PICTET
1805

PICTET WEALTH MANAGEMENT 2025

Pictet Wealth Management

Active Ownership Report

Contents

Foreword

Responsibility is one of Pictet's five guiding principles and when managing our clients' wealth, our responsible-investing vision is a cornerstone of our purpose. We are committed to preserving and growing the wealth of our clients for both current and future generations, and believe that integrating sustainability considerations throughout our investment process helps supports this.

Our responsible-investing vision is a strategic priority because it represents a significant investment opportunity. It is underpinned by our commitment to allocate capital aligned with our investment-led convictions and engage with issuers to generate returns on investments for the long-term benefit of our clients.

We are among the first wealth managers to actively vote and engage on behalf of clients. Shareholders have two options when invested in companies exposed to sustainability risks: dissociate and divest, or engage in dialogue to encourage best practices, including both risk mitigation and opportunity capture. We believe responsible stewardship of our clients' investments requires engagement and voting, both critical components of our active-ownership strategy. Divesting and exclusion deprives us of the ability to influence real outcomes, while remaining invested provides a seat at the table. We stand firm in this approach and see it as even more important during times when investors' role regarding sustainability challenges is called into question. We also leverage our influence as shareholders through engagement collaborations with other investors who share our objective of driving long-term value creation.

Through our active ownership activities, we communicate our expectations transparently, affirm a company's progress, and highlight areas where sustainability risks could be better managed. Our proxy voting decisions rely on strong guidelines for corporate governance, emphasizing good practices in board and management, executive remuneration and risk control.

Our long-term focus and investment expertise help to protect, grow, and transmit wealth responsibly, while our engagement and voting practices differentiate us in the evolving wealth-management landscape.

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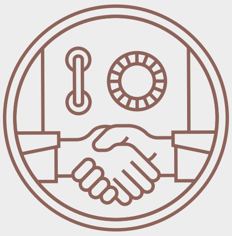
JILLIAN RÉGNIER

2024 highlights



Engagement with

10

External Fund managers

20

Analysts & CIO involved

104

Companies

1813

Resolutions voted

More than

80%

eligible AUM voted on

From

10 to 27

corporate engagements

More than

50%

related to Climate risks

Introduction

Since the Pictet Group was founded in 1805, we have aimed to ensure the prosperity of our clients over the long term. At Pictet Wealth Management, this means preserving and growing our clients' wealth for both the current and future generations. Consistent with our fiduciary duty to act in the best interests of our clients, we are committed to integrating material environmental, social and governance (ESG) criteria in our investment processes and active ownership practices to enhance returns and mitigate risks over the medium to long term.

For Pictet, the transition to a more resilient and sustainable economy is a strategic priority. It represents both an urgent challenge and an investment opportunity. As an investment-led service company, our role is to allocate capital to stimulate innovation, contribute to financial stability and generate returns on investments for the long-term benefit of our clients.

Our sustainability strategy is grounded in three pillars of action

Invest in companies providing **solutions** that enable the transition to a more resilient and sustainable economy	Direct capital towards investments with credible **transition** plans	**Engage** for change with issuers, our clients, and our communities

Investors have the potential to drive impact in their investments through active ownership. For corporate shareholders, this starts with proxy voting. For both corporate shareholders and corporate or sovereign bondholders, investors can engage through direct dialogue with key management and decisionmakers, be they corporate leadership, external fund managers or sovereign issuers.

Pictet Wealth Management is among the first wealth managers to actively vote and engage on behalf of clients.

The overarching purpose of our proxy voting and engagement activities is to protect and promote the long-term interests of our clients as shareholders. We consider it our responsibility to engage with companies' management to ensure that their businesses are run with a long-term vision, adhere to their strategy and deliver shareholder value. Pictet aims to support a strong culture of corporate governance and effective management of environmental and social issues material for business sustainability.

Pictet Wealth Management is among the first wealth managers to actively vote and engage on behalf of clients.

Being an active owner enables Pictet not only to define expectations for business performance, but also to catalyse organisational and strategic change when needed. Engaging with issuers and external fund managers enables a partnership relationship between investor and investee and mutually beneficial outcomes. This is particularly the case when investors are long term, which deepens credibility and trust with engagement targets. Where possible, we also vote at annual general meetings (AGM) of companies we engage with, using voting as an additional lever in engagement dialogues.

Engage vs exit

Responsible shareholders have two options when invested in a company that is exposed to sustainability risk or creates negative environmental or social externalities. The first option is to dissociate and divest. The second is to engage in dialogue to initiate positive change. Although active ownership increases administrative and indirect costs, this has been shown to lead to higher returns, especially when engagement is successful and conducted in collaboration with other investors.

Read more in an E4S study we supported "Active Ownership: for what impact?".

Voting

Proxy voting enables shareholders to influence corporate actions and ensure that management decisions align with their interests. Over the years we have built a strong framework to align our voting practices with best practices. It is based on the expert views of fundamental analysts, portfolio managers and sustainability experts guided by dedicated guidelines regarding corporate governance.

Thoughtful and considered voting remains a critical stewardship tool for investors to communicate their asks in a transparent way, affirm a company's progress and highlight areas where ESG risks could be better managed. PRI.

VOTING GUIDELINES ON GOVERNANCE AND FAMILY FIRMS FOCUS

Our proxy voting decisions rely on strong guidelines for corporate governance, emphasising the importance of good practices in board and management, executive remuneration and risk control.

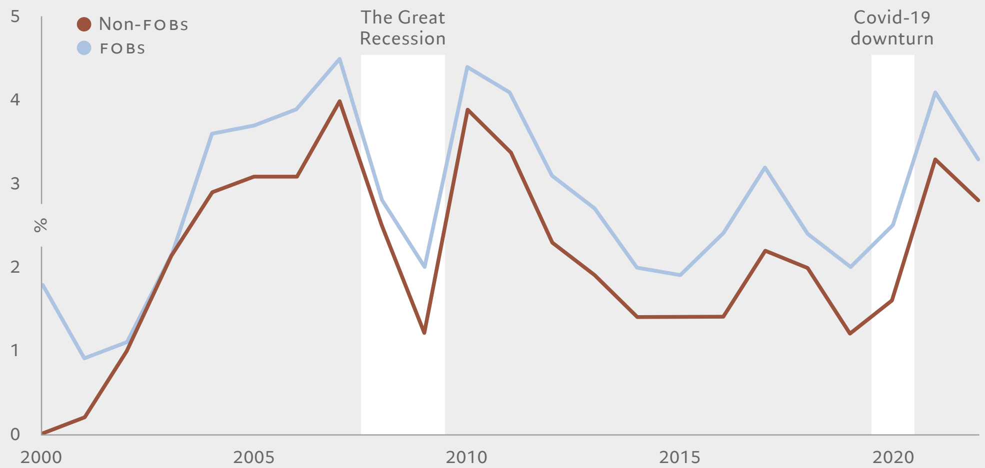
BOARD STRUCTURE

We believe there should be at least a majority of independent non-executive representation on the board that can give investors a degree of protection and assurance by ensuring that no individual or non-independent grouping has unlimited powers or authority. Individual independence is assessed on a case-by-case basis, taking into consideration tenure, relationships with major shareholders and any previous connections to the company. Our preference is for leadership of the board (chair) and leadership of the company (CEO) to be separate. This reflects the important role the board plays in monitoring and challenging senior management. Where the chairman and CEO are not separate there should be a lead independent director identified to act as an effective conduit for investors to raise concerns.

The specific case of Family owned Companies

We have a specific approach for family-owned companies. Research highlights that, for family businesses, while the presence of a major shareholder can reduce board independence, it can also bring other advantages to minority shareholders, namely a more conservative approach to decision making, greater prudence and a board whose objective is the company's long-run success rather than quarterly targets. Our own family-based model enables particular insight into how family businesses are optimally run for the long term.

Family-owned businesses have survived and thrived over decades because they are adaptable and resilient.
Average economic spread for family-owned businesses (FOBS) and non-FOBS,[1] %



[1] The performance of 600 publicly listed FOBS was analysed and compared with that of 600 publicly listed companies that are not family owned. Another 600 primarily private FOBS around the world were also surveyed.

Source: McKinsey & Company

Family-owned businesses, which include well-known companies like Levi Strauss and L'Oréal, play a signficant role in the global economy, contributing over 70% of global GDP and 60% of global employment. McKinsey research analysing 600 publicly-listed family-owned businesses and comparing them with 600 non-family-owned models, revealed some interesting insights regarding performance. Family-owned businesses have demonstrated remarkable resilience and adaptability, often outperforming their non-family-owned counterparts. This success is attributed to a combination of "critical mindsets" and strategic actions that significantly enhance their value over time.

The critical mindsets that distinguish high-performing family-owned businesses are a focus on purpose beyond profits, a long-term perspective with an emphasis on reinvestment, a conservative financial stance and efficient decision-making processes. These mindsets enable family-owned businesses to maintain a competitive edge and sustain their performance across generations.

High-performing family-owned businesses also implement strategic actions: diversifying their portfolios, dynamically reallocating resources, being efficient investors and operators, focusing relentlessly on talent, and continually reviewing governance mechanisms. For instance, these businesses often diversify beyond their core operations, with many pursuing mergers and acquisitions to access new technologies, industries and geographies.

A long-term perspective allows family-owned businesses to prioritise sustainable growth over short-term gains. This is facilitated by ownership structures that often involve significant family control, enabling them to make patient and strategic investments. Additionally, a conservative financial approach, characterised by lower leverage ratios, can help to better weather economic shocks.

Owner managers prioritise projects and investments that create long-term value for the company and typically do so while maintaining strong balance sheets. The financial health and sustainability of the company comes before short-term profits. Research has shown that this differentiated approach can create sustainable competitive advantages for family run and founder led businesses.

That is why at Pictet Wealth Management, we feel it is sufficient for family-owned companies to have at least 33% board independence, rather than the minimum 50% mandated by some ESG agencies. Even if independence thresholds are not met, our philosophy is not to vote against the founder, as we believe that their expertise is extremely valuable, although we are aware of the power and influence that comes with that.

Remuneration

Remuneration frameworks should:

- Strike an appropriate balance between fixed and variable, short and long-term elements of pay, placing a premium on reward for genuine sustained performance. Satisfy long-term incentives through shares which have a performance period of at least three years with an additional holding period applied. Such bonus should be subject to malus/clawback rules which are provision that allows an employer to reclaim previously awarded bonuses from an employee in cases of misconduct, financial restatement, or failure to meet specific performance criteria.
- Encourage appropriate levels of long-term share ownership amongst the company leadership and, where possible, foster share ownership throughout all layers of the organisation.
- Avoid arrangements that would encourage the destruction of long-term investor value or one-off incentive arrangements concerning specific ventures that may distort alignment with total corporate performance and returns. For example, transaction-based incentive arrangements.

Risk Control & Reporting

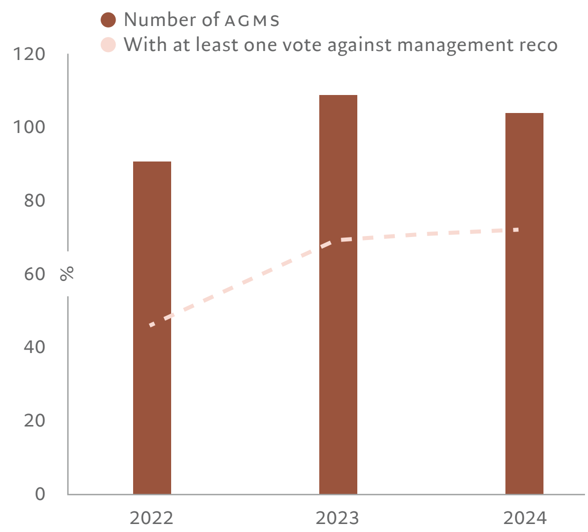
Transparency and integrity in financial reporting are a key topics for us as we expect companies to produce quality accounts and communicate clearly with investors. Our guidelines also calls for independent audits, regular auditor rotation, and clear distinctions between audit and non-audit fees.

OUR 2024 VOTING ACTIVITIES

In 2024, Pictet Wealth Management voted at 104 Annual General Meetings on a total of 1,813 resolutions (1,662 proposed by management and 151 proposed by shareholders). Of these, we voted at least once against management recommendations in 60% of the time.

Our approach to voting is articulated around the implementation of a case-by-case assessment of each voting item. Our selective approach to voting allows us to support shareholder proposals where we deem appropriate. However, we have denied support to management-led proposals on several strategic occasions. We also supported the shareholder resolutions displaying clear and detailed rationales, aligned with long-term value creation. We specifically supported those that integrated industry-specific criteria and sought to enhance the scope of existing strategies and targets such as one related to the reduction of emissions of the use of energy products (Scope 3) for an energy company.

Total AGMs voted and % with vote against management



Source: PWM Research

Over the past three years, we have significantly expanded our coverage, both in terms of the number of company AGMs we vote in and the assets under management covered by our votes. This growth has enabled us to serve a broader base of our client assets, ensuring that we support long-term value creation via all levers at our disposal. In order to do so, we review and build our voting universe every year to make sure we vote for the most of our clients assets.

As we have matured in our voting practices, we have observed a notable shift in our approach towards voting decisions. Specifically, there has been a notable increase in the proportion of instances where our votes did not align with management recommendations. This evolution reflects our sharpened stance on key issues that are of growing importance for us. We see difference in alignment mostly related to corporate governance matters on shareholders rights as well as board composition and on specific ESG issue where we tend to support more disclosure from companies on specific area (Climate, plastics, DEI…).

> Our approach to voting is articulated around the implementation of a case-by-case assessment of each voting item, allowing us to support shareholder proposals where we deem appropriate.

Several factors have contributed to this change. Firstly, there has been a rise in shareholder resolutions, which often bring to light critical issues that may not always be supported by company management. These resolutions have played a pivotal role in guiding our voting decisions, as they often highlight concerns related to environmental, social and governance (ESG) criteria.

Additionally, our increased scrutiny on the re-election of directors and executive compensation has also influenced this rise in dissention with management recommendation. As defined per our guidelines, we recognise the importance of ensuring that corporate leadership is held accountable and that executive pay structures align with the long-term success and ethical standards of the company. By adopting a more rigorous approach, we aim to drive positive change within the companies we invest in, fostering a culture of transparency, responsibility and sustainable growth.

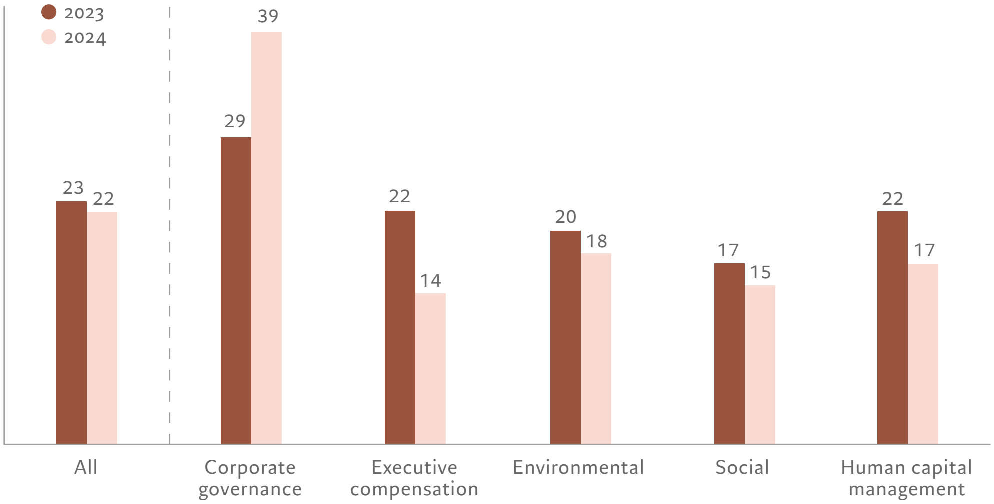
Through these efforts, we continue to act with conviction as stewards for our clients, by enhancing the integrity and performance of the companies we engage with.

2024 MARKETS TRENDS

Governance Takes Center Stage in 2024 Proxy Season

The 2024 proxy season underscored a significant shift towards prioritising governance as a cornerstone of corporate success. This trend was evident in the increased support for governance-related proposals, which saw a notable rise in average backing from shareholders.

Average support down in every category except governance
Shareholders proposals – average support, by subject (Russell 3000)



2023/2024: January through June
Source: ESGAUGE/The Conference Board, 2004

One of the most striking developments was the success of proposals aimed at eliminating supermajority vote requirements. These proposals, which simplify governance structures and enhance shareholder rights, saw a dramatic increase in support. For example, In 2024, 43 such proposals were on the ballot on Russell 3000 companies, with 31 receiving majority support, compared to just 8 in 2023. This shift indicates a strong push towards more democratic and transparent corporate governance. We supported all the resolution related to the elimination of supermajority or else the adoption of simply majority votes within our voting universe.

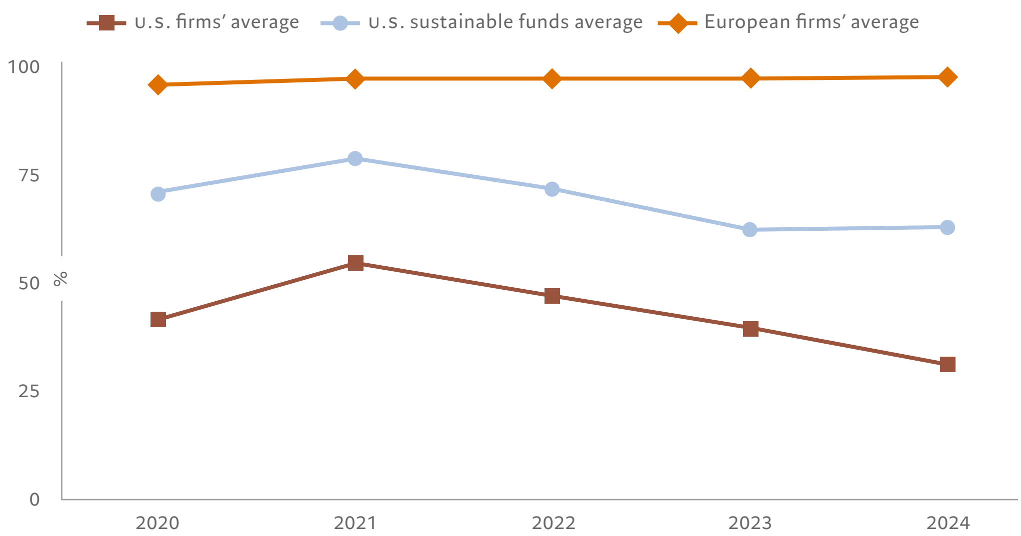
Governance proposals overall received an average support of 39% in 2024, up from 29% in 2023. This increase was largely driven by proposals advocating for the rights of minority shareholders, such as those calling for special meeting rights and independent board chairs and we have supported most of these resolutions. Investors also continued to emphasise the importance of board composition, director independence and accountability. Concerns about board responsiveness and governance structures were significant drivers of low support for director elections, with issues like problematic capital structures and poison pill adoptions without shareholder approval being key points of contention.

E&S Proposals Lose Ground in the US

In contrast to the focus on governance, support for environmental and social (E&S) proposals in the US continued to wane. This decline, observed over the past few years, was particularly pronounced in 2024.

Average support for E&S proposals continued to decline, with major institutional investors like BlackRock and Vanguard showing minimal support. According to Morningstar data, BlackRock supported only 4% of E&S proposals, a sharp drop from 47% in 2021, while Vanguard did not support any E&S proposals in the year leading up to June 2024. This decline can be attributed to several factors, including the overly prescriptive nature of many E&S proposals, their high implementation costs, lack of economic value and redundancy with existing policies. Additionally, companies have made substantial improvements in E&S disclosures, reducing the perceived need for such proposals.

Average support for significant E&S resolutions
Resolutions voted at U.S. companies, last five proxy years



Source: Morningstar proxy voting database, Morningstar Sustainalytics stewardship research. Data as of Jan.15, 2025. Note: Data shown is for U.S. environmental and social resolutions with significant independent support for proxy years ended June 30. See Appendix 2 for full methodology.

The decline in support for E&S proposals in the US also coincides with the growing politicisation of these issues and political backlash against corporate E&S initiatives. This has led to increased scrutiny and criticism from regulators and policymakers, further influencing investor voting behaviour.

While we understand the drivers behinds this decline in the US, the review of our voting guidelines has not led us to change our approach in the same way. We have stayed focus on being selective of the ESG resolution and did not observe any specific decline in our support to these items.

Climate-Related Proposals: A Mixed Bag

Climate-related proposals remained a significant focus during the 2024 proxy season, with varying levels of support and success across different regions.

In Europe, the number of Management Say-on-Climate proposals remained steady at 23, with average support relatively stable at 89.3%. However, oil and gas companies continued to face high levels of dissent, with Repsol, Shell, and TotalEnergies receiving lower support compared to previous years . Shareholders tabled 13 climate-related proposals in Europe, primarily in Nordic countries. These proposals focused on aligning company strategies with the Paris Agreement and setting science-based targets for greenhouse-gas emissions. Support for these proposals varied, with some receiving low support, such as the fossil-fuel financing proposals at Nordic banks.

"Management Say on Climate" resolutions are initiatives proposed by a company's management, seeking shareholder approval or feedback on the company's climate strategy. These resolutions invite shareholders to vote on and provide input regarding the company's plans to address climate change, including its targets for reducing emissions and its overall approach to sustainability. The aim is to foster transparency and accountability, allowing shareholders to play a role in shaping the company's environmental policies and ensuring alignment with broader climate goals.

Common concerns with climate-related proposals included limited information on decarbonization measures, lack of disclosure on financial impacts related to climate risks, and insufficient clarity on intermediate target alignment with climate scenarios. These issues highlight the ongoing challenges companies face in meeting investor expectations for robust climate strategies and are included in our voting guidelines.

Overall, the 2024 proxy season highlighted a strong focus on governance improvements, a decline in support for E&S proposals in the US while Europe remains stable, and continued scrutiny of climate-related initiatives, reflecting the evolving priorities and concerns of investors. While we acknowledge that some part of the investors base might become more polarized on E&S we remain very independent to act in the best interest of our clients over the long term. We support management by voting in line with resolutions that enable the company to pursue a successful value-creation path. While we are aware that progress takes time and effort, we consider voting as an opportunity to influence change. Failing to do so risks a missed opportunity to actively urge companies to adopt better ESG standards and protect investors' best interests in so doing.

Engagement

At Pictet, we believe engaging for change is fundamental to responsible investment stewardship. Active engagement allows us to influence companies to align with the long-term best interests of our clients. This approach supports better long-term investment outcomes, as promoting improvements in how companies manage their exposure to environmental, social, and governance (ESG) risks and opportunities can reinforce durable value creation.

OUR 2024 ENGAGEMENT ACTIVITIES AND PROCESS

Engagement involves a purposeful dialogue between investor and investee, with a specific and targeted objective to achieving change. At Pictet our engagement efforts are both bottom up, informed and driven by investment teams' ESG analyses, and top down, in collaboration across Pictet business lines. Top-down engagements focus on the most material issuers primed for engagement, based on three criteria: exposure to the themes where we have expertise and credible investment experience; involvement in activities with high sustainability risk exposure; and companies involved in controversies.

FOUR THEMES AND EIGHT ANGLES	
Climate	1. Low carbon transition
	2. Sustainable forests
Water	3. Water conservation
	4. Water quality
Nutrition	5. Healthier food
	6. Biodiversity
Governance	7. Long-term performance culture
	8. Talent development and retention

HIGH ESG RISK ACTIVITIES	
Energy	Thermal coal – Extraction
	Thermal coal – Power generation
	Oil and gas – Arctic drilling oil and fracking
	Oil and gas – Production
	Nuclear power generation
Weapons	Controversial weapons
	Small arms civilian customers
	Small arms law enforcement and key components
	Military contracting weapons
	Military contracting weapons related products
Food and health	Tobacco production
	GMO development and growth
	Pesticides retail and production
Others	Adult entertainment
	Gambling

The objectives of these interactions are to assess an organisation, monitor that its strategy is being implemented in line with our expectations and ensure that issuers are on track to meet their goals and objectives.

For each engagement conducted by the Bank, we aim to set or support defined objectives, and track progress against these objectives.

ENGAGEMENT THEMES/ANGLES	COMPANIES	EXTERNAL FUND MANAGERS
Climate - Low Carbon Transition	15	10
Governance - Long Term Performance Culture	8	
Food and health - Tobacco Production	4	
Weapons – Military contracting weapons	1	
Business Ethics Incidents	1	
Food and health - Pesticides	1	

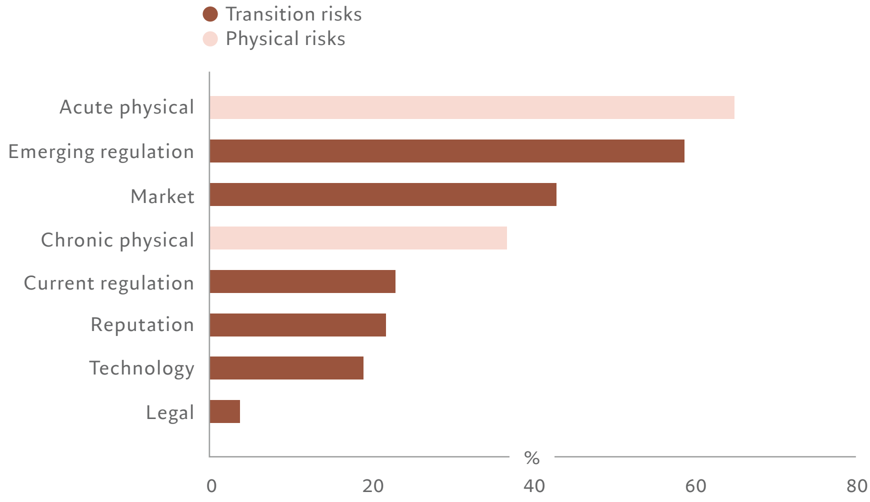
In 2024, our engagement efforts were mostly driven by low-carbon transition and governance considerations. This reflects our strong conviction that climate resilience and governance are highly material for companies and applying best practices in these areas is key to drive long-term value creation.

OUR COMMITMENT TO CLIMATE STEWARDSHIP

Engagement can be effective in encouraging change, like the transition low-carbon practices. In addition to positive environmental and social impacts, transitioning to more sustainable business practices can translate into financial returns. As companies respond to calls to reduce their exposure to climate-related physical and transition risks, their stock and bond issuances can gain value, potentially translating to capital gains for investors. Over time, as corporations' exposure to climate risks (both physical and transition) are reduced, investors will require lower compensation for holding climate-aligned firms in their portfolios. Through a systematic evaluation of a company's climate change practices and performance, investors can engage meaningfully with the firms they invest in.

At Pictet, we have numerous engagement goals related to Climate. They include encouraging companies to set science-based emissions reduction targets, incorporate climate change considerations into business and risk management strategies, setting governance frameworks to manage responses to the financial risks and opportunities of climate change, and improving climate change-related disclosures.

Share of companies reporting various climate risks as material[1]



[1] Based on over 6,000 company disclosures to the Carbon Disclosure Project (CDP)

In 2024, we witnessed the exits of several US financial institutions from climate-related investor initiatives. We believe these are largely driven by the politicisation of climate change in the US, where fossil fuel lobbying exerts significant influence on policymakers.

Pictet remains steadfast in our climate engagement efforts. Collaborative initiatives like CA100+ and Ceres Valuing Water Finance Initiative enables us to reduce investment risk exposure through joint engagement efforts with other investors.

In 2024, we developed several engagements on climate-related topics to assess and support companies' energy-transition ambitions. The majority of our 27 direct engagements with companies where related to the topic, as were all our engagements with external fund manager engagements.

Our in-house climate scorecard, built on well-recognised market standards, helps us identify companies' areas for improvement and target specific points where we believe material exposure lies. This illustrates how we assess a company's climate strategy and identify gaps we want to focus on during our engagement dialogues. Here below a table summarize how we approach analysis of Climate risks for corporates:

RISK EXPOSURE (sector / company)	
Risk reported by company	Typology
	Likelihood
	Magnitude
	Time horizon
	Primary financial impact
GHG emissions intensity	
Exposure to high-risk activities	

RISK MANAGEMENT (company)	
Governance	Board oversight
	Senior management incentives
Decarbonisation targets	
Risk management and strategy	Influence on strategy
	Scenario analysis
	Influence on financial planning
	Use of internal carbon piece

1. Fossil Fuel company Engagements

Our strong preference for engagement over exclusion is driven by a belief that active dialogue with companies, including those in the fossil fuel sector, is more effective in driving positive outcome than giving up our influence through disinvestment or exclusion. By engaging, we can also seek to influence similar transformative approaches used in private equity, in which as General Partners, investors can create value in transforming a company's operations.

In 2024 our engagement with fossil-fuel companies included refining expectations and objectives around climate target setting, given that Science Based Targets (SBTi) does not provide a transition framework for the sector. We established company-specific objectives on topics like methane emissions, say on Climate, remuneration linked to decarbonisation, use of carbon offsets and coal exit timelines. We believe this is a key moment for investors to engage with these companies as many are undergoing strategic changes.

With one mining company, our engagement centred on its commitment to phasing down thermal coal assets and avoiding reliance on carbon offsets for emissions reductions. Despite the company's aim for net-zero emissions by 2050, it lacked a scientifically validated reduction target. Our focus was on understanding how the company plans to responsibly phase down thermal coal assets and reach net zero without using carbon credits. Our engagement timeline started with initial communication in July 2023, dialogue through email exchanges in October 2023 and direct discussions with company representatives in autumn 2024, following the release of the miner's revised climate strategy. While we have concerns regarding the alignment of the company's strategy with best decarbonisation standards, we believe we have a role in tracking its progress and holding it accountable to its commitments over time.

One engagement with an oil & gas company focused on its **"Say on Climate"** vote. Despite the company's robust governance and decarbonisation targets, recent strategy revisions have created uncertainties regarding specific climate-related targets. The company has scaled back some of its earlier commitments to reduce oil and gas production, raising concerns about its long-term climate goals. We emphasised the importance of comprehensive scenario analysis and reinstating a "Say on Climate" mechanism at their annual meeting. Our engagement began in May 2024, with updates from CA100+ in December 2024, and we plan to continue regular engagements to ensure its alignment with its climate goals.

> Our strong preference for engagement over exclusion is driven by a belief that active dialogue with companies is more effective in driving positive outcome than giving up our influence through disinvestment or exclusion.

Another engagement with a fossil-fuel company focused on disclosure related to carbon offsets and the governance of climate-related issues. The company's climate strategy, while advanced, has raised concerns due to recent revisions. With company representatives, we addressed the exclusion of **Scope 3 emissions from its remuneration scheme** and its significant reliance on **carbon offsets**. While offsets can play a role in mitigating emissions, over-reliance on them can detract from the imperative to reduce absolute emissions. We emphasised the need for greater transparency regarding the quality and verification of these offsets, especially given recent controversies for this specific company. Our engagement timeline includes initial communication and the first meeting in September 2024, with ongoing monitoring and review during the voting period in 2025.

Our engagement with another oil and gas producer focused on its **methane reduction targets**. While the company is recognised for its comprehensive energy transition strategy and transparent decarbonisation targets, we felt it could do more to reduce these emissions. Our engagement began in June 2023, with ongoing discussions in 2024, and notable improvements announced in February 2025. Indeed, In February 2025, the company announced that it had exceeded its methane emissions reduction targets and set a new target for 2025. We will continue our engagement with the company regarding its climate strategy to ensure it delivers on its plan.

In summary, our engagements with fossil fuel companies illustrate our active involvement in various areas, including coal asset phase-down, "Say on Climate" initiatives, carbon offset disclosures, and methane emissions reduction. Through consistent communication, voting actions, and collaborative efforts, we strive to hold these companies accountable and drive meaningful progress towards their climate goals. We undertake these engagements because we recognise that these companies face increasing risks that could hamper long-term value creation.

2. Other Climate-related Engagements :

Given its systemic nature, climate risk exposure goes beyond the fossil fuel sector to touch every industry in our global economy.

We engaged with a leader in global exchanges and clearinghouses that has made commendable efforts in addressing climate change. However, we believe further enhancements in its climate strategy could create substantial benefits for both the environment and shareholders, as the company could strengthen its position to navigate the clean energy transition. Our engagement has focused on three key areas: adopting Science-Based Targets (SBTi), implementing internal carbon pricing, and linking executive remuneration to climate goals.

The company has committed to various climate initiatives but has not yet aligned its targets with the Science Based Targets initiative (SBTi). Adopting SBTi would provide a more rigorous and credible framework for its climate goals. Additionally, the company has yet to fully integrate an internal carbon pricing mechanism into its decision-making processes. Establishing an internal carbon price to guide investment and operational decisions would help evaluate and prioritise projects based on their carbon intensity, thereby reducing transition risks and strengthening its business line related to **trading of carbon certificates**. This would also relate to how they see their offerings evolving within the energy space. Furthermore, the company has not yet linked executive remuneration to climate performance. Aligning manage-

Climate risk exposure goes beyond the fossil fuel sector to touch every industry in our global economy.

ment incentives with long-term sustainability goals ensures leadership is accountable for delivering on climate commitments and driving meaningful progress.

We had a call with the company representatives in Q4 2024, and they were receptive to our proposals. We will follow the development of the company's strategy to make sure it is in line with our recommendations.

3. External funds climate related engagements :

Engaging with third-party fund managers has its own particular nuance, given it typically involves engaging with our industry peers, which can support broader financial systems change to a more sustainable model. In 2024, we improved our assessment and engagement strategies with third-party fund managers in the context of the selection of responsible investment funds. A specific engagement framework was developed in order to better assess fund managers' climate risk management and development plans. This initiative enabled us to engage with 10 fund managers to assess and support improvement on the way they integrate climate considerations within their investment process.

Engaging with external fund managers on their climate strategies is crucial for Pictet Wealth Management to ensure the long-term sustainability and resilience of our clients' portfolios. By engaging with fund managers, we ensure they integrate climate risks and opportunities into their decisions, protecting our clients' investments from transition risks and extreme weather events related loss. As we believe systemic climate risks cannot be hedged or easily diversified away, engaging with fund managers helps to ensure that these risks are comprehensively addressed, supporting the resilience of our investment strategy.

While this process is rather new for us, we are convinced that engaging with external fund managers is key to ensuring climate-risk best practices are adopted across our industry and that our clients' assets are protected against the present and longer term climate-related risks.

Conclusion

In 2024, our Active Ownership activities have been driven by our continuous effort to align our approach to the future with humility, striving to create lasting value for all stakeholders and contribute to a more sustainable world, always with our long-term perspective.

Our efforts in climate stewardship have focused on supporting initiatives that promote proper integration of Climate risks at corporate and fund manager level as well as disclosure around these topics. We have the conviction that in times where Climate related initiative within the financial sector are challenged, we need to remains steadfast in our climate active ownership efforts.

Corporate governance remains crucial for us in order to foster transparency and accountability. In uncertain times, strong governance practices have helped organizations navigate challenges, and we are committed to supporting ethical decision-making that ensures resilience over the long term.

Looking ahead, we are eager to explore nature stewardship, emphasizing the value of biodiversity and ecosystems. By integrating nature-based solutions into investment strategies, we hope to contribute to a future where nature plays a central role in sustainable growth, guided by our long-term vision.

Glossary of risks:
Available on this link or QR Code:
pictet.com/macroeconomic-risks

Glossary of terms:
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