



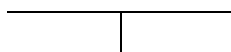
Eurosif Transparency Code

Pictet Asset Management, June 2020

Highlights

Pictet Quest – Europe Sustainable Equities

Pictet Quest – Emerging Marketing Sustainable Equities





The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in February 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- › The order and exact wording of the questions should be followed;
- › Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- › Funds should report data in the currency that they use for other reporting purposes;
- › Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- › Responses should be updated at least on an annual basis and should have a precise publication date;
- › Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;

Signatories are solely responsible for the answers to the questions, and should state this in their response.



Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of Pictet Asset Management. We have been involved in SRI since 1999 and welcome the European SRI Transparency Code.

Our full response to the European SRI Transparency Code can be accessed below:

<http://www.eurosif.org/transparency-code/signatories-and-responses/switzerland/>

This is our fourth statement of commitment and covers the period June 2020 to May 2021.

Compliance with the Transparency Code

Pictet Asset Management is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. Pictet Asset Management meets the full recommendations of the European SRI Transparency Code.

June 2020



Eurosif classification of Sustainable and Responsible Investment¹ strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances². Investments are often project specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive

¹ Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

² Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgibin/iowa/investing/index.html>, 2012



financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

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2. General information about the fund management company
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6. Impact measures and ESG reporting



1. LIST OF FUNDS COVERED BY THE CODE

NAME OF THE FUND(S): PICTET QUEST-EUROPE SUSTAINABLE EQUITIES

Dominant/preferred SRI strategy	Asset Class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
(Please choose a maximum of 2 strategies)					
Best-in-Class Investment section <input checked="" type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input checked="" type="checkbox"/> Leading to exclusions <input checked="" type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input checked="" type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	To be filled out with a number of AuM EUR 540m	<input checked="" type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input checked="" type="checkbox"/> FNG Label <input checked="" type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify) Other “Towards Sustainability” label, Central Labelling Agency (CLA) of the Belgian SRI label vzw/asbl	https://www.am.pictet/

Source: Pictet Asset Management - June 2020. Prior to June 2020, fund name was Pictet European Sustainable Equities. The name change was made for marketing purposes with no change in the process.



NAME OF THE FUND(S): PICTET QUEST-EMERGING MARKETS SUSTAINABLE EQUITIES

Dominant/preferred SRI strategy	Asset Class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
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(Please choose a maximum of 2 strategies)

<input checked="" type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input checked="" type="checkbox"/> Exclusions <input type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input checked="" type="checkbox"/> Leading to exclusions <input checked="" type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input type="checkbox"/> Shares in a euro area country <input type="checkbox"/> Shares in an EU country <input checked="" type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input checked="" type="checkbox"/> Labour rights <input checked="" type="checkbox"/> Gambling <input checked="" type="checkbox"/> Pornography <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input checked="" type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	USD 240m	<input checked="" type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	https://www.am.pictet/
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Source: Pictet Asset Management - June 2020. Prior to June 2020, fund name was Pictet Emrging Markets Sustainable Equities. The name change was made for marketing purposes with no change in the process.



2. General information about the fund management company

2.1. Name of the fund management company managing the fund(s) to which this code applies.

Pictet Asset Management SA
60 Route des Acacias
1211 Geneva 73
www.am.pictet.com

Contact person:

Dr Gabriele Susinno
Tel. +41 (0) 58 323 1928
Mail gsusinno@pictet.com

2.2 What are the company's track record and principles when it comes to integrating SRI into its processes?

Please provide a hyperlink to any of the company's sustainable investment webpages.

<https://www.am.pictet/en/globalwebsite/global-articles/company/responsible-investment>

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

For decades, sustainability has been central to our way of thinking. Since the Pictet Group was founded in 1805, we have aimed to ensure the prosperity of our clients over the long term. In doing so, we have instinctively considered the interests of future generations.

Pictet Asset Management believes in responsible capitalism and takes an enlarged view of the economy and its interactions with civil society and the natural environment.

Consistent with our fiduciary duty to act in the best interests of our clients and our adherence to the UN Principles for Responsible Investment (UN PRI), we are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks. We also aim include ESG aspects in our risk management and reporting tools in order to maintain high standards of transparency and accountability.

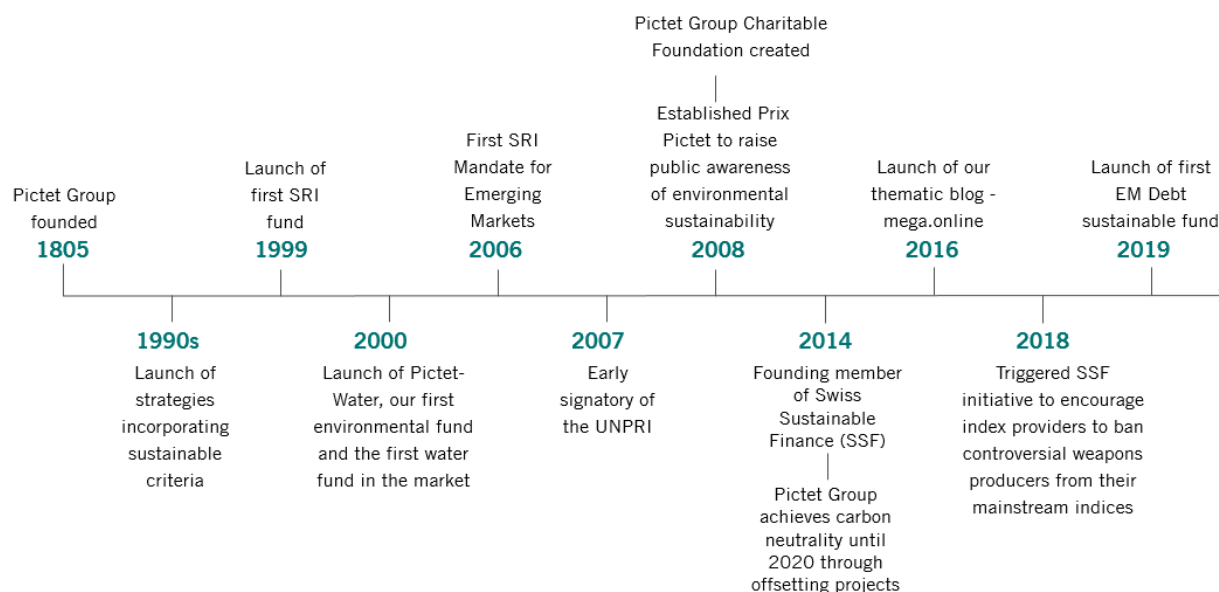
Pictet Asset Management has over 20 years' experience in responsible investment mainly in active and passive equities and, to a lesser extent, fixed income and balanced solutions.

In coherence with the commitment of the Pictet Group to sustainability, Pictet Asset Management began looking at responsible investment in 1997. We launched our first Sustainable Equities strategy in 1999 and in 2000 we launched our Water fund, which is today the largest in its sector.

Pictet Asset Management was also an early adopter of the Principles for Responsible Investment (UNPRI) in 2007.



ESG at Pictet Asset Management over time



Source: Pictet Asset Management – June 2020.

2.3 How does the company formalise its sustainable investment process?

Link to the sustainable investment policy.

<https://www.am.pictet/en/globalwebsite/global-articles/company/responsible-investment>

Link to the voting rights policy.

<https://www.am.pictet/en/globalwebsite/global-articles/2020/expertise/esg/proxy-voting>

Link to the engagement policy³.

<https://www.am.pictet/en/globalwebsite/global-articles/2019/expertise/esg/shareholder-rights-directive>

Our approach to responsible investing can be summarised in five key points:

1. We incorporate ESG factors into all our investment processes

All of our active long-only equity and fixed-income investment strategies integrate ESG considerations.

2. We systematically exercise voting rights

Leveraging our power as investors to achieve positive change, we systematically exercise our voting rights in the best interests of our clients.

3. We engage with companies and governments on ESG issues

We engage directly with corporate boards and sovereign issuers so as to improve ESG practices, which we believe will lead to stronger long-term performance.

4. We act as stewards of responsible investing

We are committed advocates of responsible investing and play an active role in organisations that promote responsible finance and sustainable investments.

³ Reference to Article 173 of the French TECV Act and the HLEG recommendations on INVESTOR DUTIES



5. We are transparent with clients on our ESG actions

We believe that our transparency differentiates us from the competition. In our reports, ESG characteristics are measured at a portfolio level and compared with the benchmark. Our Impact Reports provide additional data on our environmental impact.

2.4 How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?⁴

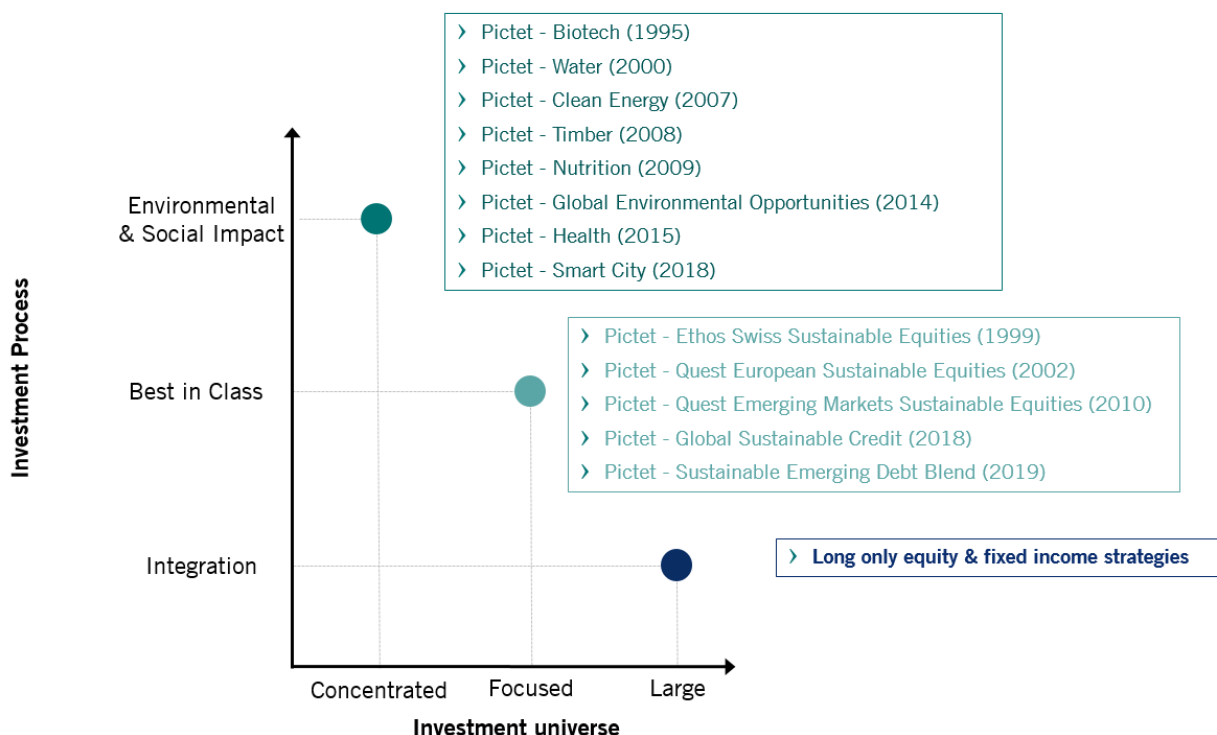
As mentioned in question 2.3, Pictet Asset Management is committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhance returns and/or mitigate risks.

Environmental issues may include but are not limited to pollution prevention, climate change mitigation & adaptation and natural resources preservation. Social issues may include but are not limited to human rights, labour standards and public health. Corporate governance issues may include but are not limited to board composition, executive remuneration, shareholders rights and business ethics. For sovereign issuers, governance issues may include but are not limited to governmental stability, corruption prevention, right to privacy and judicial independence.

We offer the full ESG spectrum. From **ESG integration** (eg long only equity and fixed income), **Environmental and/or Social thematic impact strategies** (eg Global Environmental Opportunities, Nutrition, Clean Energy, Timber, Water, Smart City, Health, Biotech) to **best in class** products (eg European Sustainable Equities, Emerging Sustainable Equities, Swiss Sustainable Equities, Global Sustainable Credit, Emerging Sustainable Blend).

⁴ Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

ESG at Pictet Asset Management



Source: Pictet Asset Management – May 2020.

> ESG integration

These strategies integrate material ESG risks and opportunities into their investment decision process to complement financial analysis. Portfolios may invest in securities with low ESG characteristics.

> Best in Class strategies

These strategies seek to invest in issuers with superior ESG features while avoiding those with low ESG characteristics.

> Environmental and/or Social impact strategies

These strategies aim to deliver a financial return alongside achieving a positive and measurable impact by investing in companies that provide solutions to environmental and/or social problems.

Regarding climate change, key risks and opportunities which we consider fall into two categories:

- > Transition to a low carbon economy, including growth of renewable energy sources and energy efficiency solutions, and the potential decline of fossil fuels in the global energy mix.
- > Exposure to extreme weather events, including hurricanes & typhoons, droughts & floods, heat & cold waves and changing weather patterns.



2.5 How many employees are directly involved in the company's sustainable investment activity?

At **Pictet Group level**, we have a Group ESG & Stewardship unit which is responsible for driving and coordinating sustainability, ESG and stewardship strategy across the firm. The Group function sets framework conditions, ensures alignment in ESG integration and active ownership policy, and optimal dissemination of best practices across the Group. Dedicated specialist teams are responsible for driving initiatives within business lines.

The governing body of the unit is the Stewardship & Sustainability Board (SSB), which ensures coordination across all activities that are linked to sustainable development within the Pictet Group. The SSB is chaired by Laurent Ramsey, Group Partner and CEO of Pictet Asset Management and comprises specialists and C-suite representatives from relevant corporate functions and all four business lines (Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services, Pictet Alternative Advisors).

Pictet Asset Management's ESG Team leads and co-ordinates implementation of our responsible investment policy, including ESG integration in investment processes, ownership practices, risk management and reporting tools. The ESG Team (3 people) reports directly to Sébastien Eisinger, Managing Partner Pictet Group, Co-CEO Pictet Asset Management and Head of Investments.

Issuer-specific research on material ESG factors is carried out as part of the research process of all long only investment teams based on a combination of third-party research and proprietary assessment. For environmental, social & best-in-class strategies, this is conducted by over 50 investment managers & analysts. For conventional strategies, ESG factors are integrated by over 200 investment professionals.



2.6 Is the company involved in any RI initiatives?

GENERAL INITIATIVES	ENVIRONMENTAL/CLIMATE INITIATIVES	SOCIAL INITIATIVES	GOVERNANCE INITIATIVES
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility X EFAMA RI WG* <input type="checkbox"/> European Commission's HighLevel Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input type="checkbox"/> National Asset Manager Association (RI Group) X PRI - Principles For Responsible Investment X SIFs - Sustainable Investment Fora X Other (please specify) <i>(i) Copenhagen Institute for Future Studies: Member, Research Partnership: Megatrends Research</i> <i>(ii) Swiss Sustainable Finance Founding member: Board representative</i> <i>(iii) Investment Association: Member of the Sustainability and Responsible Investment Committee</i>	X CDP – Carbon Disclosure Project (carbon) X Climate Bond Initiative <input type="checkbox"/> Green Bond Principles X IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input type="checkbox"/> Portfolio Decarbonization Coalition X Other (please specify) <i>(i) Swiss Climate Foundation: Corporate sponsor</i> <i>(ii) FTSE Environmental Market: Member of the Advisory Committee</i> <i>(iii) Stockholm Resilience Centre: Research Partnership: Planetary Boundaries Framework</i> <i>(iv) Climate Action 100+; Mining and Tailings Safety Initiative; Investor Initiative for Sustainable Forestry: Collaborative Engagement</i> <i>(v) Oxford University: Smith School for Enterprise and the Environment: Research Partnership: Climate Change and EM</i>	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh X Other (please specify) <i>(i) Empower: Partnership</i>	<input type="checkbox"/> ICGN – International Corporate Governance Network X Other (please specify) <i>(i) UK Stewardship code</i> <i>(ii) Japan Stewardship code</i>

Source: Pictet Asset Management – June 2020

*Member of the Stewardship Market Integrity & ESG Investment Standing Committee

2.7 What is the total number of SRI assets under the company's management?

As at end of March 2020, ESG integrated strategies represent around CHF 147bn including Sustainable strategies (CHF 2bn) & Environmental and/or Social impact strategies (CHF 17bn).

<https://www.am.pictet/en/globalwebsite/global-articles/company/responsible-investment>



3. GENERAL INFORMATION ABOUT THE SRI FUND(S) THAT COME UNDER THE SCOPE OF THE CODE

3.1 What is (are) the fund(s) aiming to achieve by integrating ESG factors?

We aim to invest in companies focussed on delivering long term shareholder returns through positive economic, social and environmental impact. We view sustainability as an underlying driver for innovation and profitable growth as well as key to managing unforeseen risks. To achieve this objective, we use a “sustainability at 360°” approach that combines financial assessment with corporate responsibility. This approach enables us to proactively identify companies that are at the forefront of adopting sustainability in the core of their business strategy and are likely to be long term winners.

Additionally, we believe that integrating ESG considerations can help generate performance and reduce risk. Finally, active ownership through engagement and proxy voting is intended to improve the long-term sustainability of the businesses we invest in.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

Our ESG analysis is based on proprietary research, undertaken by our in-house teams, and external research from specialised agencies.

Below is the list of external research providers used for ESG research purposes. The role of these agencies is mainly to collect raw data provided by companies, the media and other relevant sources (e.g. NGOs) and provide their assessment on material ESG Issues.

PROVIDER/PRODUCT	START DATE	LINK
ISS	2014	https://www.issgovernance.com/
Ethos	2011	https://www.ethosfund.ch/en
CFRA	2014	https://www.cfraresearch.com/
HOLT	2014	https://holtlens.credit-suisse.com/
Inrate	2014	https://www.inrate.com/
Sustainalytics	2014	https://www.sustainalytics.com/
RepRisk	2013	https://www.reprisk.com/
Bloomberg	2016	https://www.bloomberg.com/impact/products/esg-data/
Trucost	2018	https://www.trucost.com/
Verisk Maplecroft	2018	https://www.maplecroft.com/
Global Footprint Network	2018	https://www.footprintnetwork.org/

Pictet Asset Management – June 2020.



We have developed a proprietary ESG grading system that allows us to combine the research from external providers into a comprehensive ESG grade for each company in the reference universe.

3.3. What ESG criteria are taken into account by the fund(s)?

Our ESG analysis focuses on four aspects:

1. **Products:** Impact of products and services on society and the environment, which entails a focus on clean technologies and the exclusion of activities such as weapons, nuclear energy, tobacco, gambling, pornography or genetically modified organisms (GMOs). Exclusions apply to companies with at least 5% turnover in controversial activities⁵.
2. **Reputation:** Reputation is assessed based on Company's commitment to and demonstrated action in following UN Global Compact Principles. ESG-related controversies, such as incidents involving employees, major environmental pollution or damage, supply chain issues and product scandals are evaluated.
3. **Operations:** Impact of company operations on the Environment, Labour and Society. Environmental and social practices, which cover issues such as carbon footprint, energy efficiency, water management, labour and supply chain management are considered. For instance, companies with exposure to tar sands / fracking, coal extraction, oil production and power generation are analysed for their carbon footprint relative to peers and excluded from the portfolio if deemed to be excessive.
4. **Governance:** Corporate governance, including issues such as business ethics, audit and accounting practices, board independence, minority shareholders rights and executive remuneration.

The following graph summaries our approach to assessing corporate responsibility

Products Controversial Revenues	Reputation UN Global Compact	Operations Environment & Social Impact	Governance Ways of working
<ul style="list-style-type: none">> Favour exposure to sustainable products> Exclude companies with exposure to controversial products	<ul style="list-style-type: none">> Environmental Responsibility> Human Rights> Labour Standards> Bribery & Corruption	<ul style="list-style-type: none">> Environmental Efficiency & Carbon Footprint> Process Safety> Employees and Community	<ul style="list-style-type: none">> Board Independence & Effectiveness> Audit Independence> Management remuneration> Shareholder Rights> Business Ethics

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?⁶

The proprietary scoring system allows for a broad surveillance of the universe. It has built in dimensions directly related to the impact into the ecosystem should it be in Products, Reputation and Operations.

⁵ This threshold is reduced to 0% for companies involved in controversial weapons such as anti-personnel landmines, cluster ammunition, chemical and biological weapons.

⁶ Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code): <https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>



Moreover, in the Review and Investigation analysis step of our investment process we have the opportunity to downgrade promote companies relatively to their environmental footprint.





3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

With respect to ESG considerations, a company is assessed based on four dimensions: **governance, operations, products & services, and controversies.**

We leverage both external research and internal analysis to make a final decision on the eligibility of a company for investment from a ESG perspective.

We have developed a proprietary ESG grading system that allows us to integrate the research from external providers into a comprehensive ESG grade for each company in the reference universe. This is the first step in building the investment universe. The ESG grade for each company is updated on a regular basis depending upon changes in the assessment by the providers.

The following table summarises the ESG grade allocated to each company in the Universe.

ESG Grading		Products 	Reputation 	Operations 	Governance 
Stars	Assessment	Controversial Products	Norms Based / UN Global Compact Principles	Impact on Environment, Labour and Society	Board and Management practices
****	Strong	Not rated	Confirmed no Issues / controversy	Positive impact, demonstrates leadership	Global Best Practices, demonstrates leadership
***	Above Average	Not rated	Minor incident, non recurring, well managed	No negative impact, follower, demonstrates awareness	Meets legal requirements, moderate practices
**	Below Average	Not rated	Material exposure, repeat involvement, significant time to recover	Significant negative impact, lack of action on behalf of the company	Weak Governance Practices
*	Weak	Not rated	High/Serious Violation, structural issue, unlikely to recover in the immediate term	Material negative impact, lack of action, concern, no scope for improvement	Significantly poor governance practices, lack of concern, action
NOT INVESTABLE		Exposure to controversial products based on % Revenue - Tobacco, Gambling, Adult Entertainment, Weapons, GMO, Nuclear			

Terms of scoring

- › Final grading is based on average of the 3 categories – Reputation, Operations and Governance.
- › If a company is assessed as “Weak” in a single category, final grade for a company is also “Weak” (1 star)
- › Stocks that do not have any coverage are considered as not rated
- › Stocks where coverage is limited across dimensions are rated as normal and may be given one additional star over the base grade at the discretion of the fund management team



Only companies with ESG assessment “Strong” (4 stars) or “Above Average” (3 stars) are potentially eligible for investment. All other companies are excluded.

Stocks in the above defined ESG investment universe are further subject to detailed analysis and validation by the investment team for final selection into the portfolio.

While the stated thresholds are strictly applied, exception may be given to companies demonstrating positive action not reflected in the ratings provided by the research agencies already. The fund management team has the discretion to consider such situations as part of the discretionary analysis step in the investment process.

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

The Group Investment Stewardship & Sustainability Board (SSB), which decides on the controversial weapons exclusion list, meets 2x/year.

ESG evaluation of issuers is reviewed on an ongoing basis as ESG third-party providers update their assessments of companies under their coverage. Alerts on downgrades on ESG rating by ESG providers are reported and may trigger further investigations.

At the investment strategy level, ESG grade for each company is updated on a regular basis following a change in the underlying assessment from the research providers.

Our analysts also monitor on a daily basis ESG controversies that may negatively affect the assessment of companies in the portfolio. If there are major controversies on ESG issues, they may decide, in agreement with the investment manager, to disinvest a stock. Given the large cap focus of the strategy, full divestments can be implemented within one trading day is deemed necessary.

Assessment criteria are reviewed in line with emerging ESG issues (e.g. industry standards, policy and regulatory developments) and access to information.



4. INVESTMENT PROCESS

4.1. How are the results of the ESG research integrated into portfolio construction?

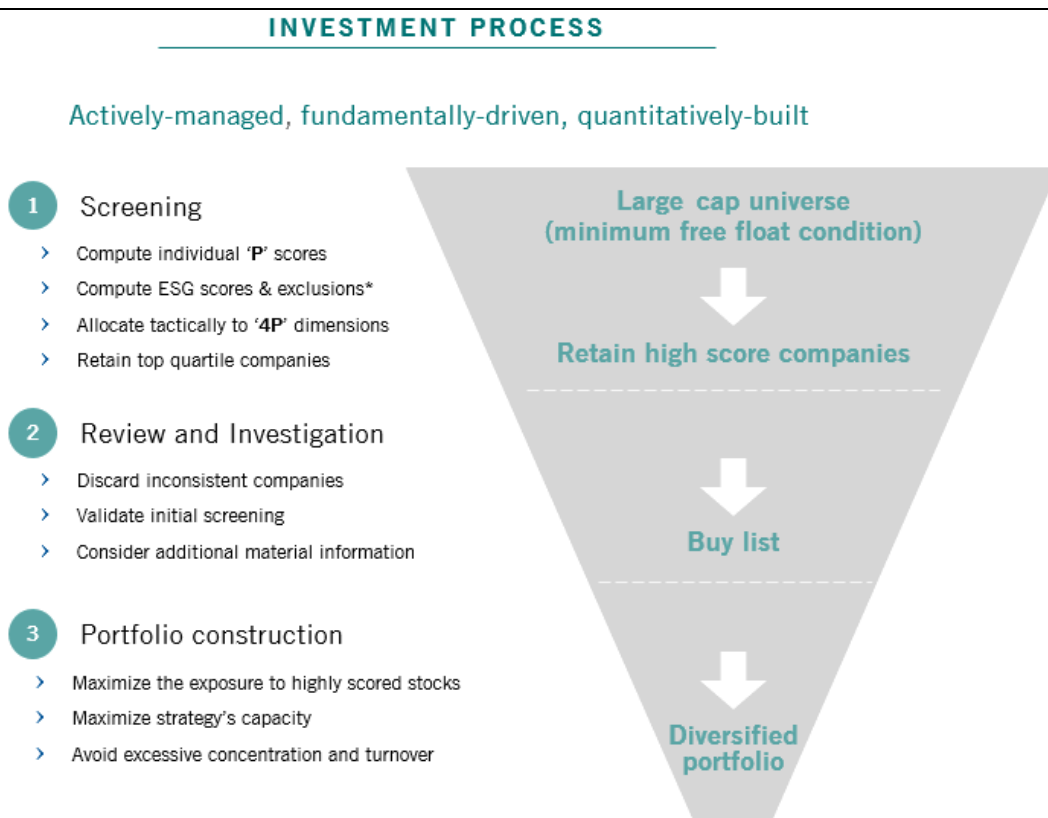
The integration of ESG considerations is used to identify, within the investment universe, companies with the required ESG properties.

Our final stock selection is based on combining financial and extra-financial sustainability of companies. To succeed in the long run, businesses must be ecologically sound, socially just and economically viable.

Stock selection is based on a dual complementary approach requiring companies to excel both in financial and extra financial properties. Once defined the buy list the portfolio is constructed by maximizing the exposure to companies with the best fundamentals under concentration, liquidity, and turnover constraints.

Concerning the Pictet Quest-Europe Sustainable Equities fund, from a starting universe of largest European companies by market capitalisation, only about 65% of companies are eligible based on ESG considerations. Similar process is applied to the Pictet Quest-Emerging Markets Sustainable Equities where the starting universe used is MSCI Emerging Markets Index.

Investment Process



These investment guidelines are internal guidelines which are subject to changes at any time and without any notice.

*At Pictet AM level all Controversial Weapons are excluded from the investment universe irrespective of revenue share. In Sustainable funds companies with more than 5% revenues from business activities related to Tobacco, Nuclear Power, Adult Entertainment, Gambling, Weapons and GMOs are excluded.

Source : Pictet AM, 30.05.2020.

Source: Pictet Asset Management, 30.05.2020



4.2. How are criteria specific to climate change integrated into portfolio construction?⁷

The impact on climate change is assessed during the environmental analysis of the company's business model.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?⁸

All stocks in the portfolio are subject the ESG analysis. In case no external data is available we remove the stock from the universe unless our internal analysis allows for evidences to retain the candidate.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

No

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

The best in class approach contribute to a well-positioned portfolio in terms of social impact as reported in the periodic Sustainability Report.

4.6. Does (do) the fund(s) engage in securities lending activities?

No

4.7. Does (do) the fund(s) use derivative instruments?

No, our Sustainable funds do not invest in derivative instruments.

⁷ Reference to Article 173 of the French TECV Act and HLEG recommendations on DISCLOSURE

⁸ Reference to Article 173 of the French TECV Act and the TCFD recommendations (delivering on investor and stakeholder demands for climate-related information)



4.8. Does (do) the fund(s) invest in mutual funds?

If so, how do you ensure compatibility between the policy for selecting mutual funds and the SRI policy of the fund(s)? How many funds can be held?

No, our Sustainable funds do not invest in mutual funds.



5. ESG CONTROLS

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?⁹

Firm-wide:

- UN-PRI assessment: questionnaire completed every year and coordinated by the ESG team
- Progress reviews of implementation of Pictet Asset Management commitment to RI and six working principles is conducted by the ESG team with each Investment team

Investment strategies:

- Every investment teams is expected to integrate ESG issues into their investment process. Third-party ratings and research notes are directly accessible in our front tool (PAMFolio). Alerts are triggered when purchasing securities with poor ESG ratings
- As part of the Quality Review process led by our Investment Risk & Performance team, the exposure to companies with poor ESG ratings as well as the evolution of the portfolio ESG rating is discussed during the product quality reviews of long only investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the Co-CEO
- Compliance team monitors adherence to exclusion lists and client-specific constraints / investment universes

⁹ Reference to Article 173 of the French TECV Act



6. IMPACT MEASURES AND ESG REPORTING

6.1. How is the ESG quality of the fund(s) assessed?

As part of the Quality Review process led by our Investment Risk & Performance team, the exposure to companies with poor ESG ratings as well as the evolution of the portfolio ESG rating is discussed during the product quality reviews of long only investment strategies. Quality Reviews are held twice a year with investment managers, the CIO in charge of the asset class and the deputy CEO.

Pictet-Quest Europe Sustainable Equities holds the following labels:

- Label ISR (France)
- FNG
- Österreichisches Umweltzeichen (Austrian Ecolabel)
- Towards Sustainability (Belgian SRI label)

Pictet-Quest Emerging Markets Sustainable Equities holds the Label ISR from France.

6.2. What ESG indicators are used by the fund(s)?¹⁰

Our ESG analysis is based on proprietary research, undertaken by our in-house teams, as well as external research from specialised providers. The latter include ISS, Sustainalytics, INRATE, CFRA, RepRisk, among others. Their role is mainly to collect data provided by companies, the media and other relevant sources and provide their assessment on material ESG issues.

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

The following standard information is accessible on our website (<https://www.am.pictet>):

- 1) Factsheet (monthly)
- 2) Fund Manager's Comment (monthly)
- 3) Annual Report
- 4) Semi-Annual Report
- 5) Pictet Asset Management's Active Ownership report

Additional information related to the sustainability of our funds is also publicly available on our website:

- › [Transparency Code](#)

¹⁰ Reference to Article 173 of the French TECV Act



› [Sustainability report](#)

6.4. Does the fund management company publish the results of its voting and engagement policies?¹¹ If so, please include links to the relevant activity reports.

On company level, results of our voting and engagement activities are published under:

https://www.am.pictet/-/media/pam/pam-common-gallery/article-content/2019/expertise/esg/active-ownership-report/engagement-report_web.pdf

¹¹ Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE



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