We have, for example, enhanced ESG integration frameworks, significantly increased the number of companies we engage on climate-related issues, and launched new investment products. The focus of our work so far has been on climate change mitigation. Over the next year and beyond, we plan to strengthen our approach by looking at adaptation whilst incorporating considerations around environmental issues that have deep links to climate, namely deforestation, water and biodiversity. We expect the effectiveness of our response to the climate challenge to increase as we implement and strengthen our Pictet Climate Action Plan.

3 Source: https://www.iigcc.org/download/working-towards-a-climate-resilience-investment-framework-2/?wpdmdl=6394&refresh=63ff339082b551677669264 3ff339082b551677669264.

SAY-ON-CLIMATE PROPOSALS

Institutional investors are increasingly calling on listed companies to put their climate transition plans to a shareholder vote in the form of Say on Climate resolutions at their Annual General Meetings. Below are two examples of how we approach these proposals.

Glencore
Approval of Climate Progress Report

We did not support this management resolution. We believe there are concerns over the company's activities around thermal coal, which accounts for the majority of its scope 3 emissions. In addition, the company's lobbying would appear to run counter to the Paris goals, as it appears broadly unsupportive of immediate action on climate change[4]. More than 20 per cent of proxies voted against the proposal. The results of the vote saw the company engage actively with shareholders and commit to provide details on its response to the outcome of the climate resolution vote in its 2022 Climate Report and 2022 Annual Report and Accounts.

Canadian Pacific Railway Limited
Management Advisory Vote on Climate Change

While we would prefer to see a net zero target and for the company to report and set target reductions across all of its Scope 3 emissions, we supported this management proposal given the progress made recently. Canadian Pacific has an SBTi-verified target for scope 1, 2 and most scope 3 emissions from their locomotives, which gives us the required confidence that the company is on the right path, even if the technology is not yet available to hit net zero. 86.9 per cent of proxies supported the resolution.

4 Source: https://lobbymap.org/company/Glencore-International/projectlink/Glencore-International-In-Climate-Change

Biodiversity is unquestionably critical to the proper functioning of the global economy and, therefore, to the ability of investment portfolios to generate shared value over the long term. This, together with the strong links between biodiversity loss and climate change and the evolving regulatory and policy frameworks to protect natural capital, make it imperative for the investor community to play an active role in supporting and helping shape global efforts to conserve biodiversity.

As stewards of global capital, investors are uniquely positioned to help build an economy that works with, rather than against, nature. They can facilitate a nature-positive transition, by transforming the way they allocate capital and by developing new models to price biodiversity risks and opportunities more accurately.

We took decisive action in 2022 to discern effective ways to address the biodiversity challenge. We became members in multistakeholder initiatives, stepped up our engagement efforts, and developed biodiversity-centric investment solutions.

Partnerships

We became a founding partner in a new four-year global research programme geared to helping the financial industry develop strategies to protect natural capital and halt biodiversity loss. The Finance to Revive Biodiversity (FinBio) programme, which will be overseen by the Stockholm Resilience Centre at the University of Stockholm, aims to develop valuable research that should help the finance industry transform current practices – which reward growth at the expense of biodiversity – to a new model which accurately captures, and attaches an economic value to, the nature-positive quality of a business.

Pictet Group also signed the Finance for Biodiversity Pledge and joined the Finance for Biodiversity Foundation. As signatories to the Pledge, we have committed to protecting and restoring biodiversity through our investments. As members of the Foundation, we collaborate and share knowledge with investors and other stakeholders to pursue advocacy efforts, as well as develop and publish guidance reports on assessment methodologies, engagement strategies, and biodiversity-related metrics and targets. Representatives from Pictet Asset Management joined two of the Foundation's four working groups, on the engagement and target setting.

As an official observer to the Convention on Biological Diversity, the Finance for Biodiversity Foundation actively participated in the negotiation process that led to the final text of the Kunming-Montreal Global Biodiversity Framework (GBF) agreed during COP 15 in Montreal in December 2022. The final text agreed for some of the GBF targets closely reflects the position the Foundation advocated for during the negotiations - particularly those addressing the alignment of public and private financial flows with the overarching goals of the GBF, and companies' assessment and disclosure of their biodiversity dependencies and impacts.

Engagement

Biodiversity is one of the focus areas of our global engagement framework. In 2022, we developed a set of high-level, issue-specific guidelines to inform our discussions with companies in industries with high impacts and dependencies on biodiversity, including food & agriculture and materials. We initiated engagement, mostly via collaborations but also on a one-on-one basis, with 10 companies, as follows:

- Encouraged three timber companies in North America, including International Paper, Inc., to enhance their disclosure of biodiversity dependencies and impacts, including by aligning reporting with the recommendations in the upcoming Taskforce on Nature-related Financial Disclosure (TNFD) framework.

- Engaged with four of the world's top salmon producing companies, including Mowi and SalMar, to encourage them to set a science-based strategy to develop and scale alternatives to marine and soy feed ingredients (via FAIRR's collaborative engagement initiative on sustainable aquaculture).
- Reached out to three companies in the meat production value chain, including Darling Ingredients and Muyuan Foods, to learn about and assess their approaches to addressing risks and impacts from animal waste mismanagement and nutrient pollution (via FAIRR's collaborative engagement initiative on biodiversity – waste & pollution).

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 in companies in key sectors that are deemed to be systemically important to the goal of reversing nature and biodiversity loss by 2030.

Did you know?
Transformation in current food and land use in favour of regenerative practices has potential to create a biodiversity and nature market worth

USD **4.5** BILLION

by 2030.[5]

5 Source: Food and Land Use Coalition, September 2019, https://www.foodandlandusecoalition.org/wp-content/uploads/2019/09/FOLU-GrowingBetter-GlobalReport.pdf

Investment solutions

Since 2021, we have been working on the development of investment solutions that support the transition to a regenerative economy. Our flagship Global Environmental Opportunities strategy increasingly considers biodiversity as part of the investment universe construction. In early 2023, we launched the ReGeneration strategy, which targets companies that are helping to reduce consumption of natural resources and improve sustainability. This includes repurposing products or extending their useful lives, providing services to develop a more circular economy and producing more renewable resources.

Our biodiversity journey has only just started. Over the coming years, we will dedicate resources and leverage our partnerships to enhance our biodiversity strategy by mapping nature-related financial risks across our investment portfolios, continuing and enhancing active ownership activities, and ensuring biodiversity is embedded into our Climate Action Plan, among others.

Fish drying in the open air on the beaches of Kafountine. Traditional maritime fishing in Casamance and the transformation of fish into smoked, salted and dried products has increased significantly in recent years and plays an important role in the economy of the region. However, the cutting of forests to feed the fish smoking ovens along with the consequences of climate change on the local ecosystem are threatening the traditional way of life and economic activities of the region.

Kafountine, Senegal. 08.11.2014

Proxy voting

The overarching purpose of our voting is to protect and promote the rights and long-term interests of our clients as shareholders. As such, we consider it our responsibility to hold companies and their executives accountable for their decisions. In 2022, we cast votes on over 43,000 resolutions at more than 3,600 meetings.

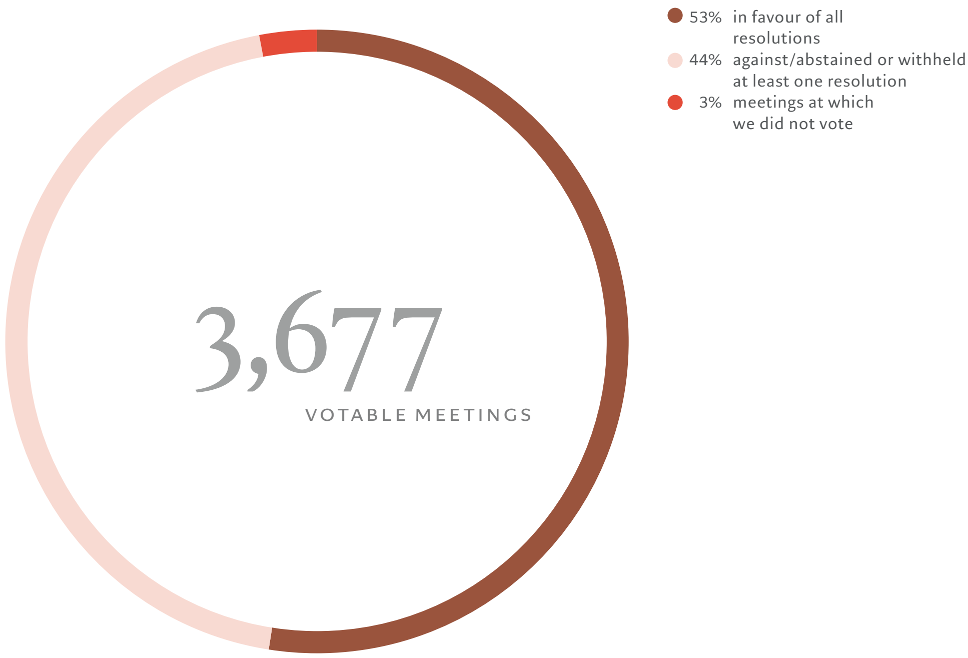
We aim to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to credible standards. At the same time, given the aspirational nature of these good practices, we recognise that governance frameworks can be both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

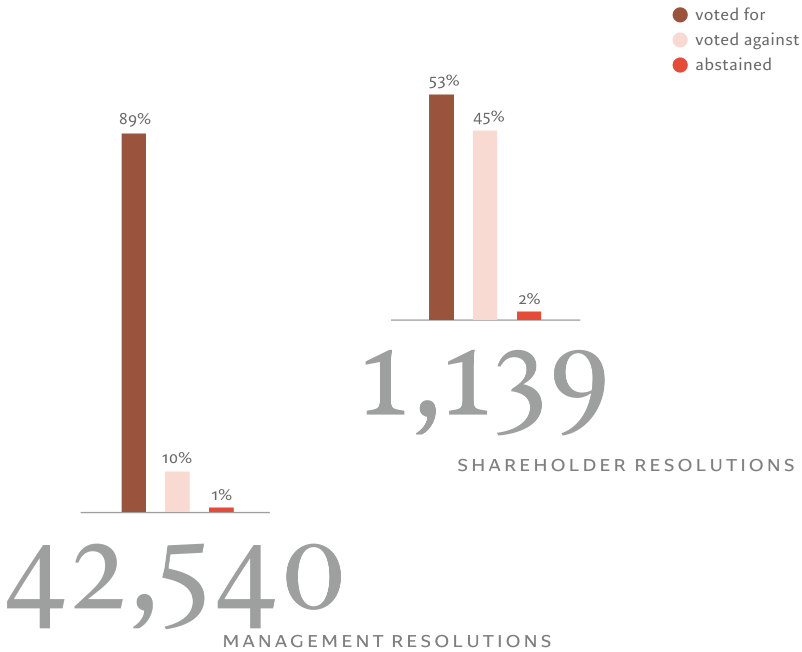
2022 VOTING ACTIVITY

Our actively managed funds voted in 97 per cent of votable meetingsin 2022. When we did not vote, it was generally for one of the following reasons: Power of Attorney not in place; voting recommendations not completed in time; account in process of setting up; or voting restrictions on embargo companies. This is a minor reduction in the percentage voted compared to last year, and we continue to work towards voting 100% of these meetings.

We disclose our voting records on a monthly basis. Further detail is set out on our website at:

https://am.pictet/en/globalwebsite/global-articles/2021/expertise/esg/proxy-voting





Source: ISS, Pictet Asset Management, 31.12.2022

To provide an increased level of transparency, below are some examples of how we exercised our votes in 2022.

Management resolutions – Not supported

The bulk of the resolutions (46 per cent) that we did not support related to board directors. We recognise that for many directors seeking election or re-election, the absolute level of the vote in favour is something that they monitor. Because of this, we believe voting against directors it is an effective mechanism and as such forms part of our engagement toolkit.

Guangdong Investment Limited

Voting against the re-election of directors at Guangdong Investment Limited, a Chinese property, infrastructure and energy company.

Having engaged with the company over the past year on the need to divest their coal assets, we have yet to see any positive directionality on a plan for divestiture. We consider that director oversight on implementation is not showing enough urgency. The director re-election resolutions were passed, with votes against in the range of 7.6 per cent to 12.7 per cent, which does not help our case. We will continue to engage with management on this issue.

Tetra Tech Inc.

Voting against the final longstanding member of the board of Tetra Tech Inc., a US consulting and engineering services company who had served for 34 years.

At the same time, we engaged with the company to increase the diversity of the board and better align it with its customer base. Ongoing engagement and proxy voting activity have led to continued change including a tenure limit put into company policy alongside further board renewal, including the director we voted against stepping down.

2U, Inc.

Voting against the Named Executive Officers' Compensation at 2U, Inc.

Concerns about alignment between pay and performance and lack of sufficient disclosure on key performance goals led us to vote against this resolution. In total, 66.6 per cent of total shareholdings voted against the item. While the resolution is not binding, we expect the high level of dissent to prompt improvements in the company's executive pay plans.

Management resolutions - Deviations from our guidelines

We always reserve the right to deviate from our voting guidelines where it is deemed to be in the best interests of our clients. This year saw us deviate on a small number of resolutions (218).

Deviations related mostly to director re-elections where we took a more positive view of the individual. This may mean considering them to be independent in spirit based on our own contact with those individuals or being more comfortable with the structure of the board in relation to the guidelines.

Marico Limited

Approve Employee Stock Option Plan (ESOP)

Ahead of the 2022 AGM, some features of the ESOP appeared to breach our policy guidelines as the company can potentially grant all options at a deep discount, and the performance targets were yet to be disclosed. During engagement prior to the vote, the company provided explanations that made us comfortable with the structure of the plan and the Board retaining discretion for the performance conditions as the business demands. We also took into consideration that Marico Limited has been well-managed in alignment with the interests of minority investors and with a long-term mindset – balancing growth, innovation and profitability.

> "Since biodiversity is linked to multiple environmental challenges, focusing on it opens the doors to a much broader perspective on environmental investing."

STEPHEN FREEDMAN
Sustainability and Research Manager, Thematic Equities

Ultimately, we supported the resolution. We continue to monitor the application of the Stock Option Plan and will continue to engage as appropriate.

Max Healthcare Institute Limited
Approve various items relating to Remuneration

As we approached the 2022 AGM, the company's approach to compensation appeared to breach many of our guidelines and received a vote against recommendation from ISS. Based on this, we had constructive engagement with the company to understand more about the scheme and the points that were being flagged as against policy. These included absence of caps on annual salary increases for the CEO, insufficient disclosure on vesting schedules, and the exercise price being set at a significant discount. While the concerns were justified, the company's track record as well as the information that management shared with us, gave us enough confidence that the approach to pay is aligned with performance and designed to help with talent attraction and retention. We supported the items, whilst encouraging the company to improve remuneration-related disclosures.

GFL International
Elect Director Paolo Notarnicola
(Nomination Committee Chair)

Our voting policy recommended a withhold vote on Board diversity at the company. However, acknowledging that they had recently added two female candidates to the Board with strong and relevant experience, and that their intention is to get to 30 per cent female representation by the time of the 2023 AGM, we felt that we could support the re-election of the Nomination Committee Chair. We have continued to engage

Did you know?
Gender diverse companies are

25%

Ethnically diverse companies are

36%

more likely to financially outperform (from a total return to shareholders perspective) organisations that are of average diversity in their industry.[6]

6 Source: McKinsey & Company, "Diversity Wins", May 2020

with the company throughout the year on this issue and believe that they remain on track to meet this 30 per cent target in 2023.

Halma

Re-elect Jo Harlow as Director

Our voting policy recommended a vote against the Remuneration Committee Chair due to significant year-on-year increases in base pay and total compensation. Despite some concerns, we deviated from the recommendation and voted for the director's re-election. During engagement with the company, including with the Board Chair, we received reassurance that the increases were linked to management transition and taking into consideration succession planning risks, and that going forward, the pay policy should not cause significant shareholder concerns/protest. 77 per cent of proxies supported the re-election of the director.

OUR APPROACH TO SHAREHOLDER RESOLUTIONS

The ShareAction report 'Voting Matters 2022' outlined how 68 of the world's largest asset managers voted on 252 specific resolutions in 2022. The report found that Pictet Asset Management voted on 82 per cent of the resolutions. Of these, we voted for 85 per cent of the resolutions relating to environmental issues and for 90 per cent of those relating to social issues. We believe this continued strong performance reflects our approach to shareholder resolutions, which we view as an important mechanism in signalling to the board the urgency for action. However, it is important that the resolution is appropriately worded, and that it requests something materially additional to what is already publicly disclosed. We, therefore, do not aspire to voting in favour of all shareholder resolutions.

We have used the ShareAction analysis to better understand our performance relative to peers, and to identify any patterns that might exist in the resolutions we did not support.

Below are examples of how we voted on some shareholder resolutions in 2022:

Supported

Apple Inc - Report on concealment clauses
(Management recommendation 'Against')

We considered that a vote FOR this proposal was warranted because more information on the impact that the company's standard arbitration provision has on Apple's employees may bring information to light that could result in improved recruitment, development and retention and could help the company prepare for pending federal legislation on the matter. 50 per cent of shareholders supported the resolution. Later in the year, Apple agreed to remove concealment clauses from employee contracts, both for full-time employees and for contract workers across its global operations.

Bank of Nova Scotia
Adopt an annual advisory vote policy on the bank's environmental and climate change action plan
(Management recommendation 'Against')

We voted FOR this resolution. Additional information on the company's plan to reduce its GHG emissions would allow investors to better understand how the company is managing its climate change related risks and it would allow shareholders to express their opinions on the climate risk management practices of the company. The resolution was supported by 20.7 per cent of proxies.

Berkshire Hathaway Inc.
Report on GHG emissions reduction targets
(Management recommendation 'Against')

We voted FOR this resolution. We believe the requested report would allow shareholders to better evaluate how the company is managing emissions from Berkshire's insurance group, and the report may help the company prepare for future climate regulations. The resolution was supported by 26.4 per cent of proxies.

Occidental Petroleum Corporation
Report on quantitative short, medium, and long-term GHG emissions reduction targets
(Management recommendation 'Against')

We voted FOR this resolution. We believe investors would benefit from additional information on interim steps the company is taking to meet its long-term net zero by 2050 target and how it plans to allocate capital in line with that goal. In total, 16.5 per cent of votes supported the resolution.

> "ESG 3.0 is really about going back to basics and conducting deep research on companies. Investors need to look beyond the leaders to find investment opportunities in less covered areas such as transitioning companies."

YUKO TAKANO
Senior Investment Manager, Positive Change

Marathon Petroleum Company
Report on climate strategy consistent with ILO's "Just Transition Guidelines"
(Management recommendation 'Against')

We voted FOR this resolution. We believe shareholders could benefit from additional disclosure on the potential social impacts that transitioning to a low carbon economy may have on the company and its operations. Such information would allow shareholders to better assess the company's efforts to manage and mitigate those risks. The resolution was supported by 16 per cent of proxies.

PepsiCo Inc
Report on global public policy and political influence outside of the United States
(Management recommendation 'Against')

We voted FOR this resolution. Our view is that increased global transparency and disclosure around the company's memberships in political organisations and lobbying expenditures, as well as its management and board-level oversight of spending would help shareholders evaluate the company's management of related risks and benefits. 17.6 per cent supported the resolution.

Not supported

As noted above, we have reviewed each of the shareholder resolutions listed by ShareAction in their 2022 report, to understand the rationales where we did not support a shareholder resolution. There are four main reasons for rejecting certain resolutions:

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

Below are a couple of examples to illustrate the points:

Tesla Inc
Report on corporate climate lobbying in line with Paris Agreement

We voted against this shareholder resolution as we consider the company has a reasonable track record on lobbying. For example, InfluenceMap states Tesla has actively and positively engaged on a number of streams of climate legislation globally. The company has supported extensive national climate regulations for the automotive sector across different jurisdictions. InfluenceMap also states that Tesla is a member of a number of industry associations with highly positive climate policy engagement. 65.7 per cent of proxies voted against the resolution. Since proposals in the US require a two-thirds majority to be adopted, we do not expect any immediate changes to come out of the vote.

Maximus, Inc.
Report on third-party racial equity audit

We believe a vote against this proposal was warranted. The company provides information on its policies and initiatives to meet its commitment to diversity, equity, and inclusion on its website and in its CSR report. This includes having a dedicated DE&I team, linking diversity goals to executive compensation, and a setting a gender and ethnically diverse board of directors. Moreover, the company conducted an independent third-party HR audit covering DE&I initiatives. While we voted against the proposal as framed, we will continue to monitor this aspect of the company's performance. 35.8 per cent of proxies voted against the resolution.

Did you know?
Based on today's insufficient global commitments to halt climate change, greenhouse gas emissions are actually likely to rise by 2030 up to

60

$GtCO_2$.[7]

7 Source: UNEP, April 2023, https://www.unep.org/facts-about-climate-emergency

Our investment approach

OUR INVESTMENT BELIEFS

We are active managers with a clear focus on valuation and strong risk management across equity, credit, sovereign debt, and currencies.

- We believe in the pre-eminence of active manager skill rather than simple style and carry bias. Our managers aim to deliver alpha coupled with high active share and/or astute management of market risk.
- We believe ESG considerations can help us make better long-term investment decisions for our clients.
- We are a focused multi-boutique asset manager, investing where we can add value for our clients.
- We have no single investment approach. Instead, we empower each team to be independent encouraging innovation and accountability.
- We manage risk as much as portfolios. Risk management is an integral part of our decision making, and risk monitoring is an independent function. Strong oversight is ensured through formal bi-annual manager reviews attended by our Chairman, co-CEOs, and respective CIO.

STRATEGIC CAPABILITIES

We offer clients solutions focused on four strategic capabilities:

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

Alternatives – ambitious returns, risks controlled. Our core strengths are in active and prudent portfolio management. Our absolute return strategies seek to optimise investor returns alongside meeting risk tolerances.

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

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

Getting access to differentiated sources of information and insights is a critical factor in investment management. Most traditional sources of information used by portfolio managers and analysts, such as sell-side research and subscription-based data services, are largely commoditised. Which means maintaining an information edge is far from straightforward.

At Pictet Asset Management, each of our thematic equity teams secures that additional informational advantage through their own Thematic Advisory Boards (TAB). Each TAB typically consists of three members taken from the world of academia, industry and policymaking.

At Pictet Asset Management, each of our thematic equity teams secures that additional informational advantage through their own Thematic Advisory Boards (TAB).

Collectively, TABs give our portfolio managers access to a distinctive perspective on the trends shaping the economy and society. The boards are a key pillar of our thematic offering and essential for helping our portfolio managers deliver the long-term outperformance our clients are seeking from us.

We support our clients in embedding ESG and engage with them to help find the products that allow us to manage their assets in alignment with their investment policies, including regarding stewardship. Our products are defined according to three main categories, reflecting the variety of approaches to responsible investment implemented across our firm.

ESG Integrated

These strategies integrate material ESG risks and opportunities into investment decisions to complement financial analysis. Portfolios may invest in securities with high sustainability risks.

ESG Focused

These strategies consider ESG factors such as sustainability risks and principal adverse impacts, and promote environmental and/or social characteristics.

- Positive Tilt 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. Principal adverse impacts, as defined under the EU's Sustainable Finance Disclosures Regulation (SFDR), are reduced by excluding certain categories of issuers (please refer to our Responsible Investment Policy for details on our exclusions framework).
- Best in Class strategies seek to invest in securities of issuers with low sustainability risks while avoiding those with high sustainability risks, subject to good governance practices. Principal adverse impacts are reduced by excluding certain categories of issuers.

Positive Impact

Pictet Asset Management has been a pioneer in thematic investment for more than 20 years. We currently offer a range of standalone strategies on themes including clean energy, water, timber, environmental opportunities, nutrition and health. 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. As is the case with our ESG Focused strategies, principal adverse impacts are reduced by excluding certain categories of issuers.

ESG integrated is equivalent to an article 6 SFDR[8] and may invest in securities with high sustainability risks. ESG focused is equivalent to an article 8 SFDR. Positive impact is equivalent to an article 8 or 9 SFDR.

INTEGRATING ESG FACTORS IN INVESTMENT DECISIONS

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

TABLE 5
Responsible investment products

	Responsible investing	
ESG INTEGRATED	ESG FOCUSED	POSITIVE IMPACT
Investments that integrate ESG factors in order to enhance their risk-return profile		
	… and promote environmental and/or social characteristics	
		… and target economic activities that are environmentally or socially sustainable
EXCLUSIONS		
ACTIVE OWNERSHIP		
	GOOD GOVERNANCE PRACTICES	

Source: Pictet Asset Management, 31.12.2022

The integration of ESG factors is a key component of our approach to identifying investment ideas, analysing company performance and potential for long-term value creation, portfolio construction and risk monitoring across nearly 100 per cent of our actively managed equity and fixed income assets[9]. Importantly, ESG research and integration help shape our engagement and voting activities. Any information we gather from these feeds backs into investment analysis, and hence can have an impact of subsequent investment decisions.

8 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)

9 Source: Pictet Asset Management, December 2022

STEWARDSHIP AND INVESTMENT DECISION-MAKING

The strength of the governance reforms put in place by one of Japan's largest conglomerates, which included significant improvements in the composition of the board, helped one of our investment teams build confidence in the company's ability to consolidate and focus on core businesses, as well as to improve profitability and shareholder returns over the long term. This conviction led the team to build a large active position in the stock.

We have engaged with executives and directors at a Chinese water utility on its ownership of coal power generating assets. While we welcomed the company's announcement that those assets were designated as "non-core" and that it has considered and will continue to consider divesting, we have yet to see any firm commitments to set a timeline. As the company has demonstrated willingness to engage we will continue the dialogue. Our management score for the company remains marginally positive, yet a higher discount rate is still deserved given the risks to the business franchise from the continued ownership of the coal assets.

Our engagement with an animal protein company has helped us establish that it has industry-leading practices on issues such as emissions, animal welfare and supply chain sustainability. Moreover, it is committed to continuously improve practices and to address gaps in its approach to tackling issues such as biodiversity. This was an important consideration that the investment team relied upon before building a material position in their portfolio, favouring the name over others in the industry.

We have not developed a prescriptive list for analysing ESG factors as these can be specific to each company and the industry in which they operate. Depending on our view of the materiality of ESG issues to the investment/business case, we will focus on a range of factors that include climate change, natural resources, waste management, product quality and safety, labour standards, human rights, business ethics and compliance, board composition, executive remuneration and the protection of shareholders' rights.

To identify material ESG factors affecting companies, our investment teams collate relevant information from multiple sources, including company reports, third-party research and, importantly, our proprietary ESG Scorecard . The tool is based on a curated set of the most material data points across four pillars, as below:

ESG Scorecard

CORPORATE GOVERNANCE

Are companies managed for the long term?
E.g. board competence and independence, directors' background and track record, executive renumeration, audit and risk control.

SUSTAINABLE PRODUCTS AND 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?

MANAGEMENT OF ESG RISKS

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?

ESG-RELATED CONTROVERSIES

Does the company do as it says?
E.g. have there been instances of bribery and corruption, market abuse, product recalls?

Source: Pictet Group, 31.12.2022

The villagers of Diagho harvest palm nuts in the forest for the artisinale production of palm oil, palm wine and palm oil based soaps. Palm oil products from Casamance are well known and are an important part of the local economy. During the dry season, the men harvest the fruit and the sap of wild palm trees and the women transform the palm nuts into local products. Palm oil production in Casamance remains traditional and has resisted the transformation to industrial scale plantations to satisfy the growing demand from the international food and bio fuel industries that have resulted in large scale deforestation in SE Asia and Latin America.

Diagho, Senegal. 10/11/2014.

The qualitative analysis informs the assessment of potential financial impacts from ESG factors on securities in investment portfolios, which can lead to teams adjusting valuation models and/or financial projections and, ultimately, influence investment decisions. Our approach to ESG integration does not materially differ due to the geographic location of the issuer. However, it can differ by asset class. In active equities, we focus on mitigating downside risk and capturing upside potential this is generally consistent across teams. In fixed income, the focus is on mitigating downside risk. Moreover, fixed income teams need to consider the diverse range of debt instruments, issuers and maturities.

In the case of sovereign debt, we score countries using a wealth of ESG data – from both external and internal sources. The environmental factors we monitor include air quality, climate change exposure, deforestation, and water stress. Social dimensions include education, healthcare, life expectancy and scientific research. And governance covers elements like corruption, electoral process, government stability, judicial independence and right to privacy. Together these factors are aggregated to become one of the six pillars in our proprietary country risk index (CRI) ranking.

Our participation in industry initiatives

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:

TABLE 6
Participation in industry initiatives

ORGANISATION/INITIATIVE	OUR INVOLVEMENT
UNPRI	Signatory
UN Principles for Responsible Banking	Signatory (Pictet Group)
UN Global Compact	Signatory (Pictet Group)
Asset Management Association Switzerland (AMAS)	Member of the Distribution, Taxes Specialist Committees
Swiss Sustainable Finance (SSF)	Founding member (Pictet Group), co-lead work group sustainable investment in wealth and asset management
Sustainable Finance Geneva	Institutional Partner (Pictet Group), President Strategy and Surveillance Committee
EFAMA (European Fund and Asset Management Association)	Member of the Stewardship, Market Integrity & ESG Investment Committee
German Investment Funds Association (BVI)	Member
International Capital Market Association (ICMA)	Member
The Investment Association (UK)	Member of the Sustainability and Responsible Investment Committee
Pensions for Purpose (UK)	Member
FNG, SpainSIF, ItaSIF	Member
CDP (Carbon Disclosure Project)	Signatory (Pictet Group)
Ceres Investor Network on Climate Risk and Sustainability	Member (Pictet Group)
IIGCC (Institutional Investors Group on Climate Change)	Member of the Adaptation & Resilience Working Group
FTSE Russell	Member of the FTSE Environmental Markets Advisory Committee
Net Zero Asset Managers Initiative	Signatory (Pictet Group)
Science Based Targets initiative (SBTi)	Signatory (Pictet Group)
Taskforce on Climate-related Financial Disclosures (TCFD)	Signatory (Pictet Group)
Access to Nutrition Foundation	Member (Pictet Group)
Farm Animal Investment Risk and Return (FAIRR)	Member (Pictet Group)
Finance for Biodiversity Foundation	Member (Pictet Group), Co-chair Impact assessment working group, Member Engagement working group
International Corporate Governance Network (ICGN)	Member (Pictet Group)
Taskforce on Nature-related Financial Disclosures (TNFD) Forum	Member (Pictet Group)

Source: Pictet Asset Management, December 2022

We conduct our advocacy work to address systemic risks and promote well-functioning financial markets via our membership in industry associations. Our level of participation varies widely. In some cases, we actively take part in the formulation of position statements or responses to public consultations. Highlights from our contributions in 2022 include:

- Provided input, reviewed and validated the final text of AMAS' ESG Guidelines, a self-regulation published in September 2022 to set standards on transparency and disclosure for investment managers of sustainability-related collective investment schemes. The self-regulation can help strengthen the credibility and competitiveness of the Swiss financial markets by aligning them with the highest international sustainability standards as regards ESG regulations. Notably, the ESG Guidelines are based on a "principle-based approach", which leaves room for institutions to comply in a way that suits their specific business model and ESG strategies.
- Contributed to the Investment Association's (IA) response to the Global Impact Investing Network's (GIIN) consultation on its draft guidance on impact investing in listed equities.
- Participated actively in the IA's and ICMA's discussions on the Financial Conduct Authority's (FCA) sustainability disclosure requirements and investment labels consultation paper, and supported their feedback to the FCA.
- Provided input to the responses by EFAMA and BVI to the European Supervisory Authorities' Call for Evidence on greenwashing.
- Reviewed and supported the responses from IA, ICMA, EFAMA and BVI to the European Securities and Markets Authority's (ESMA) consultation on draft guidelines on the use in funds' names of ESG or sustainability-related terms.

We recognise that it can be problematic to establish the significance of the role played by a single organisation within a bigger initative, and even the extent to which the initiative as a whole influenced the eventual outcome. However, we believe it is important to track, monitor and note outcomes that might help enhance the well-functioning of markets. We try to assess our influence mainly by the extent to which our own proposals or those of the industry associations we are members of were incorporated into the final text of the policy, framework or regulation.

Given that the final versions of the policies and regulations for which we and our partners provided input in 2022 will only be published in 2023, we are not able to assess of our effectiveness at the time of writing. We will aim to cover this in next year's report.

SUSTAINABLE FINANCE GENEVA (SFG)

SFG is a network of financial institutions and local Geneva authorities that aims to catalyse the Geneva ecosystem (global financial centre, combined with a hub for multilateral diplomacy and renowned academic institutions) to adopt sustainable financial practices. A representative from the Pictet Group currently presides over SFG's Strategy and Surveillance Committee, which is tasked with defining SFG's long-term strategic objectives.

Building Bridges is a collaborative international event launched in 2019 by SFG. Through Building Bridges, SFG seeks to accelerate the transition to a global economic model aligned with the Sustainable Development Goals (SDGs). Using more than 20 years of experience investing in the water value chain, we led a panel discussion during the 2022 Building Bridges Week in Geneva, which Pictet Group sponsored. The panel explored why water risk and opportunity are still insufficiently addressed globally and how investors can influence how water is valued by corporations and drive the systemic transition to more sustainable water usage.

The SFDR level 2 rules, which strengthen the reporting requirements for sustainable and ESG-labelled financial products, go into effect on 1 January 2023. Yet questions and concerns remain over issues such as the calculation of sustainable investments and the reporting of Principal Adverse Indicators (PAIs). In this context, we have written two position papers on the implementation and usability of SFDR – in the first one, we share our views on how to measure portfolio alignment

> We strive to report to our clients in a transparent and meaningful way. In the context of SFDR, we have written two position papers on Sustainable Investments and Principal Adverse Indicators.

with Sustainable Investments and in the second one, our views on the use and reporting of Principal Adverse Indicators. In both papers, we make practical suggestions on how to enhance transparency and comparability. While we have not made these papers public, we have shared them with selected clients and industry associations.

Research and thought leadership

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

We continue our long-standing partnership with two Nordic organisations, the Stockholm Resilience Centre (SRC) and the Copenhagen Institute for Futures Studies (CIFS). The SRC's work on the pioneering Planetary Boundaries concept has allowed us to form a science-based investment framework, which can identify and assess companies now solving some of the biggest environmental challenges ever faced by the planet. In 2022, we proudly became founding members and impact partners of the Finance to Revive Biodiversity Programme (FinBio), a new four-year global research programme led by the SRC. The programme is geared towards helping the financial industry develop strategies to protect natural capital and halt biodiversity loss by aligning investments with global biodiversity goals, ultimately contributing to a nature-positive economy.

We have been working with the CIFS for over a decade to deepen our understanding of megatrends – the powerful secular forces that are changing the environment, society, politics, technology and the economy. Through our partnership with CIFS, we have devised the Pictet Investment Megatrends framework that incorporates 21 investment megatrends. The framework – which includes trends such as urbanisation, AI and computing power, focus on health, climate change and economic growth – enhances our thematic equity capabilities and informs the construction and development of our thematic strategies.

Finally, we publish views on sustainability issues written by our own investment professionals or issue experts:

- Investment views: our investment experts discuss developments, including on ESG issues, crucial to tactical and strategic asset allocation. In 2022, we wrote research and thought pieces covering issues such as decarbonising EM corporate bond portfolios, the role of investors in protecting biodiversity, the future of the built environment, and sustainable investment in health.
- Mega from Pictet: our dedicated digital hub, mega, features expert analysis of megatrends and the New Economy. This features views from academics, scientists, and entrepreneurs, focusing on the people and companies looking to solve some of the world's most pressing environmental, social and technological challenges.

All of this research can be found under the 'Insights' section of our website at am.pictet.

Did you know?
Our homes, offices, shops and recreational spaces account for around

40%

on which we ourselves depend – nature and a stable climate.[10]

10 Source: World Economic Forum, 2021

Conclusion and plans for 2023

Having made significant progress on ESG over the past year, we are looking forward to maintaining the positive momentum and expanding our efforts in 2023 and beyond.

Engagement with the businesses and governments we invest in remains a key priority. In both cases we are committed to promoting effective governance – not least because it gives a strong footing for weathering volatility in the economy and in financial markets, and because it is essential to ensuring that environmental and social ambitions translate into concrete action and systemic change. Good governance chimes in with long-termism, which is one of our key engagement priorities at Pictet Group level, along with climate, water and nutrition.

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.

Having started work on addressing the biodiversity crisis in 2022, we will expand on this, incorporating biodiversity considerations into our investment processes and supporting research into how the financial sector can help protect natural capital.

We will also continue to enhance transparency and improve client reporting on ESG issues. That includes improving our ESG data, with new data points, better data visualisation and better connections between existing tools.

So far, social impact has proved the hardest to measure, and we are exploring ways to address this.

We are proud to offer investors a wide range of responsible investment strategies, and are planning to further expand our offering over the coming year.

Villagers from Kabiline working in the rice fields of the valley near their community. Rice farming is a centuries old tradition for the people of Casamance and northern Guinea Bissau. Rice is not only the staple of the local diet, but it is also an integral part of the local culture and way of life. Rice cultivation is essential to food security and the economy in Casamance. Rice production in recent years has been severely affected by the salinisation of soil and ground water due to drought and rising sea levels caused by climate change.

Kabiline, Senegal. 09/11/2014.

Additional information

About us

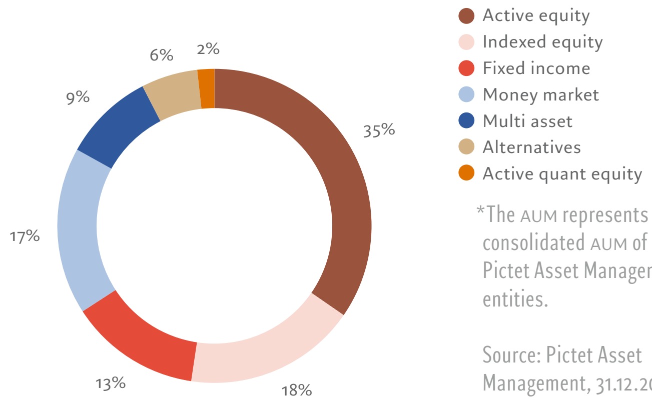
Pictet Asset Management provides specialist investment management services across a range of strategic capabilities including multi-asset solutions, thematic equities, emerging markets and alternatives. Our clients include financial institutions, pension funds, foundations and financial advisors.

We aim to be the investment partner of choice, offering original strategies that outperform over the long term and irreproachable client service. As an active manager, we focus on strategies that cannot be easily replicated. We incorporate ESG factors into all our investment decisions and responsibility is central to our approach. In that respect, we actively exercise our rights as investors and engage with companies and sovereign issuers directly wherever possible.

By having an investment philosophy that we implement rigorously through a disciplined and focused process, we allow our clients to be confident that their future objectives can be met. Our investment approach emphasises valuation across equities, credit, sovereign debt and currencies, while risk management is an integral part of the decision-making process. Our independence sustains our ability to innovate. We constantly explore opportunities to uncover new sources of return and commit substantial resources to building and maintaining our strategic capabilities. We aim to create a collegiate atmosphere, allowing ideas to mature, experience to accumulate and our people to reach their full potential. In this respect, we consider it fundamental to cultivate a meritocratic environment that attracts people with unusual talent and a strong sense of team spirit.

At Pictet Asset Management, we managed EUR 222 billion in assets at year-end 2022 across a range of equity, fixed income, alternative and multi asset products (see FIG. 4 & 5).

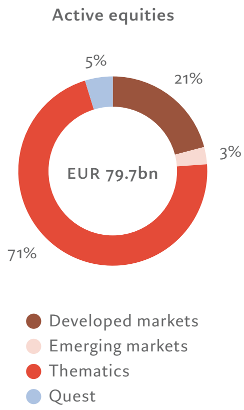
FIG.4
Asset class (% of AuM in EUR billion)

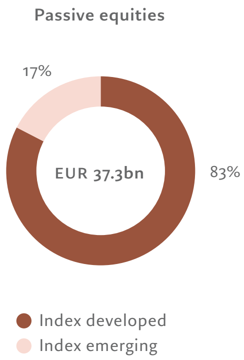


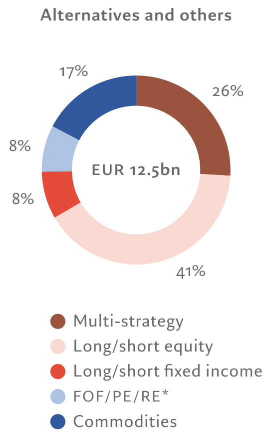
*The AUM represents the consolidated AUM of all Pictet Asset Management entities.

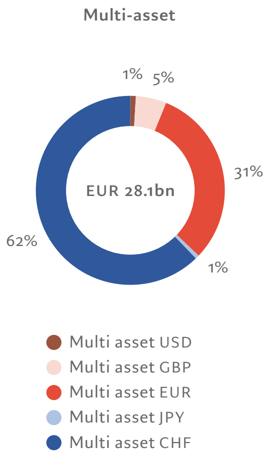
Source: Pictet Asset Management, 31.12.2022

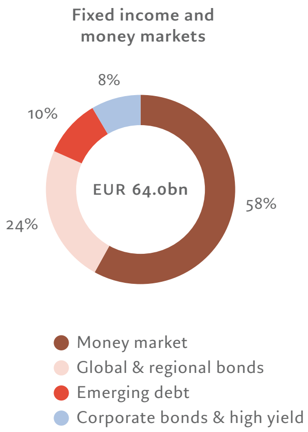
FIG.5
AuM breakdown by asset class











* Managed by Pictet Alternative Advisors SA. Chart based on assets distribution and/or managed by Pictet Asset Management.

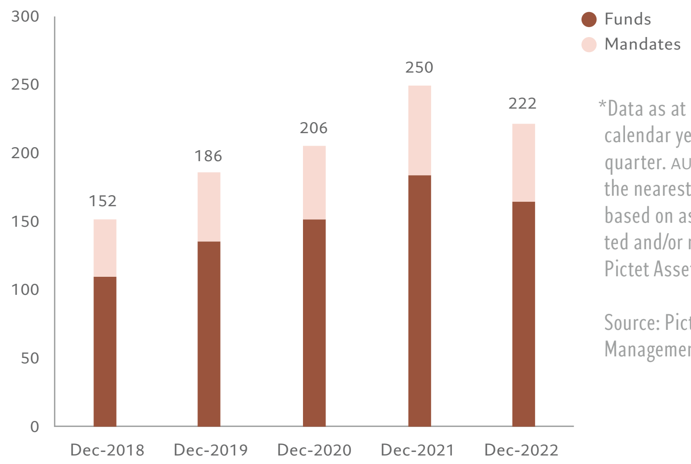
Source: Pictet Asset Management, 31.12.2022

We assess the effectiveness of our actions to serve the best interests of our clients through a number of indicators:

- ESG integration: we now integrate ESG considerations in investment processes across more than 99 percent of our strategies
- Active ownership: over the past couple of years we have significantly increased the number of companies we engage with, the number of engagement objectives we set, and the number of engagements that lead to a positive outcome

Our assets are outperforming (asset weighted). We aim to beat at least two-thirds of our peers and outperform benchmarks two-thirds of the time.

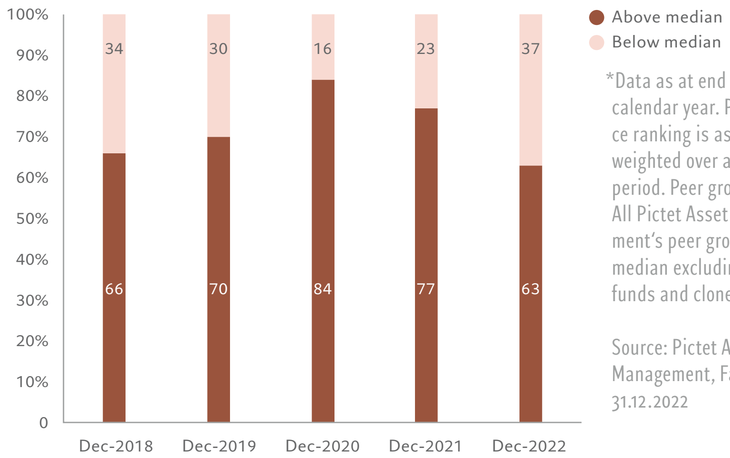
FIG.6
Evolution of assets (EUR billion)*



*Data as at end of each calendar year and quarter. AUM rounded to the nearest billion. Chart based on assets distributed and/or managed by Pictet Asset Management.

Source: Pictet Asset Management, 31.12.2022

FIG.7
Performance versus peer group

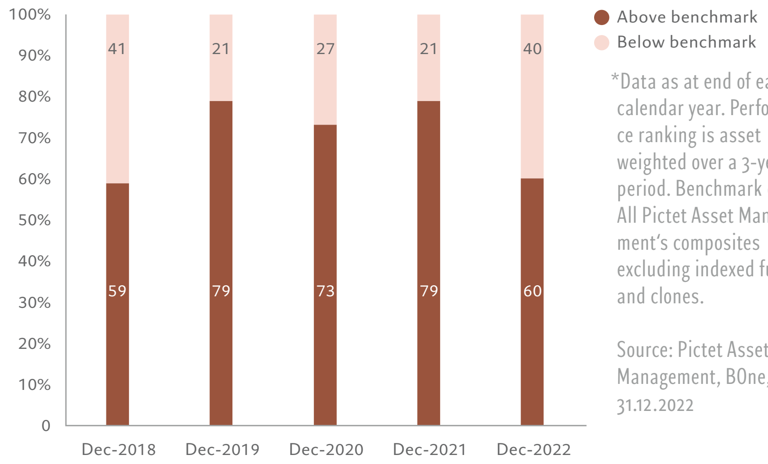


*Data as at end of each calendar year. Performance ranking is asset weighted over a 3-year period. Peer group data: All Pictet Asset Management's peer groups median excluding indexed funds and clones.

Source: Pictet Asset Management, Factset, 31.12.2022

FIG.8

Performance versus benchmark



*Data as at end of each calendar year. Performance ranking is asset weighted over a 3-year period. Benchmark data: All Pictet Asset Management's composites excluding indexed funds and clones.

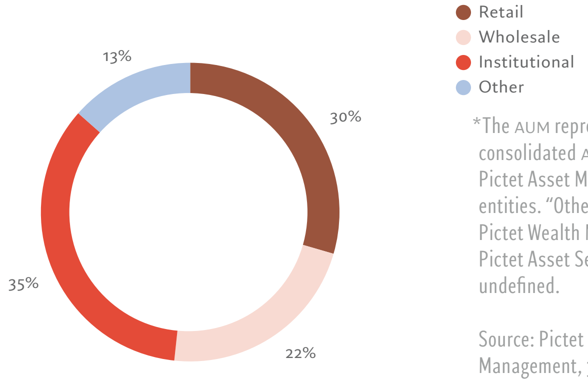
Source: Pictet Asset Management, BOne, 31.12.2022

Our clients

CLIENT BASE

Our client base is split across three distribution channels: institutional, wholesale and retail clients, which represented 35 per cent, 22 per cent and 30 per cent of our assets under management, respectively at year-end 2022. The remaining 13 per cent is from Pictet Group entities. In terms of the geographic breakdown of our client base, approximately 81 per cent of our assets managed at year-end 2022 were for European clients, 15 per cent for Asian, and 4 per cent for American ones.

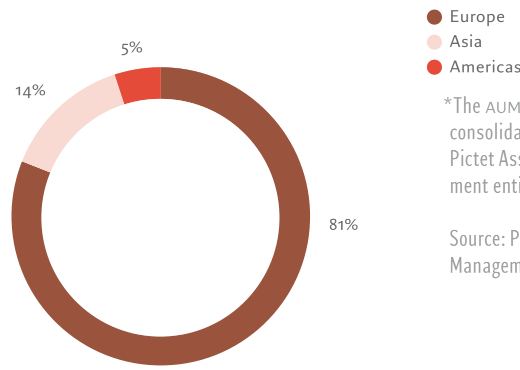
FIG.9
Distribution channel (% of AuM in EUR billion)



*The AUM represents the consolidated AUM of all Pictet Asset Management entities. "Other" includes Pictet Wealth Management, Pictet Asset Services & undefined.

Source: Pictet Asset Management, 31.12.2022

FIG.10
Geography (% of AuM in EUR billion)



*The AUM represents the consolidated AUM of all Pictet Asset Management entities.

Source: Pictet Asset Management, 31.12.2022

INVESTMENT HORIZON

Pictet Asset Management is a long-term investor, making ESG critical to evaluate investment risks and opportunities and enhance value creation. However, our clients naturally have different needs and holding periods, and our investment strategies are shaped to support these.

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

CLIENT MANAGEMENT

At Pictet Asset Management we are committed to providing professional service of all-round excellence to our clients. To achieve this objective, we aim to develop a mutually trusting relationship with our clients, understand their needs and provide the investment solutions they require and provide accurate, timely and informative reporting.

We have a Global Client Group (GCG) that acts as the focal point for external interactions with our institutional client base. The current client servicing model is built upon maintaining an ongoing and open dialogue with clients that is managed by dedicated relationship managers. This enables us to develop a deep understanding of clients' views and needs that is critical to meet and, ideally, exceed their expectations.

Insights from day-to-day interactions with clients have allowed us to refine and better articulate our overall approach to stewardship, as well as to respond to client-specific needs, including when it comes to:

- Reviewing the use of proprietary and third-party ESG data to assess and exclude potential investments. This can prompt debate on specific exclusions and furthers our ability to understand and meet expectations around clients' implementation of their exclusion policies.
- Identifying areas of importance or increasing interest amongst our clients and incorporating those in our active ownership, research and product development strategies. For example, our clients' growing interest in and views on biodiversity have informed and helped shape our strategic response to this issue. Please refer to the "In Focus: Biodiversity" section in this report for information on how we are approaching biodiversity.
- Understanding, mapping and responding to evolving expectations in regard to the effective categorisation and comparability of responsible investment strategies.
- Seeking feedback and encouraging clients or consultants to highlight what they view as reporting best practice or expectations as well as areas where they feel we can improve. These can then be fed back to the relevant teams within the business, which can result in tailored stewardship reporting solutions that incorporate client preferences.
- Shaping our client ESG training activities and educational materials. Input from clients has helped prioritise topics for training sessions we provide to clients in areas such as responsible investment strategies, data provider methodologies and application of big data to ESG research, active ownership – including proxy voting and engagement – and various reporting metrics. Client input has also informed priorities for our ESG research partnerships. Please refer to the "Research and Thought Leadership" section for information on these collaborations.

The GCG ensures that client requests and reporting requirements are responded to promptly, perceptively, and accurately. It is also responsible for ensuring that our products and services comply with clients' investment and stewardship expectations, including for example those laid out in Statement of Investment Principles (SIP) for UK-based clients. To this end, we seek to ensure that our contractual relationships with clients explicitly set out their ESG-related requirements – agreeing to be held accountable for the delivery of those requirements.

Our investment and distributions teams also participate in a number of industry events each year such as roundtables and conferences. This allows us to not only provide insight on investments and share our current thought leadership, but also to hear and discuss clients' needs and views on certain topics.

The quality and effectiveness of our client management and servicing model was supported by the results of a survey that we conducted in 2020 through interviewing a number of clients. They highlighted that the responsiveness and comprehensiveness in answering to their queries by our central GCG team exceeded their expectations. Going forward, we will consider reviewing and potentially enhancing our approach to evaluating the effectiveness of our model.

Did you know?
Pictet Asset Management ranked number

4

as a 'client-oriented thinking' firm in Europe according to Broadridge's Fund Brand 50 report which analyses the top asset management brands in Europe through an annual survey[11].

11 Source: Fund Brand 50 © Fund Buyer Focus, Broadridge Analytics Solutions Limited, Twelfth edition, March 2023

STEWARDSHIP CLIENT REPORTING

We strive to report to our clients in a transparent and meaningful way. We publish monthly fund factsheets and quarterly strategy profiles for our strategies, as well as monthly and/or quarterly manager comments. Reports include information on market review, performance analysis, selected ESG indicators and portfolio activity (over and underweights, market outlook, portfolio strategy). ESG information can include ESG risk exposure, involvement in ESG controversies, portfolio carbon footprint, and engagement activity. In 2022, we worked to develop client reports to include more ESG indicators related to the exposure to high-risk activities, carbon emissions, green revenues, and principal adverse impacts.

These reports and other documentation are accessible to clients through dedicated fund/strategy websites. To ensure stewardship information is fair, balanced, and understandable, different teams across the firm, including Compliance, Investment Risk, ESG, Marketing and GCG review the reports. ESG, GCG and Marketing teams were involved in its preparation of this annual Responsible Investment Report. To ensure the information is fair, balanced, and understandable, the Compliance team reviewed it and a member of the Executive Committee provided final approval.

Recently we have sought to increase our capacity to meet bespoke stewardship reporting requests from both clients and investment consultants. Through partnerships with new data providers, investing in our reporting systems and providing internal training for relevant employees, we are seeking to meet the increasing complexity and granularity of these requests. For example, in response to conversations with UK clients who were struggling to comply with various reporting

Did you know?
Common ESG reporting frameworks and standards[12] have been used by

95%

of S&P 500 companies to publicly disclose ESG information[13].

12 CDP, Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), The Task Force on Climate Change (TCFD) and Integrated Reporting (IR).
13 Source: Center for Audit Quality, 2021.

requirements such as TCFD-aligned disclosures, we developed a tailored responsible investment report for relevant multi asset strategies that provides a comprehensive range of metrics across E, S and G dimensions of the portfolio as well as detailed information on engagement and voting activities.

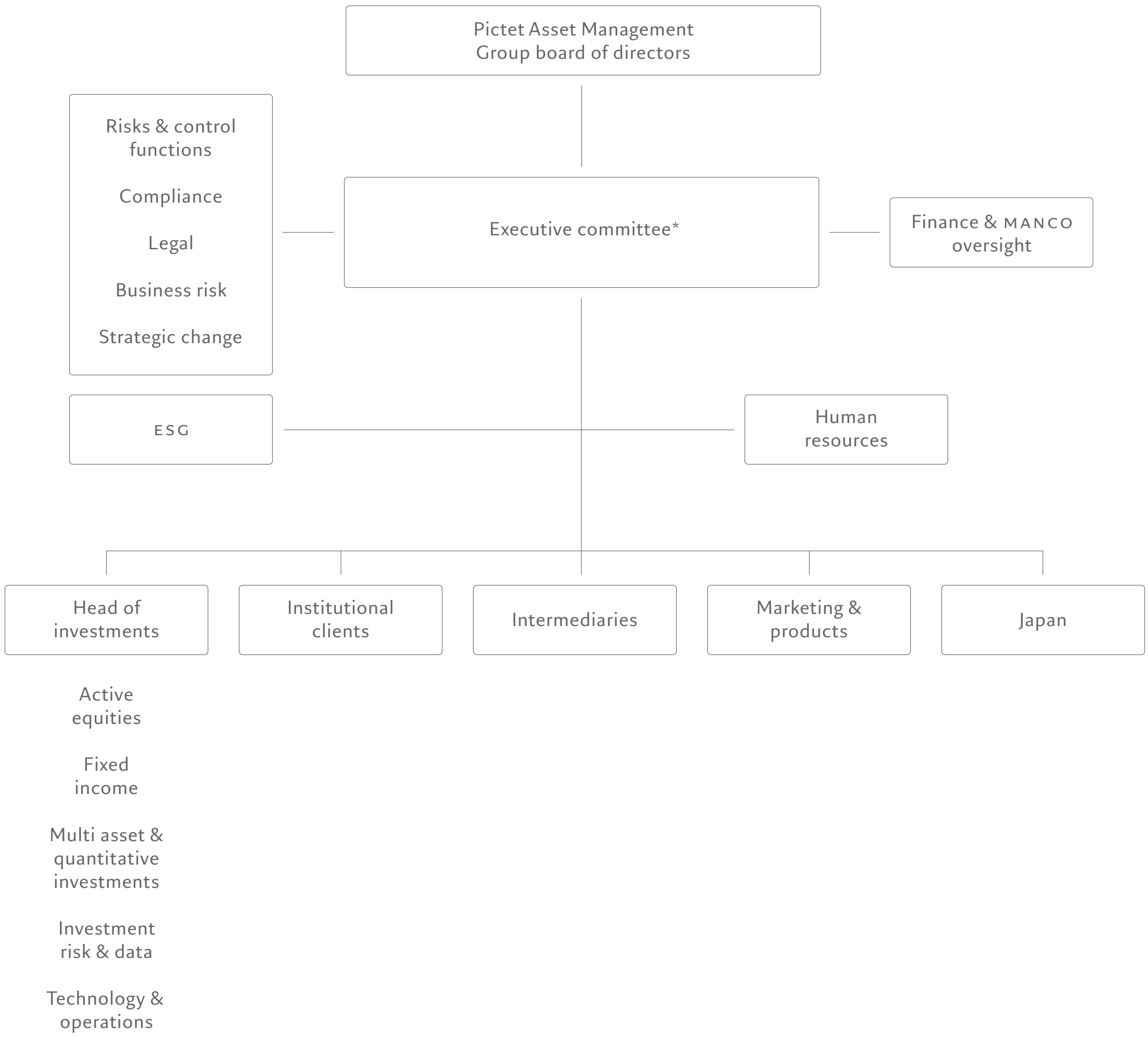
We also ensure we are abreast of regulatory reporting requirements for clients and seek to proactively provide the necessary information. For example, through ongoing discussions with the Pensions and Lifetime Savings Association (PLSA) in the UK, we improved our understanding of the Carbon Emission Template (CET) that was launched in early 2022 to help UK pension schemes calculate their carbon emissions. This has allowed us to effectively deliver CETs to relevant clients, which helps them meet their obligations under the UK's Climate Change Governance and Reporting Regulations. At the same time, it helps us fulfil our obligations under the Financial Conduct Authority's new ESG Sourcebook.

On top of this we publish aggregate summaries of our annual and monthly voting records accessible here. These detail how we voted on all portfolios as well as rationale for any votes against resolutions.

We also prepare and publish Impact Reports for our Thematic/Positive Impact strategies that aim to provide additional insights on the environmental impacts of companies in those portfolios as well as the impacts of the portfolios themselves. Through our partnership with the SRC we have embraced the Planetary Boundaries framework in order to do this. We analyse the core activities, products and services of a company over their life cycle ('from cradle to grave') against the nine boundaries. Most environmental reporting considers emissions related to companies' own operations and supply chains. The wider impact of the products and services during and after their lifetime, or positive impact stemming from environmentally-friendly substitutions are generally not considered. Our methodology accounts for the full lifecycle of products and services provided by companies. Therefore, the environmental impacts we show can differ very significantly from more conventional measurements.

Stewardship governance and resources

Pictet Asset Management organisational structure



* Please note that this chart depicts Pictet Asset Management – a business line of the Pictet Group which comprises a number of separate legal entities. The Chairman and CEO of some of these entities differ from the above and each entity's board has a different composition – full details at the legal entity level are available on request.

Source: Pictet Asset Management, March 2023

STEWARDSHIP GOVERNANCE

Our goal of making stewardship integral to investment decision-making requires a governance framework that reflects our guiding principles of independence, long-term thinking, partnership, responsibility, and entrepreneurship. With this in mind, we have set out to assign stewardship oversight, accountability, and implementation responsibilities to existing governing bodies and teams. We have also created new bodies and roles when we deem them critical to enhance our approach.

Our governance structure and the resources allocated to develop, oversee and implement our responsible investment strategy have proven to be effective in supporting and advancing our journey. This is evidenced by the growing levels of responsible investment and stewardship interest and knowledge across the business year after year. We have achieved more robust ESG integration, greater coordination and alignment between the ESG and investment teams on active ownership activities, and better dissemination of relevant information between teams, among others.

IMPLEMENTATION TEAMS

The functions within Pictet Asset Management that play a particularly significant role in implementing the firm's overall responsible investment and stewardship strategy and vision include:

ESG team

The ESG team acts a hub of expertise to support investment teams in their discharge of ESG-related responsibilities. This includes:

- Supporting ESG integration in investment processes
- Defining active ownership strategies, coordinating, and monitoring their implementation
- Coordinating Pictet AM's participation in collaborative engagement initiatives
- Leading internal ESG capacity-building activities
- Helping shape the firm's response to emerging and evolving regulatory requirements
- Selecting and monitoring external ESG data providers in collaboration with relevant teams
- Helping integrate ESG datasets in IT systems and defining quality checks
- Developing ESG metrics for client reporting

The team reports directly to Sébastien Eisinger, Managing Partner of the Pictet Group, co-CEO of Pictet Asset Management and Head of Investments. At year-end 2022, the team comprised seven members, with a wide range of professional backgrounds and an average of 13 years' experience in ESG issues.

ESG Champions Network

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

TABLE 7
Pictet Asset Management ESG team

NAME	ROLE	FINANCIAL SECTOR EXPERIENCE	ESG INDUSTRY EXPERIENCE	CURRENT ROLE START DATE
Eric Borremans	Head of ESG	01/03/2001	01/07/1992	01/07/2013
Alexandra Mahler	Senior ESG Specialist	01/09/2006	01/02/2018	01/02/2018
Philippe Le Gall	Senior Engagement Specialist	01/09/2018	01/06/2004	01/09/2020
James Upton	Senior Corporate Governance Specialist	01/08/2021	01/04/2005	01/08/2021
Juan Salazar	Senior Engagement Specialist	01/06/1999	01/12/2006	01/12/2021
Faisel Syed	ESG Specialist	01/02/2014	01/04/2016	01/02/2022
Tara Uygur	ESG Graduate	01/09/2021	01/09/2021	01/09/2021

Source: Pictet Asset Management, 31.12.2022

Investment teams

More than 400 investment professionals in investment teams are responsible and accountable for integrating ESG factors into research, investment, portfolio monitoring and active ownership activities. Ultimately, we want ESG to be part of the DNA of our investment managers and research analysts, informing every investment decision.

Risk management

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

- The First Line of Defence includes investment teams and a dedicated Investment Risk team with clear ownership of portfolio risk, managed on a day-to-day basis. The Investment Risk team works to ensure adequate ESG integration into investment processes and monitor ESG risk indicators and quantify their potential impacts on returns
- The Second Line of Defence includes Compliance, Legal, ManCo and Business Risk teams responsible for independent monitoring of investment risk internal limits and indicators, including related to thresholds or limits relevant to sustainability/ESG funds, and ensuring regulatory compliance for investment risk-related matters
- The Third Line of Defence, with internal and external audit, provides independent challenge to the assurances provided by business operations and oversight functions, including around ESG policies and processes.

Pictet Asset Management fully recognises the impacts that sustainability-related systemic risks can have on the stability of financial markets and hence our clients' capital. Therefore, we have implemented and continue to implement action plans to manage those potential impacts on our investment portfolios, including ones stemming from issues such as climate change, biodiversity, and public health.

We follow a highly collaborative approach to identifing and assessing systemic risks and their impacts, with several teams across the firm involved, mainly the ESG, economic analysis, investment, risk, compliance and client management teams. Some of the criteria we use in this process include alignment with our guiding principles, the materiality of the issues to our investment portfolios, importance to our clients, resource requirements and allocation, and our ability to influence. Our aim is to develop and implement action plans, approved and overseen by the Group Stewardship and Sustainability Board, that feature integration of system-level considerations in investment strategies and, importantly, target change through active ownership and collaboration with peers and other stakeholders.

GOVERNING BODIES

The independent governing bodies described below benefit from considerable overlap in membership, specialisation, periodic reporting, and open lines of communication that enable resource allocation, oversight and accountability for the effective delivery of our responsible investment strategy.

TABLE 8
Governing bodies

Group Stewardship and Sustainability Board (GSSB)	The GSSB, which reports to the Managing Partners and meets on a quarterly basis, is Pictet's highest governing body driving and overseeing the stewardship and sustainability strategy. The GSSB is chaired by Laurent Ramsey, Managing Partner and co-CEO of Pictet Asset Management, and brings together specialists and senior representatives from relevant corporate functions from all four business lines: Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services and Pictet Alternative Advisors. We have chosen this approach as we believe that, for sustainability and stewardship to be effective, they need to be supported and driven from the top of the organisation.
Board of Directors	Oversees the overall direction and strategy of the firm, including on responsible investment.
Executive Committee	The Committee members (13 in total, representing major functions in the business) decide on all matters necessary to run the firm efficiently; decide and approve the strategy and general policy; approve the yearly financial statements; and are responsible for ensuring that adequate systems and controls are in place. As part of its mandate, the Executive Committee decides and approves Pictet Asset Management's responsible investment policy and strategy and oversees its implementation through various committees.
Investment Management Committee	Oversees the day-to-day functional management of the investment management and trading activities with a focus on transversal matters, including those related to stewardship.
Risk Committee	Ensures the adequacy of the firm's risk management framework, reviews its risk profile, and assesses key market-wide and systemic risk trends.
Regulatory Committee	Tracks any relevant regulatory developments, particularly those related to the evolving and increasingly challenging ESG regulatory landscape and defines priorities and response mechanisms.
Distribution Committee	Coordinates global management of marketing and distribution activities.
Product Strategy Committee	Makes strategic decisions regarding our firm's product offering, reviews product analysis results and decides to add, reposition or close products. It also conducts strategic discussions about specific strategies or parts of an offering.

STEWARDSHIP POLICIES AND PROCESSES

Pictet Asset Management's Responsible Investment Policy sets the framework for expectations, responsibilities and processes relevant to the incorporation of ESG factors within our investment processes and 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
- Transparency and disclosure

The Policy is written by the ESG team, and reviewed by the Legal, Compliance and Investment Writing teams. 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.

In 2022, we updated the RI Policy as follows:

- Broadened SFDR equivalence of our Positive Impact strategies so that they can now be classified as Article 8 as well as Article 9 strategies. This amendment is in line with our recent decision to reclassify some of our Positive Impact strategies to Article 8.
- Enhanced sovereign exclusions framework that became effective January 1, 2023.
- Listed all mandatory and two voluntary Principal Adverse Indicators in line with Commission de Surveillance du Secteur Financier's (CSSF) requirements.

Regular reviews of the Policy and associated procedures help us ensure adherence to emerging regulatory requirements, meet evolving client expectations, and enhance consistency and effectiveness of our stewardship activities.

Please refer to the Engagement and Proxy Voting sections in this report for details on our active ownership processes, activities and outcomes during the reporting year.

STEWARDSHIP RESOURCES - ESG DATA & SOLUTIONS

Pictet Asset Management has selected a range of specialist providers for ESG data to support our firm-wide integration and active ownership activities. Service providers are subject to rigorous due diligence overseen by the Pictet Group ESG Data Committee. In addition to approving and overseeing the sourcing and use of external ESG data, the committee approves and oversees the development of in-house ESG data infrastructure and the annual ESG data budget. In 2022, we worked to simplify the governance for the ESG Data Committee with improved coordination among business lines and relevant teams.

For any new and existing ESG provider data and research the due diligence generally includes, but is not limited to, a critical review of the content and methodologies, assessment of the (data) quality, confirmation of adequate coverage, and benchmarking against peer providers.

TABLE 9
Our main ESG data providers

RESEARCH PROVIDER	AREA
ISS	Corporate governance and proxy voting research
CFRA	Forensic accounting
HOLT	Financial performance
Sustainalytics	ESG research and ratings; ESG controversies; corporate engagement; activity-based screening
Four Twenty Seven	Physical climate change risk
S&P Global Trucost	Carbon emissions
Verisk Maplecroft	Country risk analytics
FTSE Russell	Green revenues
Rep Risk	ESG controversies

Third-party ESG data and research is incorporated into our internal IT infrastructure, including our proprietary portfolio management system, to allow investment and risk teams to directly access it. In 2022, we developed automated ESG data quality checks to systematically identify data issues.

ESG Scorecard

The ESG team together with the investment teams developed an internal ESG Scorecard that aims to build an aggregated and visualisation-based system to flag, highlight and track a broad range of ESG indicators.

The ESG Scorecard is based on a set of the most material data points, across four pillars, for the companies in which we invest: corporate governance, products and services, operational risks, and controversies. As such, it provides a focused view of ESG risks and opportunities and is at the foundation of ESG integration efforts across Pictet Asset Management and the wider Pictet Group.

The Scorecard is underpinned by a robust framework driven by deep data knowledge, analysis, and experience, using information sourced from the range of specialised providers we use. The 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.

Dashboards

The Investment Risk team develops and maintains interactive visualisation dashboards that show exposures to ESG risks of portfolios and benchmarks.

STEWARDSHIP TRAINING

Innovative tools can only fulfil their potential if investment teams understand their relevance to our daily work. This is why we support and encourage our staff in strengthening their ESG technical skills and related professional qualifications, both in-house and externally. At year-end 2022, 67 Pictet Asset Management employees had achieved the CFA Institute Certificate in ESG Investing, 2 employees had achieved the Sustainability Accounting Standards Board's Fundamentals of Sustainability Accounting Credential, and 2 achieved the CFA Climate Change Certificate.

Investment teams regularly attend internal training sessions organised by our ESG and Human Resources teams. We have established a comprehensive programme to improve ESG expertise across the company on a range of specific topics, including corporate governance, proxy voting, controversial corporate behaviour, the green economy or the physical impacts of climate change - all with input from selected external experts. In 2022, we provided 10 firmwide training sessions on different ESG topics, with 174 employees in total attending the sessions.[14] In addition, we ran smaller trainings on more specific ESG issues for individual investment teams.

INCENTIVES

The Executive Committee has approved a Remuneration Policy that aligns individuals' pay with the interests of our clients and the long-term performance of the business. Pictet's Managing Partners, as part of the responsibilities of the Partners' Committee, oversee all remuneration policies and provide independent oversight for remuneration decisions.

An appropriate mix of different pay elements and deferrals ensures that an individual's compensation is appropriately stable over time and encourages responsible risk-taking and sustainable performance for our clients. An individual's total compensation typically comprises a fixed salary; a performance-related bonus; Pictet Parts (linking pay to Group results); and, for key senior executives, Long-Term Incentive Plan Units (linking pay to the long-term growth and continued success of Pictet Asset Management). The variable elements of pay create a direct link between pay and performance, aligning our staff's incentives with the best interests of our clients.

PERFORMANCE BONUS

The performance bonus motivates and rewards individual and team performance, aligning individual compensation with the interests of clients, divisional objectives and results. It directly links investment managers' pay with the investment performance they deliver to clients.

14 Source: Pictet Asset Management, December 2022

Where possible, we use balanced scorecards ("BSC") to set quantitative and qualitative performance objectives, including objectives linked to stewardship, e.g. ESG integration and engagement, and bonus targets. ESG considerations will have a higher weight for investment managers and analysts involved in ESG- or sustainable-themed funds. For investment managers, the dominant component of the BSC is risk-adjusted investment performance, measured over one, three and five years. We rigorously measure performance relative to BSC objectives and this determines how much of the target bonus is subsequently paid to the individual.

> "We believe that governance, both for companies and countries, will come back to the fore and play a much more important role in investors' agendas as the end of the extended era of cheap money comes to an end."
>
> ERIC BORREMANS
> *Head of* ESG

Exercising our rights and reponsibilities

VOTING GUIDELINES

Our proxy voting guidelines, included within our Responsible Investment Policy, apply to all our investment strategies (we have not set any strategy-specific voting policies or guidelines) and are based on generally accepted standards of best practice in corporate governance. These include board and management, executive remuneration, risk control and reporting, and shareholder rights. The standards give a benchmark for assessing companies and exercising our active ownership duties throughout the life cycle of an investment, from pre-investment phase to engagement, proxy voting, up to the point of exit.

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

BALLOT PREPARATION

On behalf of Pictet Asset Management, the Proxy Voting Agent reconciles a daily client holdings report, provided by us, with the associated ballots, provided by the Custodian's Proxy Voting Facilitator. The Event Processing team receives a monthly file that highlights where ballots are not being received from the Custodian's Proxy Voting Facilitator or where the Proxy Voting Agent are not receiving holdings. These are investigated and resolved by the Event Processing team.

VOTING RESEARCH PROVIDER

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

> "Simply appearing to be compliant with governance norms, or ticking boxes, is not enough to assure us that an organisation is well-managed. We believe shareholder resolutions are an important mechanism in signalling to the board the urgency for action."
>
> JAMES UPTON
> *Senior Corporate Governance Specialist*

on such issues as diversity and shareholder resolutions and have further added our own stipulations to certain aspects of our strategy. The complete version of ISS' Sustainability Proxy Voting Guidelines can be found via the following links:

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

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

ISS is responsible for collecting meeting notices for all holdings and researching the implications of every resolution, in accordance with the voting guidelines as defined by Pictet Asset Management. All recommendations are communicated to relevant investment teams and the ESG team.

USE OF DEFAULT RECOMMENDATIONS

We apply our set of proxy voting guidelines consistently across all our holdings in our equity strategies, regardless of their industry or country of domicile. However, Pictet Asset Management always reserves the right to deviate from the guidelines and/or ISS voting recommendations on a case-by-case basis, where we consider it to be in the best interests of our clients. Such divergences may be initiated by investment teams or by the ESG team and must be supported by written rationale. At the point where an individual team considers how to execute its vote ahead of a corporate meeting, they may consider a range of external factors alongside the voting recommendation received from the ISS Sustainability research. This may include a view of company performance, a judgement based on how the company is governed, or any other factor that provides additional context. Considerations of these factors help to drive the deviations that we see from policy, but also noting that these deviations are reported from the Sustainability product rather than the base ISS voting recommendation and so already capture a high degree of focus on issues like diversity and effectiveness on climate change or other ESG issues.

Should a team wish to deviate from the voting policy recommendation, this is communicated to other holders to allow for the opportunity of a consensus to be reached between the teams in light of our policy not to split votes. In instances when consensus cannot be reached between the investments teams and ESG team, the decision is escalated to relevant Chief Investment Officers (CIOs) and, if necessary, the Head of Investments.

Did you know?
ShareAction's Voting Matters report reveals that

environmental

issues continue to garner more support from investors than social issues.[15]

15 Source: ShareAction Voting Matters 2022 report, February 2023, https://shareaction.org/reports/voting-matters-2022/introduction

VOTING SCOPE

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

- For actively managed funds, we aim to vote on 100 per cent of equity holdings
- For passive strategies, we aim to vote on companies representing 80 per cent by weight of underlying benchmarks. This target may be revised upwards or downwards for specific strategies depending on factors such as portfolio size, geography or market capitalisation
- For segregated accounts, including mandates and third-party (i.e. sub-advisory) mutual funds managed by Pictet Asset Management, clients delegating the exercise of voting rights to us have the choice between our policy or their own voting policy

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

Note on fixed income

For fixed income funds, we actively vote at the handful of bondholder meetings at which we are eligible to vote in any calendar year. Due to the nature of the fixed income instruments we invest in, we sometimes do not have direct access to the borrower and, therefore, can exercise only very limited influence through the deal originator to make amendments to covenants. Even when we have access to the borrower and engage during the underwriting process, we are not yet at a point where we seek to drive or request the incorporation of ESG provisions in credit agreements at pre-issuance.

In 2022, Pictet Asset Management set up a dedicated Private Debt team. The team will draw on our global infrastructure and investment resources. A new direct lending fund, which will focus on corporate-lending in the lower mid-market segment, will launch externally in early 2023. The team expects to have provisions in credit agreements with regards to ESG. This can range simply from having information undertakings to provide certain KPIs on a regular basis or could go as far as providing margin ratchets to incentivise companies to achieve certain targets (i.e. sustainability linked loans).

CLIENT-LED VOTING IN POOLED FUNDS

We believe that our approach to voting offers clients a robust way to hold companies to account. When we have previously considered client-led voting in pooled funds we came to the conclusion that it is better to continue to align the voting in a fund with the engagement in a fund. However, where we are aware of specific client policies and concerns, we will discuss and explain our approach and endeavour to incorporate their views.

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

However, we continue to follow the market developments in the UK, and will continue consider to the preferences of asset owner clients in this space, including whether switching to a mandate may be more cost-effective, or practical, than client-led voting in pooled funds.

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.
  - Requests for share recalls and/or temporary suspension of stock lending must be sent to the Event Processing team prior to the record date or share blocking period. Share recalls must be settled prior to the record date.
- Removing a portfolio from the securities lending pool.
  - All requests are subject to CIO approval and co-ordinated by Fund Admin.

Information regarding the status of securities on loan is available from the Custodian.

VOTING EXECUTION

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

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

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

TABLE 10
Monitoring & controls

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

Source: Pictet Asset Management

* The annual due diligence meetings with the third-party proxy advisory firm cover for example the following topics: organisational set up, audit and internal validation, conflicts of interest, compliance with laws, operational errors and insurance, data protection and security, contingency planning, assessment of the capacity and competency of the third party provider to perform its proxy voting services, spot checks to ensure that proxy voting recommendations are compliant with our proxy voting guidelines.

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

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

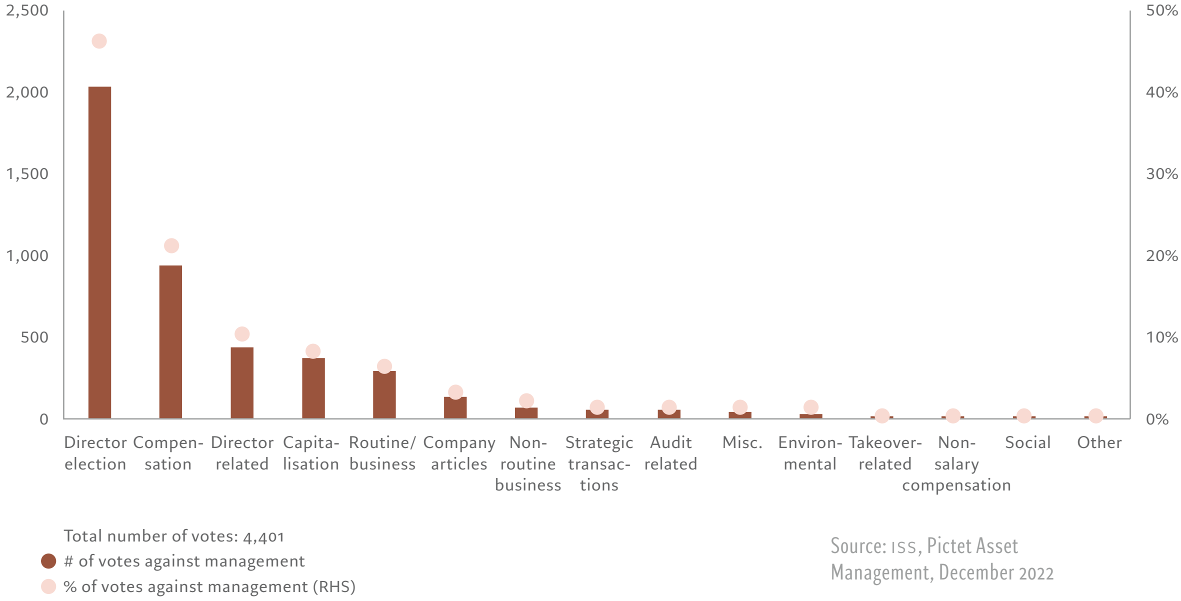
For accounts which do not delegate voting rights to Pictet Asset Management, it is the clients' responsibility to send voting instructions to the Custodian/Custodian's Proxy Voting Facilitator.

2022 VOTING ACTIVITY

The following charts provide an overview view of Pictet Asset Management's 2022 voting activity.

FIG.11

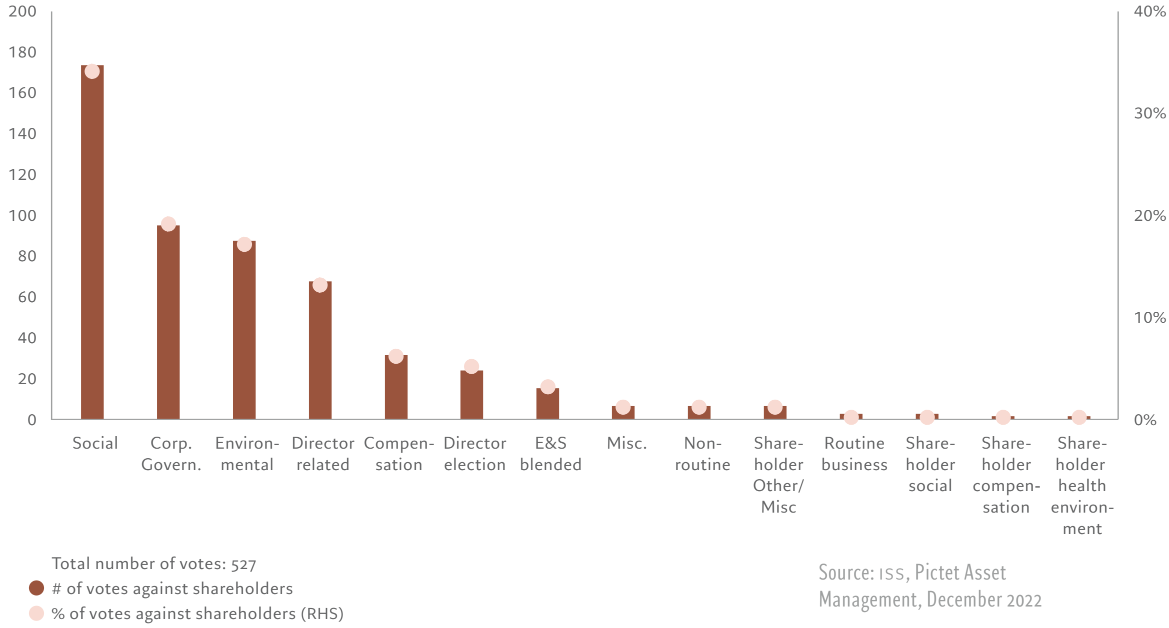
Breakdown of management resolutions not supported



Source: ISS, Pictet Asset Management, December 2022

FIG.12

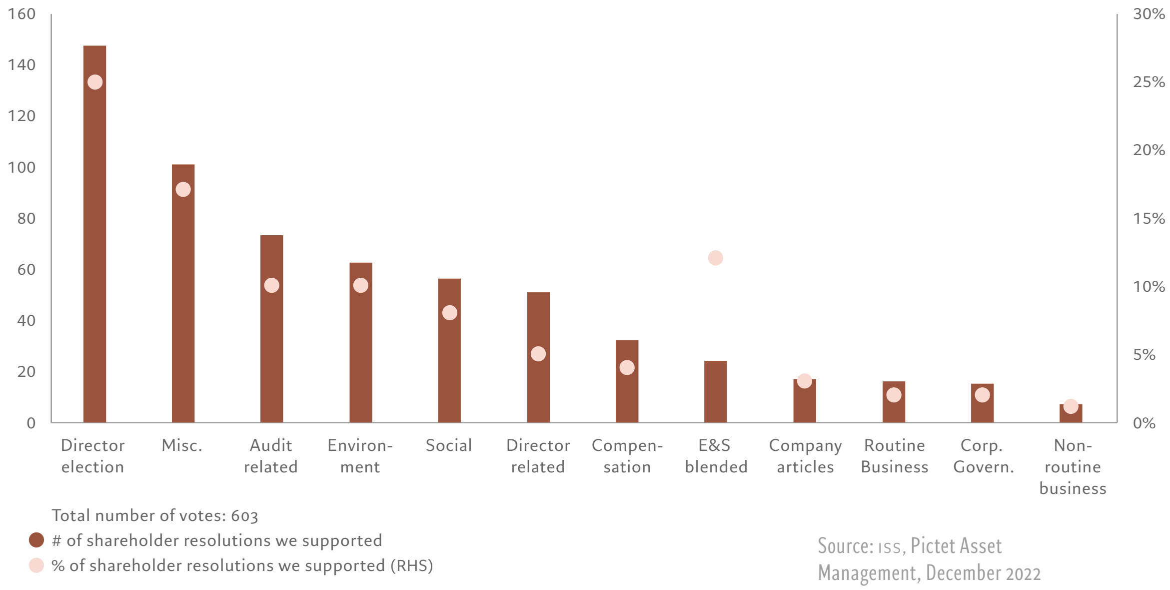
Breakdown of shareholder resolutions not supported



Source: ISS, Pictet Asset Management, December 2022

FIG.13

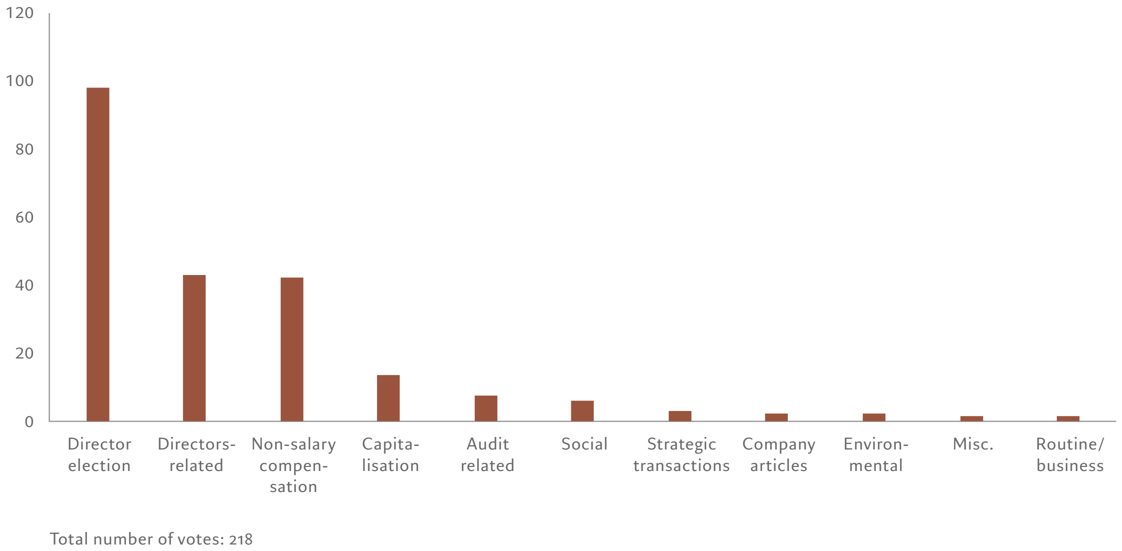
Breakdown of shareholder resolutions supported



Source: ISS, Pictet Asset Management, December 2022

FIG.14

Breakdown of deviations from Pictet Asset Management's Voting Policy



Source: ISS, Pictet Asset Management, December 2022

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 and 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 vote on a monthly basis and on an annual basis. For the 2022 annual vote report, please visit https://am.pictet/-/media/pam/pam-common-gallery/article-content/2016/graphs/pictet-asset-management/compliance/voting-summary/pictetam-voting-summary-2022.pdf

Risk management and assurance

RISK MANAGEMENT

The risk management function at Pictet Asset Management is based on multiple levels of risk control aiming to protect client portfolios. Please find below our three lines of defence model. These lines of defence are responsible for applying our risk management framework.

Three lines of defence

THE BUSINESS	RISK & CONTROL FUNCTIONS	INDEPENDENT ASSURANCE
1st line of defence	**2nd line of defence**	**3rd line of defence**
including Portfolio Managers, Investment Risk, Traders, Investment Controlling, Sales & Marketing, Operations, etc.	Business Risk, Compliance, ManCo Risk, Management, Legal	Internal Audit, External Audit, other independent assurance providers
• **Primary responsibility** for day to day compliance and risk management • Ongoing **identification** and **assessment** of risks to ensure **adequate systems** and controls • Perform **first line internal controls**	• **Assist senior management** in determining risk capacity, risk appetite allocations, strategies, policies and structures for **managing risk** • **Independent oversight** of risk management and control activities of 1st line of defence • **Support**, **advise** and **monitor**	• Provides **independent challenge** to the levels of assurance provided by business operations and the oversight functions

Boards of Directors
Executive Committee
Risk Committee

Source: Pictet Asset Management, January 2022

ESG risk is an integral part of portfolio construction and risk management. As first line of defence, Investment Risk (IR) defines the integration of ESG into our investment risk framework as follows:

- ensuring adequate ESG integration into investment processes
- monitoring sustainability risk indicators
- quantifying their potential impacts on returns.

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

The core activities of the IR team include monitoring portfolio risk levels (e.g. ESG/sustainability, tracking error, VaR, volatility), conducting interactive risk analysis, stress testing and performance analysis; achieving portfolio optimisation; and monitoring liquidity targets. The risk and performance of all investment strategies are monitored daily by the team and reviewed weekly with the investment teams. For ESG-related risks, we have developed an alert system that flags worst ESG-rated positions along with issuers with positive and negative momentum.

The team also provides regular risk reports to senior management, and conducts periodic reviews of performance and risk issues as well as the strength of the investment process for each investment strategy. Reviews incorporate an analysis of portfolios' ESG characteristics and active ownership activities. The head of Investment Risk and the head of each risk unit meet monthly with the relevant CIO. Quality reviews are conducted twice a year with the Head of Investments and the CIO in charge of the analysed strategy.

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

For Pictet funds, the adherence to exclusion lists as well as prospectus guidelines is monitored at NAV level under the supervision of ManCo Risk. The team independently monitors a set of indicators for sustainability risks based on data provided by third parties.

Greenwashing risk

In 2022, the Business Risk team conducted a thematic review on greenwashing risk that resulted in the creation of a dedicated ESG Risk Management Framework recommending the implementation of several controls, along both the first and second lines of defence. The framework was presented to and approved by the Executive Committee in Q4 2022 and will be fully implemented by year-end 2023.

In parallel, Pictet Asset Management's internal audit team carried out an audit of the firm's approach, including policies and procedures in place, to prevent greenwashing. The findings from the audit were shared with members of the board, Executive Committee, Pictet Group Audit, Risk & Compliance teams at both Pictet Group and Pictet Asset Management, and our external auditor.

Internal audit

We rely on internal audits as the main mechanism of assurance in relation to stewardship. We believe internal audit provides a more proactive and consultative approach to evaluating our stewardship practices and providing an independent and fresh perspective on how operations and controls can be improved.

The internal audit is ensured at Group level by the Group Internal Audit Department, composed of 36 audit professionals based on 4 locations (Geneva, Singapore, Luxembourg and London). Pictet Asset Management's Internal Audit team (IA) is part of the Pictet Group Internal Audit department. Internal audit reports directly to the various Board of Directors and Audit committees and ultimately to the Managing Partners of the Group.

Internal audit is a compulsory function within the Swiss banking regulatory environment, enforced by the "FINMA circular n°17/01" which defines the position, organisation, attributions and responsibilities. The regulation also requires compliance with the standards of the international professional association The Institute of Internal Auditors (IIA standards), which has to be assessed every 5 years by an independent third party. Last assessment was performed in 2022 by PricewaterhouseCoopers SA (PWC), stating confirmation with highest IIA standards as "generally conforming".

We rely on internal audits
as the main mechanism of assurance
in relation to stewardship.

Group Internal Audit covers all Group businesses and activities based on a cycle- and risk-based approach, high risk rated entities or themes being audited every 2 years, medium risk rated ones every 4 years and low ones on an ad-hoc basis.

Findings and recommendations issued by Group Internal Audit are also prioritised by risk, high risk recommendations having a maximum implementation initial deadline of 9 months. Follow up of implementation is a permanent task of Group Internal Audit and a formal reporting is done twice a year to the various Boards of Directors. Any material significant impair issues encountered during an audit, which substantially the reputation or the major processes of the Group would immediately being brought to the attention of the Managing Partners.

Our internal audit function helps the firm accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of investment and risk management processes. This includes internal controls to ensure alignment with the Responsible Investment, Conflicts of Interest, and other relevant policies.

In addition to the audit covering the prevention of greenwashing referenced above, our internal audit team conducted in 2022 an audit to review the content of balanced scorecards for selected investment teams and ensure they contain appropriate ESG KPIs/metrics.

External audit

The external audit of all Pictet Asset Management entities is carried out by PwC. It includes the audit of our financial report and accounts and the verification of our performance numbers. Furthermore, a team of PwC auditors visits the firm annually and audits an activity of their choice. They conduct a full regulatory review as well as a statutory audit, and send the final reports directly to FINMA, the Swiss regulator.

PwC also conducts an annual independent review under the ISAE 3402 standard that provides an additional layer of assurance. The review covers control procedures in relation to the investment management and proxy voting activities of Pictet Asset Management and several of its subsidiaries.

Third-party recognition – European sustainable finance labels

Over a dozen of Pictet Asset Management funds have been awarded European sustainable finance labels, including Towards Sustainability (Belgium), FNG (Germany) and SRI Label (France). The criteria used to award these labels cover fund providers' engagement and voting practices. In the case of FNG, for example, engagement and voting strategies account for 25 per cent of the total score assigned to funds. As such, and considering that our approach to engagement and voting is consistent across investment strategies, we believe the review process that is part of the sustainable finance labels serves as external assurance of our active ownership processes.

Conflicts of interest

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

Main features of our Policy include the following:

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

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

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

Conflicts of interest in active ownership

DESCRIPTION OF POTENTIAL CONFLICTS	EXISTING CONTROLS IN PLACE	EXISTING MONITORING IN PLACE
A conflict may exist where an employee, or a connected person, has a close relationship with the company with whom Pictet Asset Management seeks to engage, or they have been nominated to the Board of Directors. Our fund managers / analysts may have a material personal investment in a company with whom Pictet Asset Management is about to engage. The senior management of the company may be clients of other Pictet Group entities and may try to exert influence on Pictet Asset Management through this relationship. We may decide not to engage with a company, or not vote against a shareholder resolution because we have an investment management relationship with the company - e.g. via its pension fund, or one of its mutual funds that Pictet Asset Management manages on a sub-advisory basis, or the company may have invested in Pictet funds. We may exercise proxy votes at a company meeting which may favour one client over another. We may vote to favour one fund manager, and their clients, over another fund manager and their clients Fund management teams may be reluctant to participate in engagement activities if it may reduce their level of corporate access.	Our Code of Ethics requires all employees to disclose their outside business interests and directorships, together with those of their connected persons and seek prior approval. In the event of a material conflict arising, Pictet Asset Management would remove the individual from the engagement process. Our Code of Ethics prohibits investment teams from purchasing or holding securities that are held by the funds that they manage or advise on. Where investment teams hold securities that are subsequently bought by one of their accounts, the IP must dispose of the security within 3 months unless Compliance approve an extension in exceptional circumstances. Strict Chinese Walls exist between Pictet Asset Management and other Pictet Group entities, so investment teams will not know whether company senior management have relationships with other Pictet Group entities. If a fund manager wishes to change a vote recommended by ISS, they are required to supply a rationale which is reviewed by the ESG team who decide if the change can be permitted and if necessary, escalate it to the Equity CIO. Engagement targets are determined by our ESG team using an impact and severity model and do not consider Pictet Asset Management's commercial relationships. Our Proxy Voting Policy in place is administered by our proxy adviser, ISS. The policy is designed to ensure that votes are cast in accordance with the best economic interests of the clients rather than Pictet Asset Management. This could result in us voting on a matter in different ways for clients. We will typically follow the recommendations of ISS, but if a decision is made to override a third-party research recommendation, then the ESG team will try to build a consensus with the relevant investment teams. However, if no consensus is reached, the decision is escalated to the relevant CIO and, if necessary, the Head of Investments. For any one particular resolution, all votes must be cast in the same way. Our Responsible Investment Policy states that any material conflicts of interest arising as a result of our Responsible Investment activities are referred to the relevant CIO and our ESG team to ensure that we always act in the best interests of our clients. If necessary, issues may be escalated to the Head of Investments and/or CEO.	All our staff must submit an annual attestation of outside business interests and directorships. Disclosed interests are risk rated by Compliance. Medium and high risk rated outside business interests are monitored by Compliance. Sample checks are performed annually by our ESG team to ensure that our proxy adviser, ISS, is voting in compliance with the relevant Proxy Voting Policy. We perform an annual due diligence review on our proxy adviser, ISS. Participants of the review includes Legal, ESG, Operations and Compliance team members. During the review, our ESG team sample tests whether voting recommendations issued by ISS are in line with our policy. Compliance monitors to ensure rules on investment teams holding securities that are held by accounts they manage are followed.

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

Monitoring service providers and external managers

Pictet Asset Management undertakes a comprehensive due diligence review of all outsourced service providers before they are appointed to ensure they are able to comply with our service level standards. In addition, we oversee and monitor outsourced activities on an on-going basis to ensure compliance with applicable service level agreements.

All material outsourcing arrangements are subject to regular review and the relationship owner is required to take responsibility for the following key actions as appropriate to the size and complexity of the arrangement:

- Regular review of agreed management information and KPIs;
- Review of control reports (e.g. ISAE 3402 report);
- Agreeing mitigation programmes in response to issue escalation and incident management reporting;
- Follow up of exceptions and enforcement of penalty clauses;
- Regular meetings with outsourced service providers to review performance and future requirements;
- Escalation of any material issues as required;
- Review of the financial stability of the outsourcing service provider;
- Review of business continuity arrangements;
- Review of operational capacity;
- Identification of alternative providers in the event that services unexpectedly and rapidly cease;
- Review of the contracts and overall performance of the outsourced service provider; and
- Communication of the key risks that apply to the relationship and service provided is to be included in the risk and control self-assessments.

Appropriate arrangements are also agreed with the outsourced service provider for the remedial action and escalation process for dealing with inadequate performance, and resolution of any issues identified by the regular review and audit assurance activities.

ACCURACY OF ESG DATA AND INFORMATION

For any new and existing ESG provider data and research, the due diligence generally includes, but is not limited to, a critical review of their business model, teams and expertise, conflict management framework, the content and methodologies, assessment of data quality, confirmation of adequate coverage, and benchmarking against peer providers. Furthermore, pro-active quality controls are in place to ensure satisfactory data quality levels, with a robust governance in place to swiftly tackle any areas of improvement identified through the daily use of the data.

As part of the due diligence process and later during the onboarding process, we will clearly outline the criteria we require to effectively support the needs of our ESG integration, engagement and voting activities.

We have put in place quality controls to monitor our service providers to ensure satisfactory data quality levels and their delivery, with a robust governance in place to swiftly tackle any areas of improvement identified through the daily use of the data. Furthermore, we seek to engage pro-actively with our providers on a regular basis to discuss any outstanding issues and review progress against any asks we might have made.

With ISS, we follow a more structured approach to monitoring, i.e. we conduct an annual formal due diligence process. This is attended by members of our ESG, investment operations and legal teams. In 2022 the process focused on the following topics:

- Operations and service levels
- Timeliness of research
- Vote execution
- Data quality
- Training and development
- Conflicts of interest
- Compliance & Legal (Modern Slavery, Code of Conduct & Code of Ethics) / audit and control framework
- Information security
- ISS litigation vs SEC

The process included a review of their public due diligence material and a meeting between senior representatives of ISS and Pictet Group (PAM, PWM and Group). That led to a number of follow up action points which were successfully closed out. No material findings were identified during the due diligence. We therefore concluded that the services and activities outsourced to ISS are being performed to a satisfactory level in accordance with our needs. We have, therefore, renewed our contract with them.

In 2022, we had several interactions with our carbon data provider to discuss concerns around recurrent personnel changes at the firm and data quality. The provider responded to our concerns satisfactorily, highlighting the development of plans to address governance, employee turnover and ensure more robust data quality monitoring. These answers provided the comfort for us to continue the business relationship. We will closely monitor progress in the implementation of those plans via regular meetings with the service provider.

Overall, our approach to due diligence and monitoring of service providers has proven to be robust, as evidenced by the 9+ year old business relationships we have had with some of our key partners, including ISS, Sustainalytics, CFRA and Holt.

EXTERNAL MANAGERS' MONITORING

Some of our strategies, for example our Multi Asset strategies, invest in funds and products managed by external managers. We conduct extensive due diligence on these external managers and carry out regular monitoring of both the portfolios that they are responsible for managing as well as the systems and controls that they have in place.

The research process for externally managed funds involves a blend of quantitative and qualitative assessment. Our quantitative assessment examines risk-adjusted performance and return consistency in addition to holdings-based analysis.

ESG considerations are part of the qualitative assessment. Our investment teams meet with the managers in order to evaluate the various attributes that we consider to be important indicators of quality including high quality investment house, stability of the investment team, significant level of investment experience, solid investment process, significant commitment to resources, manager focus on product, alignment of interests, strong corporate governance and risk controls, adequate capacity and competitive pricing. Each manager has to complete a request for proposal and provide us with any additional documentation needed (such as prospectuses, factsheets, presentations etc.) as part of our due diligence process.

ESG considerations are assessed through the due-diligence questionnaire and an analytical approach harmonised across the Pictet Group. We assess external funds, assigning a score from 1-5 on a qualitative basis on ESG integration, active ownership, and monitoring/reporting. This analysis is based on information garnered from DDQs and in-person meetings. Any areas of concern are brought up at regular update meetings we hold with external managers. This can cover the approach to ESG analysis, the metrics used, specific examples where these considerations impacted investment decisions, as well as active ownership efforts.

Following the appointment of a manager, we monitor their progress on an ongoing basis in order to ensure that our original investment rationale and understanding remain intact.

Engagement statistics

TABLE 11
Breakdown of engagements by ESG topic

	NUMBER	%
Environment	169	30.6%
E - Climate change mitigation	104	18.8%
E - Biodiversity & ecosystems	26	4.7%
E - Resource efficiency / circular economy	14	2.5%
E - Freshwater & marine resources	13	2.4%
E - Air quality / pollution prevention	9	1.6%
E - Physical impacts of climate change	3	0.5%
Social	150	27.2%
S - Community impacts / human rights	61	11.1%
S - Labour standards / health & safety	42	7.6%
S - Public health / product quality & safety	34	6.2%
S - Human capital / diversity & inclusion	11	2.0%
S - Data privacy & security	2	0.4%
Governance	233	42.2%
G - Board functioning & composition	73	13.2%
G - Executive compensation	44	8.0%
G - Business ethics / corruption	38	6.9%
G - Accounting / internal controls / disclosure	36	6.5%
G - Capital allocation	23	4.2%
G - Investor's rights	19	3.4%
Grand total	**552**	**100.0%**

Source: Pictet Asset Management,
Sustainalytics, December 2022

TABLE 12
Breakdown of companies engaged by geography

	NUMBER	%
United States and Canada	121	34.4%
United States	117	33.2%
Canada	4	1.1%
Europe	109	31.0%
United Kingdom	25	7.1%
Switzerland	21	6.0%
France	15	4.3%
Germany	11	3.1%
Netherlands	7	2.0%
Spain	6	1.7%
Ireland	6	1.7%
Italy	3	0.9%
Sweden	3	0.9%
Norway	3	0.9%
Austria	2	0.6%
Denmark	2	0.6%
Finland	2	0.6%
Russian Federation	2	0.6%
Portugal	1	0.3%
Asia/Pacific	88	25.0%
China	25	7.1%
Japan	18	5.1%
Republic of Korea	11	3.1%
India	10	2.8%
Hong Kong	6	1.7%
Australia	4	1.1%
Malaysia	4	1.1%
Thailand	3	0.9%
Taiwan	3	0.9%
Indonesia	2	0.6%
Singapore	2	0.6%
Latin America and Caribbean	20	5.7%
Brazil	15	4.3%
Mexico	5	1.4%
Africa and Middle East	14	4.0%
South Africa	6	1.7%
Saudi Arabia	3	0.9%
Israel	2	0.6%
Egypt	1	0.3%
Morocco	1	0.3%
United Arab Emirates	1	0.3%
Grand total	**352**	**100.0%**

Source: Pictet Asset Management, Sustainalytics, December 2022

TABLE 13
Breakdown of companies engaged by sector

	NUMBER	%
Industrials	54	15.3%
Machinery	10	2.8%
Building products	9	2.6%
Commercial services & supplies	7	2.0%
Industrial conglomerates	5	1.4%
Trading companies & distributors	4	1.1%
Construction & engineering	4	1.1%
Aerospace & defense	4	1.1%
Professional services	4	1.1%
Road & rail	2	0.6%
Marine	2	0.6%
Electrical equipment	2	0.6%
Transportation infrastructure	1	0.3%
Health care	48	13.6%
Pharmaceuticals	16	4.5%
Health care equipment & supplies	15	4.3%
Life sciences tools & services	7	2.0%
Biotechnology	5	1.4%
Health care providers & services	3	0.9%
Health care technology	2	0.6%
Consumer discretionary	44	12.5%
Hotels, restaurants & leisure	10	2.8%
Textiles, apparel & luxury goods	9	2.6%
Internet & direct marketing retail	7	2.0%
Household durables	6	1.7%
Specialty retail	5	1.4%
Automobiles	3	0.9%
Leisure products	2	0.6%
Auto components	1	0.3%
Diversified consumer services	1	0.3%
Utilities	38	10.8%
Electric utilities	18	5.1%
Multi-utilities	7	2.0%
Water utilities	6	1.7%
Independent power and renewable electricity producers	6	1.7%
Gas utilities	1	0.3%

TABLE 13
Breakdown of companies engaged by sector (continued)

	NUMBER	%
Materials	36	10.2%
Metals & mining	15	4.3%
Chemicals	13	3.7%
Paper & forest products	4	1.1%
Containers & packaging	3	0.9%
Construction materials	1	0.3%
Consumer staples	33	9.4%
Food products	26	7.4%
Personal products	4	1.1%
Beverages	1	0.3%
Food & staples retailing	1	0.3%
Household products	1	0.3%
Financials	29	8.2%
Banks	15	4.3%
Insurance	6	1.7%
Capital markets	5	1.4%
Diversified financial services	3	0.9%
Information technology	26	7.4%
Electronic equipment, instruments & components	8	2.3%
Semiconductors & semiconductor equipment	6	1.7%
Software	4	1.1%
IT services	4	1.1%
Technology hardware, storage & peripherals	2	0.6%
Communications equipment	2	0.6%
Energy	19	5.4%
Oil, gas & consumable fuels	18	5.1%
Energy equipment & services	1	0.3%
Communication services	17	4.8%
Diversified telecommunication services	6	1.7%
Interactive media & services	6	1.7%
Entertainment	2	0.6%
Wireless telecommunication services	2	0.6%
Media	1	0.3%
Real estate	8	2.3%
Equity real estate investment trusts (REITS)	6	1.7%
Real estate management & development	2	0.6%
Grand total	352	100.0%

Source: Pictet Asset Management, Sustainalytics, December 2022

TABLE 14

List of engagements in 2022

COMPANY	E	S	G
3M CO.		1	
A.O. SMITH CORP.	1		
Aalberts NV	1		
Accor		1	2
Activision Blizzard Inc		1	
Adani Enterprises Ltd		1	
Adani Ports & Special Economic Zone Ltd		2	
Advanced Drainage Systems Inc			1
AECOM	1		
AES Corp.			1
Aflac Inc.			1
AGC Inc	2		1
AGCO CORP.	2	1	
Albemarle Corp.	1		2
Alibaba Group Holding Ltd	3	2	2
Allegion plc			3
Alliant Energy Corp.			1
Amano Corporation	2	1	1
Amazon.com Inc.		3	
Ameren Corp.			1
America Movil S.A.B.DE C.V.	1		
American States Water Co.	1		
American Water Works Co. Inc.	1		
AMGEN Inc.			1
AMP Limited	1		
ams-OSRAM AG	1		
Ansys Inc.	1		
Applied Materials Inc.	2		1
Astrazeneca plc	1		
Avantor Inc.		1	3
Avichina Industry & Technology		1	
Baidu Inc	2	1	
Baker Hughes Co	1		2
Banco Bilbao Vizcaya Argentaria.	2		
Banco Santander S.A.	1		
Bank Of America Corp.	1		

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
Bank of Baroda	1		
Barclays plc	2		
Basic-Fit N.V		1	1
Bayer AG		1	
Beiersdorf AG	2		
Beyond Meat Inc	1		
Bezeq The Israeli Telecomunication Corp. Ltd.	1		
Bio-Techne Corp			1
Blackstone Inc	1		
BNP Paribas	1		
Boa Vista Servicos S.A.	1		
Boeing Co.		1	
Bollore SE		1	
Boohoo Group Plc		1	
Braskem S.A.			1
Brenntag SE	1		1
BRF S.A.		2	
Bruker Corp			1
BT Group	1		
Bunge Limited			1
Burberry Group	1		
Cadence Design Systems, Inc.	1		1
Carlisle Companies Inc.			1
CatchMark Timber Trust Inc	1		
Caterpillar Inc.		2	
Cemex S.A.B. De C.V.			1
Centrais Eletricas Brasileiras S.A.		1	
Chailease Holding Company Limited	1		
Chemours Company		1	
Chewy Inc	2		
China Energy Engineering Corporation Limited		1	
China Gas Holdings Ltd.		1	
China Lesso Group Holdings Limited	3		
China Longyuan Power Group Corporation Limited			2
China MeiDong Auto Holdings Limited			1
China Mengniu Dairy Company Limited	2	2	1

TABLE 14

List of engagements in 2022 (continued)

COMPANY	E	S	G
China Petroleum & Chemical Corp		1	
China Yangtze Power Co	1		
Cintas Corporation	1		
Citigroup Inc	4		
CMS Energy Corporation	1		
Comet Holding AG	1		
Compagnie financiere Richemont SA	3		
Compass Group Plc		1	
CompuGroup Medical SE & Co. KgaA			1
Cooper Companies, Inc.			3
CoreCivic Inc		1	
Coway	1	1	
Cranswick plc		1	
Credit Suisse Group AG	2		
Crown Castle Inc			1
Danone	1	1	1
Danske Bank A/S	1		
Darling Ingredients Inc		1	4
Deere & Co.		1	
Delivery Hero SE		1	
Deutsche Boerse AG	1		
Deutsche Telekom AG	1		
Dexcom Inc			1
Diasorin S.p.A.	1		1
Dropbox Inc	1		
Ecolab, Inc.	2		1
EDP-Energias DE Portugal S.A.	1		2
El Sewedy Electric			1
Elanco Animal Health Inc		1	
Emaar Properties	1		
Emera Inc.			2
Ems-Chemie Holding AG	1		
Enel Finance International NV		1	
ENI SPA	1		
Equifax, Inc.	1		
Eskom			1

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
ESR Group Limited	1		
Essential Utilities Inc	1		
EssilorLuxottica			3
Estee Lauder Cos., Inc.	1		
Evergy Inc	2	1	1
Evolva Holding SA	1		
Ferguson Plc.	1		
Firstenergy Corp.	1		1
Formosa Taffeta		1	
Fortum Oyj	1		
Fujitec Company Ltd	1		
Fujitsu Limited	1		
Garmin Ltd			1
Gazprom	1		
GCL Technology Holdings Limited		1	
Geo Group, Inc.		1	
GFL Environmental Inc.	1		1
Givaudan SA		1	
Glencore plc	2	1	1
Global Blood Therapeutics Inc.		1	
Golden Agri Resources			1
Goldman Sachs Group, Inc.	1		
Grieg Seafood			1
Grifols SA	1		1
Grupo Mexico S.A.	3	3	1
GSK PLC	1		
Guangdong Investment Ltd.			2
Haier Smart Home Co Ltd	1		
Halma plc	1		
Harmony Gold Mining Co Ltd		1	
Health Catalyst Inc	2		
HelloFresh SE	1	2	
Helvetia Holding AG	1		
Henkel AG & Co. KGAA	1		
Hino Motors Ltd	1		
Hoya Corporation	1		1

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
HSBC Holdings plc	1		
Hundsun Technologies	1		
Hyundai Development Company		1	
Iberdrola S.A.	2		
Idexx Laboratories, Inc.		1	
Indah Kiat Pulp and Paper Tbk PT			1
Indivior Plc	1		
Intercontinental Exchange Inc		1	1
Intercontinental Hotels Group	1		
International Business Machines Corp.	1		
International Paper Co.	2		3
Irobot Corp		1	
JBS SA	3	1	2
Johnson & Johnson		1	
Johnson Controls International plc		1	4
Just Eat Takeaway.com N.V.		1	
Kanzhun Ltd	1		
Kering	1		
Keyence Corporation	1		
Kingspan Group Plc	1		
Koninklijke DSM N.V.	1		
Koninklijke KPN NV	1		
Koninklijke Philips N.V.		1	
Korea Electric Power		5	
Kuhne & Nagel International AG	2		
L G Chemical		1	
Leejam Sports Company	1		
Leslies Inc	1		
Li Ning Co., Ltd.		2	
Lilly(Eli) & Co	1		1
Lockheed Martin Corp.		1	
L'Oreal	1		
Lotte Corp.	1		
LOWE'S COS., INC.		2	
Lvmh Moet Hennessy Vuitton SE	1		
MakeMyTrip Ltd	2		

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
Marathon Oil Corporation	1		
Marfrig Global Foods S.A		1	
Mattel, Inc.		1	
mc brazil			1
McCormick & Co., Inc.	1		
McDonald's Corp		1	
Mckesson Corporation		1	
Medartis Holding AG	1		
Medibank Private Limited			1
Medtronic Plc		1	
Meta Platforms Inc		2	
Mitsubishi Materials Corporation	1		
Mitsui O S K Lines Ltd.	1		
Movida Participacoes SA			1
Mowi ASA	1	1	2
MTN Group Ltd.		1	
Muyuan Foodstuff Co Ltd			2
National Grid Plc	1		2
Naver Co Ltd		1	
NEC Corporation	1	1	1
Neoenergia S.A	2		
Nestle SA		1	1
Nevro Corp			1
NextEra Energy Inc			1
Nomad Foods Limited		1	
Novanta Inc			1
NTPC Ltd.		2	
NXP Semiconductors NV	2	1	3
OC OERLIKON CORP AG		1	
OCP S.A.		1	
OFILM Group Co Ltd		1	
Oil & Natural Gas Corporation Ltd.		1	
OMV AG			1
ON Semiconductor Corp.		1	2
Orange.	1		
Orior AG	1		

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
Orix Corporation	1		3
Orpea		1	
P/f Bakkafrost			3
Pabrik Kertas Tjiwi Kimia Tbk PT			1
Page Industries Ltd.		1	
Pan American Silver Corp		1	
Pearson plc	1		
Pennon Group	1		
Perkinelmer, Inc.	1	1	
Perrigo Company plc			1
Petro Rio S.A.	2		1
Petroleo Brasileiro S.A. Petrobras	1		1
Petróleos Mexicanos	2	2	2
Petronas Capital Limited		1	
Pfizer Inc.	1		
PG&E CORP.	2	1	3
Pharmaron Beijing Co Ltd	1		
PJSC Mining and Metallurgical Company Norilsk Nickel		1	
PotlatchDeltic Corp	1		1
Power Construction Corporation of China, Ltd.		1	
PTT Exploration and Production Public Company Limited		1	
PTT Oil and Retail Business Public Company Limited		1	
Quest Diagnostics, Inc.	1		1
Ratch Group Public Company Ltd		1	
Rayonier Inc.	1		1
Raytheon Technologies Corporation		1	
Regeneron Pharmaceuticals, Inc.			1
Remy Cointreau SA	1		
Repsol S.A	1		
Republic Services, Inc.	1		1
RIO Tinto Ltd.		1	
Roche Holding AG	1		1
Roper Technologies Inc			3
RWE AG			2
Saga Plc	1		
Salmar Asa			2

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
Samsung Biologics Co Ltd	1		
Samsung C&T Corp.	1		
Samsung Electronics	1		
Sanderson Farms, Inc.		1	
Sanofi	1	1	
Saudi Arabian Oil Company	1		2
Saudi Electricity Co	2		1
Sempra Energy			1
Service Corp. International			1
Shell Plc	1		
Shenzhou International Group Hldgs		1	
Shimano Inc.	2		
Sibanye Stillwater Limited		1	
SIG Group AG			1
Sika AG	1		
Sime Darby Plantation Berhad		1	
SiteOne Landscape Supply Inc	1		
SK Biopharmaceuticals Co. Ltd.		1	
Sk Holdings Co. Ltd		1	
Slc Agricola S.A.			1
Sleep Number Corp			1
SoftwareONE Holding AG	1		
Southern Copper Corporation	1	3	
SSE Plc.	1		1
Staar Surgical Co.			1
Standard Chartered plc	1		
Stanley Black & Decker Inc	1	1	
Starbucks Corp.		1	
Steinhoff International Holdings N.V.	1		
Steris Corp.			1
Stora Enso Oyj	1		1
Straumann Holding AG	1		
Stryker Corp.		1	
Sunnova Energy International Inc	2		
Sunrun Inc	1		

TABLE 14

List of engagements in 2022 (continued)

COMPANY	E	S	G
Supermax Corporation Bhd		1	
Suruga Bank Ltd.	1		
Svenska Cellulosa AB			1
Swedbank AB	3		
Swiss Re Ltd	1		
Takeda Pharmaceutical Co	1		
Telefonaktiebolaget L M Ericsson	1		
Telefonica S.A	1		
Teleperformance		1	
Tencent Holdings Ltd.		1	
Teradyne, Inc.	1		
Tesla Inc	1	2	
Tetra Tech, Inc.	1		
Teva- Pharmaceutical Industries Ltd.	1		
The Star Entertainment Group Limited	1		
Thermo Fisher Scientific Inc.		1	
Tierra Mojada	1		
Tiger Brands Ltd		1	
Tokyo Electric Power Company Holdings Incorporated		1	
Tongling Nonferrous Metal Group Co Ltd		1	
Top Glove Corporation Bhd		1	
TopBuild Corp			1
Toshiba Corporation	1		
TotalEnergies SE	1		
Toyota Motor Corporation	3		1
TransUnion	1		2
Tullow Oil Plc	1		
Tupy S.A.			1
Tyson Foods, Inc.	1	3	2
Uber Technologies Inc		1	
Unilever NV		1	
United Utilities Group PLC	1		
UPL Ltd			1
Usinas Siderurgicas De Minas Gerais S.A.			1
Vail Resorts Inc.			1

TABLE 14
List of engagements in 2022 (continued)

COMPANY	E	S	G
Vale S.A.		1	
Vedanta Ltd		1	
Vedanta Resources Ltd		1	
Veolia Environnement S.A.	2		
Vertex Pharmaceuticals, Inc.			1
View Inc.	1		
Walmart Inc	1	1	3
Waste Connections, Inc.			2
Waste Management, Inc.			1
WEC Energy Group Inc			1
Weibo Corp		1	
Wells Fargo & Co.	2		
Westpac Banking Corp	1		
WestRock Co	1		2
Weyerhaeuser Co.	1		1
Williams Cos Inc			2
Wilmar International Limited		1	
Wirecard AG	1		
Wiwynn Corp			1
Xinjiang Zhongtai Chemical Co., Ltd.		1	
XPeng Inc	1		
Xylem Inc	1		
Yaskawa Electric Corporation	1		
Yes Bank Ltd.	1		
Zebra Technologies Corp.	1		
Zhejiang Huahai Pharmaceutical Co		1	
Zijin Mining Group Co., Ltd.		1	1
Zoetis Inc		1	
ZTE Corp.		1	
Zurich Insurance Group AG Ltd			1
Grand Total	**233**	**150**	**169**

Source: Pictet Asset Management, Sustainalytics, December 2022

UK stewardship code 2020

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.

TABLE 15
UK Stewardship Code 2020

THEME	NUMBER	PRINCIPLE	SECTION(S)
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	Introduction (p. 12-17), About us (p. 90-93)
	2	Signatories' governance, resources and incentives support stewardship	Introduction (p. 12-17), About us (p. 90-93), Stewardship governance and resources (p. 100-109)
	3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Conflicts of interest (p. 124-125)
	4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Our participation in industry initiatives (p. 80-83), Stewardship governance and resources (p. 100-109), In focus: our response to climate change (p. 51-56), In focus: biodiversity (p. 57-60)
	5	Signatories review their policies, assure their processes and assess the effectiveness of their activities	Risk management and assurance (p. 120-123)
Investment approach	6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Our clients (p. 94-99)
	7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	Our investment approach (p. 72-79)
	8	Signatories monitor and hold to account managers and/or service providers	Monitoring service providers and external managers (p. 126-129)
Engagement	9	Signatories engage with issuers to maintain or enhance the value of assets	Engagement (p. 22-50), Engagement statistics (p. 130-143)
	10	Signatories, where necessary, participate in collaborative engagement to influence issuers	Engagement (p. 22-50), Engagement statistics (p. 130-143)
	11	Signatories, where necessary, escalate stewardship activities to influence issuers	Engagement (p. 22-50), Engagement statistics (p. 130-143)
Exercising rights and responsibilities	12	Signatories actively exercise their rights and responsibilities	Proxy voting (p. 62-71), Exercising our rights and responsibilities (p. 110-119)

Source: Pictet Asset Management

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1805

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