

PICTET GROUP

# EU Sustainable Finance Disclosure Regulation

Statement on principal adverse  
impacts of investment decisions  
on sustainability factors.

JUNE 2023

## Summary

Bank Pictet & Cie (Europe) AG (Legal Entity Identifier (LEI): 549300GSSPQ1QSKI1376) and its EU branches consider principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Bank Pictet & Cie (Europe) AG and its EU branches. This statement on principal adverse impacts on sustainability factors covers the reference period from **1 January to 31 December 2022**.

Principal Adverse Impacts (PAI) refer to those impacts of investment decisions that significantly harm environment or society. Specific indicators have been defined by the European Union to measure, consider and avoid those adverse impacts. Investments in certain companies, for instance, might be successful from a financial perspective in the near term, but operations might include methods that are hazardous to the environment and lack safety regulations that put workers at risk.

At Pictet Group level, we aim to reduce the most significant negative impacts of our investments and we do have an exclusion policy in place with regards to controversial weapons and thermal coal extraction applicable to all portfolios under discretionary portfolio management.

Furthermore, we address principal adverse impacts on the environment and society through active ownership activities, including voting and engagement. In 2022, at Pictet Wealth Management, we voted at 91 Annual General Meetings (AGMs) and supported close to 30 management & shareholder resolutions addressing a broad range of ESG issues related to principal adverse impacts including, greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.

Finally, we may engage issuers on material ESG factors and encourage them to address those effectively over the short, medium and long term. As part of our approach we rolled out a Pictet Group Engagement Framework focusing on a number of themes including high risk activities, severe controversies, climate change, biodiversity and water. Overall, we have identified more than 70 engagement objectives directly linked to PAI indicators in 2022.

With regards to our discretionary portfolio management activities, we do actively consider PAIs only in our SFDR Article 8 responsible investing solutions:

- When investing directly in securities (equity and fixed income) we use a combination of approaches to consider and, where possible, mitigate material adverse impacts of our investments on society and the environment. The degree and the way these impacts are considered depend on factors such as the investment strategy, the specific context of the investment that is causing the adverse impact, or the availability of reliable data. As a

starting point, we identify and mitigate principal adverse impacts through the application of our Responsible Investing exclusion framework<sup>1</sup>.

- When investing in funds, we do consider PAI by ensuring that the majority of funds selected meets SFDR Article 8 or 9 requirements and do themselves consider PAI. Such information about whether or not a fund considers PAI is collected directly from the fund managers (through the European ESG template (EET), which is the industry standard used by fund managers to exchange information electronically about the ESG characteristics of their funds). This complements the comprehensive ESG due diligence we apply to assess fund managers. The questionnaire includes both firm- and fund-level questions. The completed questionnaires are assessed and scored on four pillars (Management Firm commitment to ESG, Investment Process, Active Ownership, Monitoring and Reporting). Each fund is ranked with a score from 1 (ESG Laggard) to 5 (ESG Leader). This structured and robust approach offers us a strong foundation to integrate further criteria around climate based on the identified best practices and as managers increasingly transition their strategies.

The assessment of principal adverse impact indicators is provided in the following section of this statement. The PAI indicators are calculated taking into account all the assets under discretionary portfolio management and custodied with Bank Pictet & Cie (Europe) AG) and its European branches. The PAI indicators calculation is therefore not restricted to the assets under our responsible investing strategies.

As of today, not all information is available for all companies in our investment universe, therefore consideration of PAI is subject to data availability and quality. As part of the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD) includes a mandate for companies to report from 2024 sustainability information under the reporting framework of the European Sustainability Reporting Standards (ESRS). This framework, still under discussion, ensures that all PAI indicators will be covered by company disclosures<sup>2</sup>. Similarly PAI indicators data at fund level still lacks homogeneity both quantitatively (some funds only report PAI information on selected PAI indicators) and qualitatively (data quality issues). Fund investments represent an important part of the total assets in scope for this PAI statement but are currently not included in the calculation of the PAI indicators for the reason mentioned above and therefore not commented. This explains the reduced coverage rate overall. We anticipate that the number of investment managers providing PAI indicators data electronically through the EET will increase and improve in quality over the next years.

On a best effort basis, we integrate EET data in our system, and we engage with fund manager that do not yet provide PAI indicators data through the EET. In the meantime we explore ways to collect information for example, by making our own PAI calculation based

<sup>1</sup> See Appendix B of our [PWM Responsible Investing Policy](#) for a description of our exclusion framework

<sup>2</sup> The affected companies amount to an estimate of over 50,000 compiled of both large and listed companies (except listed micro-companies) based in the EU, but also to third-country companies based outside the EU with undertakings within the EU, i.e., subsidiaries or branches

on the fund's underlying investments ("look-through" approach) and we've already worked with our external vendor to increase the look-through coverage of our funds universe.

In compliance with SFDR requirements, the bank does report on PAI indicators data for the first time, hence historical comparison will only be possible starting next year.

## Description of the principal adverse impacts on sustainability factors

**Table 1: Indicators applicable to investments in investee companies. Eligible Assets<sup>3</sup>: 51%**

Adverse sustainability indicator	Metric	Impact year 2022	Impact year 2021	Explanation / Coverage rate <sup>4</sup>	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO <sub>2</sub> eq)	119'196	n/a	42%	<b>Exclusions</b> All managed strategies invested directly in equity and corporate bonds apply a baseline level of exclusions and exclude companies that gather more than 25% revenue from thermal coal extraction.  Responsible investing strategies (as per Art.8 SFDR) apply a stricter level of exclusions and exclude companies that derive a significant portion of their revenue from activities detrimental to the environment, such as: fossil fuels (including thermal
		Scope 2 GHG emissions (tCO <sub>2</sub> eq)	25'888	n/a	42%	
		Scope 3 GHG emissions (tCO <sub>2</sub> eq)	1'004'610	n/a	42%	
		Total GHG emissions (tCO <sub>2</sub> eq)	1'150'099	n/a	42%	
	2. Carbon footprint	Carbon footprint Scope 1+2 (tCO <sub>2</sub> eq per million EUR invested)	56	n/a	42%	

<sup>3</sup> Eligible assets indicate the proportion of the total assets in scope of the present statement that is considered eligible for a given indicator.

<sup>4</sup> Coverage rate represents the proportion of eligible assets with available reported/estimated data divided by the total eligible assets for a given indicator

		Carbon footprint scope 1+2+3 (tCO <sub>2</sub> eq per million EUR invested)	442	n/a	42%	<p>coal extraction &amp; power generation (&gt; 25% revenue), unconventional oil and gas (&gt; 10% revenue) and offshore arctic oil &amp; gas exploration (&gt; 10% revenue), Oil&amp;Gas production (&gt; 25% revenue).</p> <p><b>ESG Integration</b>            Since 2018 we have put in place a central repository of environmental, social and governance information (i.e. “ESG Scorecard”), our analysts are integrating those information into their evaluations (both equity and credit)</p> <p>Since 2018 we have put in place an ESG Due Diligence Questionnaire and we ask all our Third Party Fund Managers to complete it. The questionnaire includes both firm- and fund-level questions. The completed questionnaires are assessed and scored on four pillars (Management Firm commitment to ESG, Investment Process, Active Ownership, Monitoring and Reporting). Each fund is ranked with a score from 1 (ESG Laggard) to 5 (ESG Leader). This structured and robust approach offers us a strong foundation to integrate further criteria around climate based on the identified best practices and as managers increasingly transition their strategies.</p> <p><b>Active Ownership</b>            Our voting and engagement guidelines incorporate the support for management &amp; shareholder resolutions fostering climate action &amp; disclosure, as</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies scope 1+2 (tCO <sub>2</sub> eq per million EUR revenue)	130	n/a	42%	
		GHG intensity of investee companies scope 1+2+3 (tCO <sub>2</sub> eq per million EUR revenue)	757	n/a	42%	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector (%)	6%	n/a	43%	

						<p>well as promoting enhanced environmental &amp; social performance of operations, products, and services. In 2022 we initiated a strategic Group Engagement Focus program which includes the priority theme of climate change.</p> <p>As an example of our voting activity, in 2022 we supported only 25% of the management resolutions identified by ISS as relating to climate, as we didn't consider them ambitious enough. In addition we supported a majority of the shareholder proposed resolutions requesting additional disclosure on climate targets.</p> <p><b>Actions planned</b> As part of our Climate Action Plan, we have committed to reducing our own scope 1 and 2 emissions at operational level and, critically, to steadily increasing the proportion of our investee companies/third party managers with specific science-based targets (to mitigate climate change) to 40% by 2025, 60% by 2030 and 100% by 2040.</p> <p>In 2023, we plan to continue our efforts to engage with issuers and third party fund managers across our investment portfolios to encourage them to set science-based targets, grow and launch new investment solutions that foster the low-carbon transition, and motivate other stakeholders join the net-zero transition.</p>
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						In 2023 we have initiated a dedicated energy transition working group that is reviewing Pictet's current approach and convictions to strengthen our frameworks around fossil fuel investments in line with the transition to net zero.
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption / Total energy consumption of investee companies (%)	61%	n/a	23%		Due to lack of information from investee companies, the coverage ratio for these indicators are insufficient to meaningfully assess the materiality of this issue. Once coverage improves, we will consider, if material, how to integrate this indicator in our investment processes.
	Share of non-renewable energy production / Total energy production of investee companies (%)	27%	n/a	7%		
6. Energy consumption intensity per high impact climate sector	Energy consumption intensity by sectors (GWh per million EUR revenue)					
	<i>Agriculture, forestry and fishing</i>	14	n/a	<1%		
	<i>Mining and quarrying</i>	2	n/a	2%		
	<i>Manufacturing</i>	78	n/a	15%		
	<i>Electricity, gas, steam and air conditioning supply</i>	11	n/a	1%		
	<i>Water supply; sewerage; waste management and remediation activities</i>	2	n/a	<1%		



		<i>Construction</i>	0	n/a	1%	
		<i>Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	0	n/a	2%	
		<i>Transporting and storage</i>	1	n/a	<1%	
		<i>Real estate activities</i>	1	n/a	<1%	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (%)	23% <sup>5</sup>	n/a	43%	<p><b>Exclusions</b></p> <p>Our responsible investing strategies exclude companies:</p> <ul style="list-style-type: none"> <li>- with a significant proportion of activities or products that are harmful to biodiversity (e.g. Pesticides production or retail if revenue are &gt; 10%)</li> <li>- in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe biodiversity losses.</li> </ul> <p><b>Active Ownership</b></p> <p>In 2022 we initiated our strategic Group Engagement Focus program which includes the priority topics of biodiversity and deforestation.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on biodiversity and deforestation, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p>

<sup>5</sup> For activities negatively affecting biodiversity-sensitive areas, we rely on a dedicated data set from a third-party data provider. The data provider is currently reviewing its methodology for this indicator, consequently, the roll-out of the enhanced data set may alter the values.

						<p><b>Actions planned</b></p> <p>In 2022, Pictet joined a range of Multi-stakeholder initiatives such as the <u>Finance for Biodiversity Pledge</u> and several engagement initiatives by FAIRR related to biodiversity. As signatories to the Pledge, we committed, among other topics, to set nature-related targets by year-end 2024. Pictet also became official supporters of the Taskforce on Nature-related Financial Disclosures (TNFD).</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0	n/a	5%	<p><b>Exclusions</b></p> <p>Our responsible investing strategies exclude companies that are in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including emissions to water.</p> <p><b>Active Ownership</b></p> <p>In 2022 we initiated our Group Engagement Focus program which includes the priority theme of water. Pictet also became a founding signatory of Ceres' Valuing Water Finance Initiative aimed at promoting good corporate water stewardship practices through collaborative engagement.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on water, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p><b>Other commitment</b></p> <p>Pictet is a pioneer investor in water solutions, having launched our flagship Water Fund in 2000.</p>

Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	2	n/a	18%	<p>Due to lack of information from investee companies, the coverage ratio for these indicators are insufficient to meaningfully assess the materiality of this issue. Once coverage improves, we will consider, if material, how to integrate this indicator in our investment processes.</p> <p><b>Active ownership</b> We may engage with companies involved in the production of hazardous waste or with poor waste management practices. Where relevant, we used proxy voting to reinforce our engagement activity on waste, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p>
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	1%	n/a	43%	<p><b>Exclusions</b> Our Responsible Investing strategies exclude companies that severely violate (i) the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption. or (ii) OECD Guidelines for Multinationals, including severe social and employee issues.</p>

	<p>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</p>	<p>Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)</p>	<p>46%</p>	<p>n/a</p>	<p>21%</p>	<p><b>Active Ownership</b></p> <p>In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as community impacts, human rights, labour standards, health and safety, or business ethics and corruption.</p> <p>Our Group Engagement Focus program also includes the priority topic of talent retention and development, of which gender diversity is an important factor.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p>In addition, we vote against or withhold on Directors individually, on a committee, or potentially the entire Board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks.</p> <p>In 2022 there were 14 resolutions at 6 companies where we voted against or withheld due to concerns about a backdrop of significant risks to shareholders stemming from severe ESG controversies which were identified at the company, reflecting a failure by the board to proficiently guard against and manage material environmental, social and governance risks.</p>
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						<p>While some of these related only to climate change related issues the majority included concerns about more than one risk or controversy.</p> <p><b>Other commitments</b>                  In 2022, Pictet joined the UN Global Compact, committing to adhere to its principles around human rights, labour, environment and anti-corruption. In 2022, Pictet also signed the FAIRR Working conditions engagement letter: Unpacking labour risk in global meat supply chains.</p>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (%)	15%	n/a	4%	<p>Due to lack of information from investee companies, the coverage ratio for these indicators are insufficient to meaningfully assess the materiality of this issue.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (%)	36%	n/a	41%	<p>Once coverage improves, we will consider, if material, how to integrate this indicator in our investment processes.</p> <p><b>Active ownership</b>                  Where relevant, we used proxy voting to reinforce our engagement activity on these topics, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient. This includes generally voting against or withhold from the chair of the nominating committee, or relevant committee member depending on jurisdiction, if the board lacks at least one director of an underrepresented gender identity.</p>

	<p>14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</p>	<p>Share of investments in investee companies involved in the manufacture or selling of controversial weapons (%)</p>	<p>0%</p>	<p>n/a</p>	<p>43%</p>	<p><b>Exclusions</b></p> <p>Since 2011 all managed strategies invested directly in equity and corporate bonds do not invest in companies involved with nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NMT) and other controversial weapons.</p> <p><b>Active ownership</b></p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on weapons, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p><b>Other commitments</b></p> <p>In August 2018, Pictet — who have a seat on the Board of Swiss Sustainable Finance (SSF) — spearheaded a collaborative initiative together with SSF, aimed at removing controversial weapons manufacturers from mainstream indices and benchmarks.</p>
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**Table 1: Indicators applicable to investments in sovereigns and supnationals. Eligible Assets: 12%**

Adverse sustainability indicator		Metric	Impact year 2022	Impact year 2021	Explanation / Coverage rate	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries (tons of CO <sub>2</sub> eq per million EUR GDP)	250	n/a	17%	<p><b>Universe and portfolio construction</b></p> <p>Responsible investing strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider GHG intensity if material to their strategy or to issuers they invest in.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number / relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Q1:1/9% Q2:1/10% Q3: 0/0% Q4: 0/0%	n/a n/a	17%	<p><b>Exclusions</b></p> <p>For sovereign and quasi-sovereign issuers, exclusions or enhanced due diligence is applied based on (i) international sanctions as defined by Switzerland, the European Union and/ or the US Office of Foreign Assets Control (OFAC), (ii) EU financial sanctions, (iii) countries affected by violent conflict as defined by the World Bank (iv) an independent assessment of countries' vulnerability to conflict or collapse as determined by the Fragile State Index (FSI) , (v) countries subject to export related sanctions by the EU.</p> <p><b>Actions planned</b></p>

We will continue to monitor social violations. We will continue to review and expand our approach to sovereign engagement.

**Table 1: Indicators applicable to investments in real estate assets.**

Adverse sustainability indicator	Metric	Impact year 2022	Impact year 2021	Explanation / Coverage rate	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels (%)	n.c.	n/a	Investments in real estate asset class represent a marginal share of the overall assets in scope of the present PAI statement. Moreover, exposure to real estate in our managed strategies is traditionally not achieved through direct investments. Given the lack of PAI indicators data available at fund level, it was not possible to provide a value for these metrics.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets (%)	n.c.	n/a	



**Other indicators for principal adverse impacts on sustainability factors**

**Table 2: Indicators applicable to investments in investee companies. Eligible Assets: 51%**

**CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS**

Adverse sustainability indicator	Metric	Impact year 2022	Impact year 2021	Explanation / Coverage rate	Actions taken, and actions planned and targets set for the next reference period	
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in energy-inefficient real estate assets (%)	28%	n/a	26%	<p><b>Active ownership</b>                      In 2022 we published our Pictet Climate Action Plan which includes our commitment to net zero by 2050 as well as interim science-based targets. Key actions to progressing towards these objectives included engaging with issuers to encourage them to set science-based targets, develop decarbonization plans to achieve them, and report on their progress. Where relevant, we use proxy voting to reinforce our engagement activity on climate change, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p>For example, in 2022 we supported only 25% of the</p>

						<p>management resolutions identified by ISS as relating to climate. In addition we supported a majority of the shareholder proposed resolutions requesting additional disclosure on climate targets.</p> <p><b>Actions planned</b> 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.</p> <p>Our Climate Action Plan is based on three pillars of action:</p> <ol style="list-style-type: none"> <li>1. Engaging with the issuers and funds of our investments to set science-based targets</li> <li>2. Growing and launching new investment solutions that foster the low-carbon transition</li> <li>3. Motivating other stakeholders to join the net-zero transition through advocacy and partnerships</li> </ol>
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**Table 3: INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

<b>Adverse sustainability indicator</b>	<b>Metric</b>	<b>Impact year 2022</b>	<b>Impact year 2021</b>	<b>Explanation / Coverage rate</b>	<b>Actions taken, and actions planned and targets set for the next reference period</b>
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<p>Anti-corruption and anti-bribery</p>	<p>15. Lack of anti-corruption and anti-bribery policies</p>	<p>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (%)</p>	<p>1%</p>	<p>n/a</p>	<p>32%</p>	<p><b>Exclusions</b> Our Responsible Investing strategies exclude companies in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe corruption and bribery issues.</p> <p><b>Active ownership</b> In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as business ethics and corruption. Where relevant, we use proxy voting to reinforce our engagement activity on business ethics and corruption, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p>
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## Description of policies to identify and prioritise principal adverse impacts on sustainability factors

### Governance in relation to policies

Pictet Wealth Management's Responsible Investment Policy adopted by Bank Pictet & Cie (Europe) AG and its EU branches sets the framework for expectations, responsibilities and processes relevant to the incorporation of ESG considerations within our investment processes and stewardship activities. The Policy covers, among others:

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

Pictet Wealth Management ESG Steering Committee reviews and approves the Policy and any changes to it prior to its publication. The Policy is reviewed and potentially revised annually, but it can also be updated outside this annual cycle as required. This policy applies to Pictet Wealth Management business division across all legal entities of Pictet group including Bank Pictet & Cie (Europe) AG.<sup>7</sup>

The last update of the Responsible Investing policy came into force in June 2023. The policy is accessible from our website or through the link: <https://www.pictet.com/content/dam/www/documents/brochures/responsibility/PWM-Responsible-Investing-Policy.pdf>.coredownload.pdf

### Identification and assessment of principal adverse impact

At Pictet Group level, we aim to reduce the most significant negative impacts of our investments and we do have exclusion policy in place with regards to controversial weapons and thermal coal extraction applicable to all portfolios under discretionary portfolio management.

Furthermore, we address principal adverse impacts on the environment and society through active ownership activities, including voting and engagement. In 2022, at Pictet Wealth Management, we voted at 91 Annual General Meetings (AGMs) and supported close to 30 management & shareholder resolutions addressing a broad range of ESG issues related to principal adverse impacts including, greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.

Finally, we may engage issuers on material ESG factors and encourage them to address those effectively over the short, medium and long term. As part of our approach we rolled out a Pictet Group Engagement Framework focusing on a number of themes including high risk

activities, severe controversies, climate change, biodiversity and water. Overall, we have identified more than 70 engagement objectives directly linked to PAI indicators in 2022.

With regards to our discretionary portfolio management activities, we do actively consider PAIs only in our SFDR Article 8 responsible investing solutions.

- When investing directly in securities (equity and fixed income) we use a combination of approaches to consider and, where possible, mitigate material adverse impacts of our investments on society and the environment. The degree and the way these impacts are considered depend on factors such as the investment strategy, the specific context of the investment that is causing the adverse impact, or the availability of reliable data. As a starting point, we identify and mitigate principal adverse impacts through the application of our Responsible Investing exclusion framework (see Appendix B of PWM Responsible Investing Policy).
- When investing in funds, we do consider PAI by ensuring that the majority of funds selected meets SFDR Article 8 or 9 requirements and do themselves consider PAI. Such information about whether or not fund considers PAI is collected directly from the fund managers (through the European ESG template (EET), which is the industry standard used by fund managers to exchange information electronically about the ESG characteristics of their funds). This complements the comprehensive ESG due diligence we apply to assess fund managers. The questionnaire includes both firm- and fund-level questions. The completed questionnaires are assessed and scored on four pillars (Management Firm commitment to ESG, Investment Process, Active Ownership, Monitoring and Reporting). Each fund is ranked with a score from 1 (ESG Laggard) to 5 (ESG Leader). This structured and robust approach offers us a strong foundation to integrate further criteria around climate based on the identified best practices and as managers increasingly transition their strategies.

## Data sources

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

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

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

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

The following providers are currently used for PAI indicators data at company level: reporting: Sustainalytics, ISS, SBTi, VeriskMaplecroft. More information about the external data sources used is available upon request.

### Engagement policies

In 2022 Pictet launched a Group Engagement Focus, a group-level process to focus on our four key ESG themes: climate, water, nutrition and long-termism. The process also includes targeting engagements with companies involved in severe controversies and/or in high ESG risk industries/activities. Beyond investment cases identified through the Group framework, Investment teams are free to engage on other ESG topics with companies they are invested in.

Engagement efforts are guided by an internal Engagement procedure & guidelines. Engagement dialogues are result-oriented and seek the achievement of pre-defined objectives within a given time horizon. As at end of January 2023, there were 25 engagement candidates targeted by Pictet Wealth Management.

More detailed information on engagement activities and proxy-voting policies can be found respectively in Pictet Wealth Management's [Active Ownership report](#) and [Responsible Investing Policy](#).

### References to international standards

**Paris Agreement** (Table 1 PAI 1-6, Table 2, PAI 4).

In 2021, Pictet joined the **Net Zero Asset Manager initiative**, committing to the net-zero greenhouse-gas emissions transition by 2050 or sooner. We also commit to ensuring a science-based approach to target setting through supporting the **Business Ambition for 1.5 degrees from the Science-Based Targets Initiative**.

We are also:

- a signatory of the Carbon Disclosure Project (CDP)
- a member of the Adaptation & Resilience Working Group of the IIGCC (Institutional Investors Group on Climate Change)
- an official supporter of the Taskforce for Climate-Related Financial Disclosures (TCFD).

For more information, please refer to our Climate Action Plan: <https://www.pictet.com/ch/en/responsible-vision/climate-action-plan>)

**Since 2022 Pictet is a signatory of the Finance for Biodiversity Pledge (Table 1, PAI 7)**

In 2022, Pictet joined the **UN Global Compact (Table 1 PAI 10-11)**

Pictet adheres to the **Convention on Cluster Munitions** (Table 1, PAI 14)

Pictet is signatory to the UN Principles for Responsible Banking and was an early signatory to the Principles for Responsible Investing in 2007. Pictet is a member of the International Corporate Governance Network (ICGN).

### **Swiss associations**

Pictet Wealth Management is also a member of a number of local investment associations discussing Responsible Investing topics, including Swiss Sustainable Finance, Swiss Association of Private Banks, Swiss Banking Association.

### **Historical comparison**

The earliest historical comparison will be provided in June 2024.