

Pictet Wealth Management

Active Ownership Report

PWM has a long history of engaging with company managements in order to influence better outcomes on behalf of our clients.

At Pictet, we believe that in order to address the many challenges the world faces today, we must swiftly transition to a sustainable and more resilient economy.

As investment leaders, we recognise the importance of both our capital allocation and how we steward the real economy by being active owners. A growing body of data now demonstrates that improvement of environmental, social and governance characteristics is financially material. As such, engaging and voting are key tools available to investors for both effecting positive change in the economy and influencing investment returns outcomes.

One of our ambitions before 2025 is to fully integrate ESG factors and active ownership into all investment processes across the Pictet Group.

PWM has a long history of engaging with company managements in order to influence better outcomes on behalf of our clients. Additionally, starting in 2021 we began voting at annual general meetings (AGMs) on behalf of our clients. We voted at 66 AGMs last year on a total of 1,105 resolutions.

While we are proud of the progress achieved in 2021, also considering that we are among the first private banks to vote on behalf of our discretionary mandate clients, we look forward to further accelerating and scaling our active ownership activities, making them transparent to our clients and continuing to contribute towards building a more resilient and sustainable economy.

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Who we are

Pictet is an investment-led service company offering wealth management, asset management and related services. Founded in Geneva in 1805, the Pictet Group has more than 5,000 employees in 30 offices around the world. We are privately owned and managed by eight partners. At Pictet Wealth Management, we currently oversee more than USD250 billion of investments across a range of equity, fixed income, alternative and multi-asset products.

Our purpose is to build responsible partnerships with our clients, colleagues, communities and the companies in which we invest, in order to safeguard and transmit wealth, of all kinds, in the service of the real economy. Our business is centred around a long-term perspective with a dedication to client service.

We believe in responsible capitalism and take an enlarged view of the economy and its interactions with civil society and the natural environment. We are convinced that Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients. We are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to delivering value to client portfolios and/or mitigating risks over the long term.

We embed ESG in our risk management and reporting documents to maintain high standards of transparency and accountability.

Pictet's Responsible Vision

At Pictet Group level, we have three ambitions before 2025, to lay out our responsible investing vision:

- To significantly reduce the environmental impact of our activities and investments
- To fully integrate ESG factors and active ownership into all investment processes
- To be a leading provider of responsible products and solutions

To achieve these ambitions, we have identified 10 levers of action for conducting our own activities and for managing assets on behalf of our clients.

HOW WE CONDUCT OUR ACTIVITIES

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

1. Investing our balance sheet

This includes our corporate treasury as well as seed investments. As we have full control over our balance sheet, we have committed to portfolio defossilisation and investing in activities that contribute to accelerating the transition to a low-carbon economy.

2. Employee engagement to foster responsibility

Our employees are our most crucial asset and a key amplifier when it comes to sustainability and responsible behaviour. We will continue to engage with our colleagues on sustainability topics and encourage them to be involved in local actions, especially where we have a strong presence.

3. Managing our direct environmental impacts

In our own business activities, we are taking every possible step to cut our carbon

footprint by employing the most advanced building technology, reviewing every aspect of our operations and reducing the environmental impacts of our infrastructure and employee mobility.

4. Philanthropy

As the ultimate “risk capital”, philanthropy can be an important part of tackling some of the world's most intractable problems. Through our initiatives and supported projects, we seek to stimulate action on environmental and social issues.

5. Advocacy and partnerships

We believe that being a responsible investor requires going beyond the steps we have taken around our operations and our clients' investments, by using our influence to effect change through advocacy and partnerships. We see this as a crucial part of our strategy, because we are part of a system that we can influence. Our advocacy efforts are focused on areas that are particularly material to us and on which we can bring expertise and valuable inputs to our partners.

Ultimately, these activities align us with our purpose: to protect, grow and transmit wealth, in every sense, by building responsible partnerships with our clients, colleagues, communities and the companies in which we invest.

HOW WE MANAGE CLIENT ASSETS

As an investor, our biggest impact lies in how we manage assets on behalf of our clients.

6. ESG integration into investment processes and risk management

Across research, investment decisions, risk management and advisory services, we will continue to boost the integration of material and emerging environmental, social and governance factors in our evaluation of corporate and sovereign issuers.

7. Responsible products and solutions

We will continue to develop investment strategies that provide capital to companies which help to make a positive impact on society or the environment, as well as to those that have a plan to successfully mitigate the negative externalities of their products, services, operations and supply chains.

8. Active ownership

We will strive to engage with issuers that fall short of our expectations – either directly or through collaborations with other investors. Where necessary, we will escalate to Board representatives, vote against management

or support shareholder resolutions. Depending on the severity of the concern and the issuers' capacity or willingness to adopt generally accepted standards of best practice, we may choose to sell the investment.

9. Client disclosure

Where relevant data are available, we will strengthen reporting on the ESG characteristics of client portfolios and the impact of active ownership activities. Where data are missing, we will encourage issuers to report according to international standards.

10. Research and thought leadership

We will use our substantial experience across key environmental and social themes to publish targeted research and help raise awareness and capital for a sustainable transition. We are convinced that these 10 levers of action will make us better investors and corporate citizens and help us play our part in designing a thriving system for future generations.

Responsible Investment at Pictet Wealth Management

Our mission has always been to partner with our clients in sustaining and building their wealth over multiple generations. With wealth comes responsibility and long-term thinking. The impact of our investment decisions extends beyond our portfolios, and we must therefore be deliberate in our choices.

This is also why, at PWM, we have adopted the term *Responsible Investing*, as it represents the breadth of the investment opportunity while at the same time capturing its primary objective: to invest responsibly, regardless of what one's personal definition of that may be.

“The impact of our investment decisions extends beyond our portfolios, and we must therefore be deliberate in our choices.”

This responsibility inherently includes the preservation and improvement of the world that our future generations will inherit.

The implementation of a responsible vision by PWM is translated into: Integrate ESG considerations across investment processes and risk management, Offer responsible products and solutions to our clients, Be active owners of our investments.

INTEGRATION OF ESG CONSIDERATIONS INTO THE INVESTMENT PROCESS

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

We believe companies pursuing sustainable business practices are more likely to thrive in the long term. This is because compared to those that do not, these companies are well positioned to identify, understand and manage longer-term challenges, be they economic, social, environmental or regulatory in nature. Integrating ESG practices is not only the right thing to do; it also adds value to our clients' portfolios in the long term.

Across research, investment decisions, risk management and advisory services, we emphasise the inclusion of high-quality ESG data when evaluating corporate and sovereign issuers and funds. As such, and specifically to inform investment decisions and active

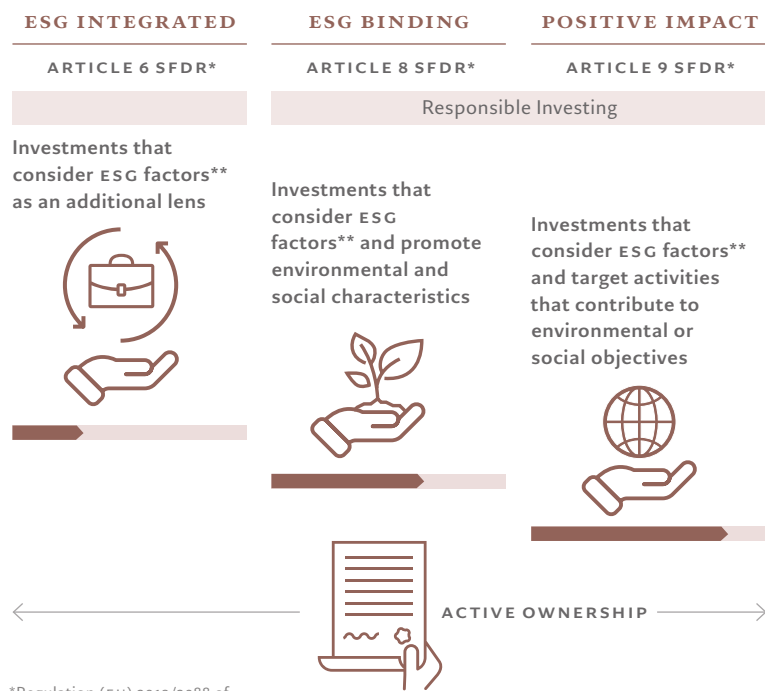
ownership activities, we have developed a proprietary ESG Scorecard, which provides a focused view of ESG risks and opportunities. We have also implemented a proprietary ESG due diligence process, enabling the thorough analysis of the strategies and processes of the fund managers whose products we invest in.

The Pictet ESG Scorecard and ESG Funds Due Diligence Questionnaire lie at the foundation of our existing ESG integration across the Group, and are key building blocks to help us realise our Vision 2025, of being a leading responsible investment firm.

RESPONSIBLE INVESTMENT SOLUTIONS

While all of our investment solutions integrate ESG considerations, we have developed a series of dedicated Responsible Investment solutions that specifically promote environmental and social characteristics or target activities that contribute to environmental and/or social objectives. These solutions capture the differing needs and time horizons of our clients, both in the discretionary and advisory offerings.

FIGURE 1
Responsible Investment Strategies at Pictet Wealth Management



*Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on Sustainability-related disclosures in the financial services sector (SFDR)

**ESG Factors: Sustainability risks and Principal Adverse Impacts

ACTIVE OWNERSHIP

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

Being an active owner allows PWM not only to define expectations for business performance, but also to catalyse change when needed, the effectiveness of which has been demonstrated by academic research over the past two decades¹.

The overarching purpose of our engagement and proxy voting activities is to protect and promote the rights and long-term interests of our clients as shareholders. We consider it our responsibility to engage with and eventually challenge companies' management to ensure that the issuers that our clients invest in are well-run, adhere to their strategy and deliver shareholder value. PWM aims to support a strong culture of corporate governance, effective management of environmental and social issues and comprehensive reporting according to credible standards. Given that the long-term interests of shareholders are the paramount objective, we do not always support the management of companies and may vote against management from time to time. We also reserve the right to deviate from our voting guidelines to consider company-specific circumstances.

PWM's active ownership policy is based on recognised and dynamic corporate governance standards². Our voting guidelines are formally reviewed at least once per year, as we regularly monitor the consistency of our voting decisions with laws and governance codes, as well as client-specific requests. We benefit in this regard, from the support of a dedicated external governance research provider, Institutional Shareholder Services.

Over the past two years, various countries have created stewardship codes to raise active ownership standards in their local financial markets³. As a result, the percentage of shares voted at annual general meetings has increased substantially. Shareholder activism has also intensified, adding renewed pressure on companies, particularly on ESG-related matters⁴. At the same time, smaller institutional investors and activists have signalled that they have made ESG engagement a priority.

One outcome of this trend was significantly more ESG-related shareholder proposals in 2021 than in 2020. In this context and more than ever, companies are expected to conduct a comprehensive review of their ESG strategies in advance of their 2022 annual meetings. Furthermore, the announcements by some of the world's main passive index funds about allowing their largest investors to cast votes in 2022 will most likely push companies to build robust and achievable shareholder engagement plans.

¹ See ESG factors and equity returns – a review of recent industry research from Principles for Responsible Investment: <https://www.unpri.org/pri-blog/esg-factors-and-equity-returns-a-review-of-recent-industry-research/7867.article>

² Corporate governance standards are country-specific. See here for Switzerland: https://www.economiesuisse.ch/sites/default/files/publications/economiesuisse_swisscode_e_web_2.pdf
Refer to the following link for governance standards applying to companies listed in the United States: <https://corpgov.law.harvard.edu/2016/09/08/principles-of-corporate-governance/>

³ See *Stewardship Excellence: ESG Engagement In 2021* Insight from Institutional Shareholder Services: <https://www.issgovernance.com/library/stewardship-excellence-and-engagement-in-2021/>

⁴ See 2021 Swiss AGM Season Report from SWIPRA: https://www.swipra.ch/uploads/news/Newsletter_SwissAGM2021_e.pdf

Proxy Voting

VOTING ACTIVITIES IN 2021

In 2021, we voted on equities held directly in our discretionary mandates and PWM Private Funds, held at the following entities⁵:

- Banque Pictet & Cie SA
- Pictet & Cie (Europe) S.A.
- Pictet Bank & Trust Limited

VOTING PROCESS

To assist us in performing our proxy voting responsibilities, PWM enlists the services of third-party specialists⁶. These specialists keep an agenda of all annual general meetings (AGMs) and the research implications of each resolution, produce recommendations based a sustainability voting policy, collect meeting notices and facilitate the execution of voting decisions at all relevant company meetings worldwide.

⁵ Please note that Pictet & Cie (Europe) S.A. Hong Kong Branch and Banque Pictet & Cie (Asia) Ltd have not authorised the implicit consent to allow us to vote on behalf of our clients. Accordingly, an explicit client consent is required for those entities to exercise voting on a client's behalf, following the PWM Voting Guidelines. Therefore in 2021, we did not vote on equity holdings at these entities.

⁶ Institutional Shareholder Solutions (ISS). <https://www.issgovernance.com/file/products/brochure-gov-proxy-voting-services.pdf>

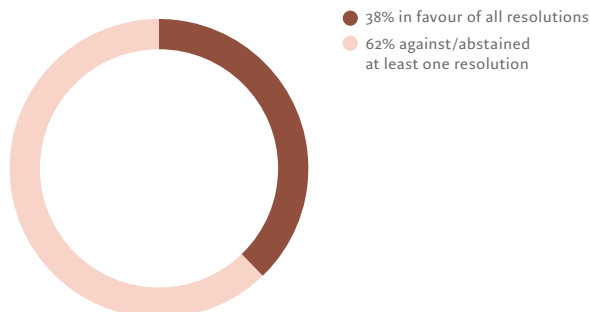
2021 Voting Season

Last year, PWM voted at 66 Annual General Meetings (AGMs) on a total of 1,105 resolutions (1,041 proposed by management and 64 proposed by shareholders). Of the 981 resolutions that we supported, 952 (97%) were passed by shareholders at the AGM. Of the 113 resolutions that we did not support, 32 (28%) were not passed by shareholders at the AGM.

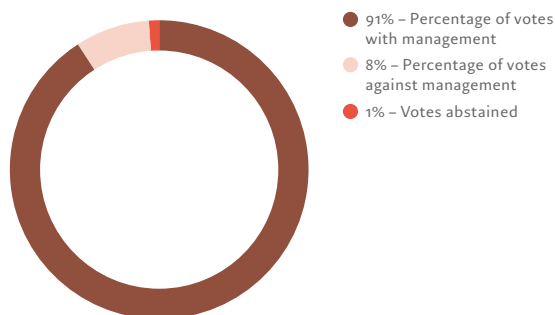
AGMs include two different types of resolutions: those that are proposed by management and those that are proposed by shareholders. Of the AGMs that we voted in, 62% had at least one vote against management resolutions. We supported management in 91% of resolutions whilst voting against or abstaining in 9% of cases. We supported 53% of shareholder resolutions including many relating to environmental and/or social concerns.

THE FOLLOWING CHARTS PROVIDE AN OVERVIEW OF PICTET WEALTH MANAGEMENT'S 2021 VOTING ACTIVITY

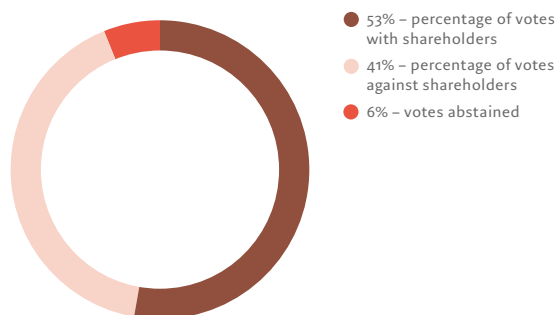
Results from the voted
66 AGMs



Breakdown of votes – management resolutions
Total: 1,041



Breakdown of votes – shareholder resolutions
Total: 64



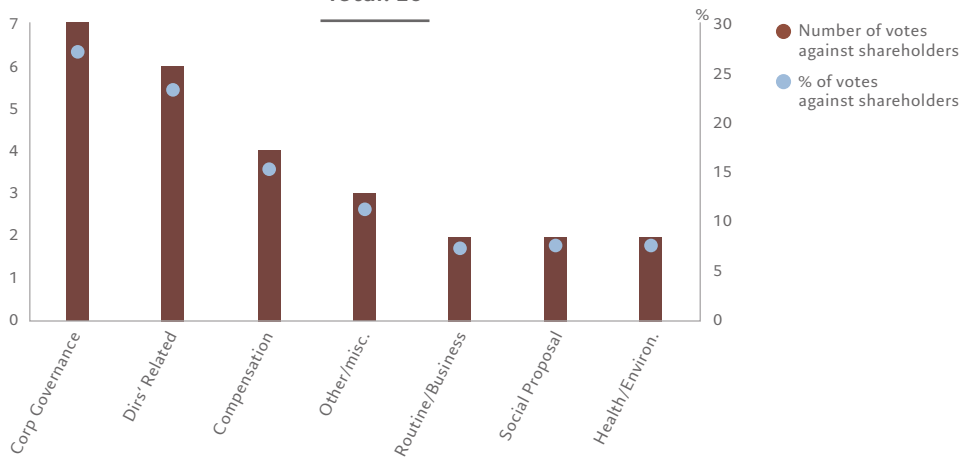
Breakdown of management resolutions not supported

Total: 87



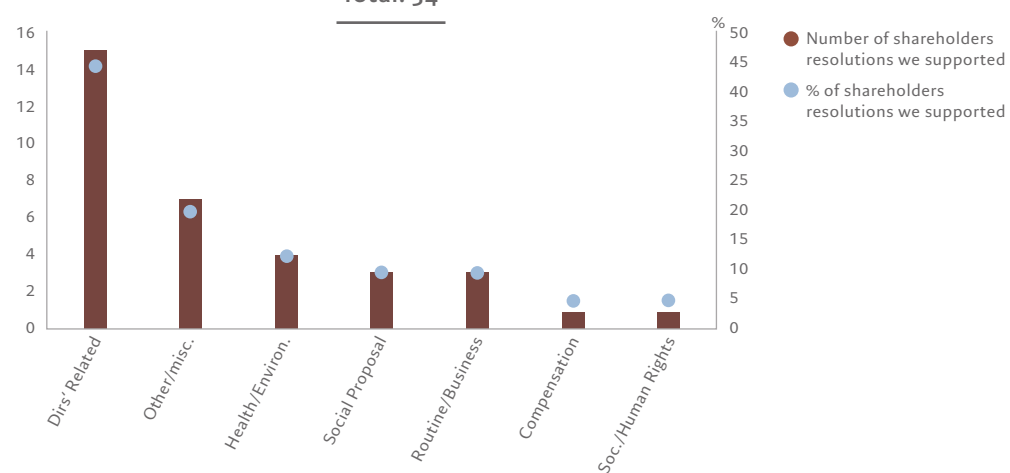
Breakdown of shareholder resolutions not supported

Total: 26



Breakdown of shareholder resolutions supported

Total: 34



Directors Related: Resolutions covering the election and/or re-election of individual board directors

Routine/Business: Resolutions covering the yearly approval of ordinary business matters, including validation of accounts, ratification of auditor, and dividend declaration

Capitalisation: Resolutions covering issuance of new shares, granting of authority to directors to allocate shares, and authorising, renewing, varying, or revoking authority of the company to purchase its own shares.

Other/Misc.: Resolutions covering the organisational and operational aspects related to the attendance and participation to AGMs

Our approach: We support management by voting in line with resolutions that enable the company to pursue a successful value-creation path.

**COMPANY IN THE FOOD,
BEVERAGE & TOBACCO INDUSTRY**

AGM Date: April 2021

Management Proposal: Approve Climate Action Plan

**Robust, time-bound, transparent
and in line with Paris Agreement**

- The company's Climate Roadmap includes specific milestones to achieve net-zero greenhouse gas emissions by 2050, in line with the 1.5°C path as defined by the 2021 Intergovernmental Panel on Climate Change (IPCC) report
- In 2018, 95% of the company's emissions were Scope 3, meaning the result of activities from assets not owned or controlled by the company. The company's climate action plan defines specific targets to reduce its total emissions (Scopes 1, 2 & 3) for 2018: -20% by 2025, -50% by 2030 and -100% by 2050.

**The company's work to achieve net-zero emissions
focuses on three main areas**

1. The company is working with over 500,000 farmers and 150,000 suppliers to support them in implementing **regenerative agriculture** practices;
2. Within its own operations, the company expects to complete the transition of its 800 sites in 187 countries where it operates to **100% renewable electricity** within the next five years
3. Within its product portfolio, the company is continuously **expanding its offering of climate-friendly products** including plant-based food and beverages and is reformulating products to make them more environmentally friendly

Key actions to reduce GHG Emissions

- Sustainable sourcing and using carbon-neutral products and services
- Transforming product portfolio to low carbon
- Evolving packaging to keep waste out of landfill
- Using renewable energy in manufacturing process
- Driving toward cleaner and more efficient logistics
- Removing carbon from atmosphere
- Leveraging influence to collaborate and engage

Emissions Reduction Targets to Achieve 2030 Goal

AREA OF OPERATION	PROJECTED 2030 BUSINESS-AS-USUAL GHG Emissions (million tonnes)	2030 EMISSIONS REDUCTION TARGET	REDUCTION IN EMISSIONS AS %
Sourcing ingredients (dairy and livestock)	50.6	29.3	-42.1%
Sourcing ingredients (soil and forest)	37.0	14.0	-62.2%
Transforming product portfolio	-	-6	-
Evolving packaging	16.2	10.1	-37.6%
Using renewable energy to manufacture products	9.7	3.8	-60.8%
Driving toward cleaner logistics	10.0	6.5	-35.0%
TOTAL	123.5	57.7	-47.0%

PICTET VOTING INSTRUCTION



IN FAVOUR

RATIONALE

- The company expressed its vision and commitments to halve its emissions by 2030 and achieve net zero emissions by 2050.
- The company's climate transition plan included clear targets for 2030 and the governance structure for addressing and dealing with the climate topics was transparent and appears robust.

AGM RESULT

95%

Shareholders voted 95% in favour of this resolution

**COMPANY IN THE CONSTRUCTION
& ENGINEERING INDUSTRY****AGM Date: April 2021**

Management Proposal:

Approve Company's Environmental Transition Plan

First French company to submit environmental transition plan to shareholder vote

- The company aims to reduce 40% of Scope 1 & 2 CO₂ emissions by 2030 compared to 2018 levels.
- The company aims to reduce indirect emissions (Scope 3) by acting on its entire value chain. Although, it has not yet published its target to reduce its Scope-3 emissions, the company plans to align with the Science Based Targets initiative (SBTI) for validation in 2021.
- The company also commits to net zero for Scope 1 & 2 by 2050
- We welcome the introduction of a dual objective strategy that would significantly reduce the direct impacts of its activities and help its customers and partners reduce their own environmental footprints

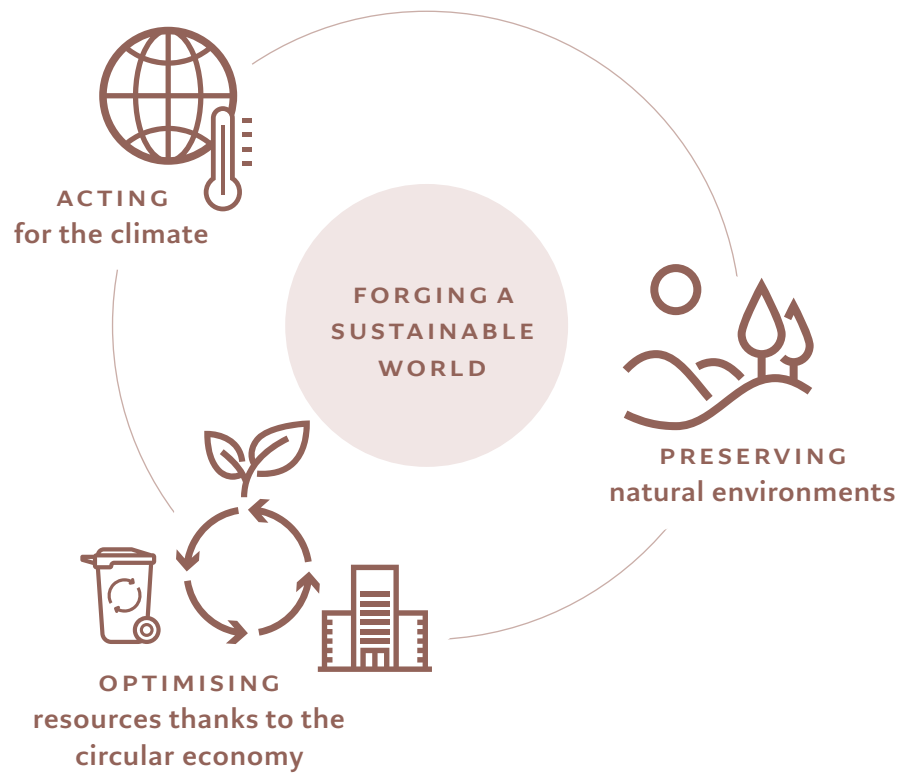
Additional commitment focus areas

- Promote natural-resource-efficient construction
- Improve waste management and double recycled product offering by 2030
- Prevent pollution and accidents through an environmental management plan at all business lines.
- Optimise water usage: The company's concessions will halve water consumption per unit of traffic by 2030.
- No net loss to biodiversity

3 areas of commitment

1. Climate action
2. Circular economy
3. Natural resource preservation

Three Levels of Action



PICTET VOTING INSTRUCTION



IN FAVOUR

RATIONALE

- The company expressed its vision and commitments, which set the scene for an environmental transition plan looking to 2030.
- It is a new initiative that allows shareholders to have a direct advisory vote on the Company's environmental ambition.

AGM RESULT

98%

Shareholders voted 98% in favour of this resolution

Our approach: leveraging our vote to encourage positive change among investee companies

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 clients' best interests in so doing.

COMPANY IN THE INTERNET AND DIRECT MARKETING RETAIL INDUSTRY

AGM Date: June 2021

Management Proposals: Elect Director A & Elect Director B

PICTET VOTING INSTRUCTION



AGAINST

AGM RESULT

73% & 82%

Shareholders voted 73% & 82%, respectively, in favour of each of these resolutions.

RATIONALE

We believe that audit, compensation and nominating committees should be fully independent to ensure the effective monitoring of these critical functions.

Following internal discussions, we decided to vote against the re-election of two non-independent directors, as the presence of non-independent directors on key committees may diminish the committees' ability to oversee management objectively.

We sought to encourage the company to increase independence at the board and to improve ESG oversight in light of the continued controversies around hazardous working conditions, i.e. overly strict delivery deadlines that obliged drivers to drive in unsafe conditions and for long hours.

COMPANY IN THE
SPECIALITY RETAIL INDUSTRY

AGM Date: July 2021

Management Proposal:
Approve Remuneration Policy (2021–2023)

PICTET VOTING INSTRUCTION



IN FAVOUR

RATIONALE

- + Introduction of mandatory share ownership requirement for the CEO of 2x base salary. This is best practice to ensure executives have skin in the game.
- + Sustainability metrics continue to be linked to the bonus and the long-term incentive plan (LTIP). Use of sustainable products (to replace chemical use in factories before) was introduced into the LTIP, while all other metrics remain the same (decarbonisation, social audits and waste management). The weight of sustainability in the LTIP is increased to 25% from 10%, which is positive incentivisation for executives to meet ESG targets.
- + The company is increasing the award opportunity for executives, from 100% to 120% of base salary at target and from 120% to 125% at maximum, with a new cap of 225% of the LTIP. The increase is only applicable to the variable component rather than the base salary. This makes the increase more contained and reasonable as it is directly linked to performance.
- However, the company does not disclose the targets of the LTIP ex-ante for all its metrics. We would appreciate more transparency.

AGM RESULT

93%

Shareholders voted 93% in favour of this resolution.

Management Proposals: Advisory Vote on Remuneration Report (2020)

PICTET VOTING INSTRUCTION



IN FAVOUR

RATIONALE

- + The metrics and weights of the bonuses are disclosed, ex-post and ex-ante, and the company clarified the underlying indicators.
- + The disclosure of the LTIP retrospectively is very granular.

However, transparency on the bonus could be improved:

- The company does not disclose the targets ex-post (same as last year)
- It only provides the achievement levels for the group of indicators, rather than per each metric (contrary to last year where we had more granular insights).

Overall, we think this remains an improvement area but does not trigger a vote against.

AGM RESULT

96%

Shareholders voted 96% in favour of this resolution.

Our voting decisions are based on a detailed ESG analysis, assessing the company's material risks and opportunities.

EXAMPLE OF ESG ANALYSIS

Company in the Speciality Retail Industry – ESG Analysis

Environment

The fast fashion business model results in extensive waste production. In 2016, the company started to embrace a circular retail model with targets for responsible products and efficient resource management. It has made significant progress towards these targets so far and going forward, we would like to see these targets become even more ambitious.

- + To support its transition to more sustainable fibres, the company commits to 100% of the cotton, polyester and linen used to be recycled or to come from more sustainable sources by 2025. In 2021, 42% of the total raw materials consumed were sustainable. In 2021, the company also operated its facilities using 91% renewable energy.
- + The company's sustainability label garments are made of environmentally friendly produced raw materials. In 2021, 47% of the company's garments on the market met its sustainability label standard – against a 25% target for the year.
- + By the end of 2022, the company aims to have more than 50% of its garments with the sustainability label and use 100% renewable energy in its facilities. By the end of 2023, it aims to use 100% sustainable cellulosic fibres and to be 100% free of single-use plastic. By the end of 2025, it aims to use 100% sustainable or recycled linen and polyester and to also cut water usage in its supply chain by 25%.
- + At the early design stage of its product cycle, the company trains its designers on sustainability to encourage waste reduction, although it does not disclose any future targets. At the end of the cycle, it collects used garments, which are repaired, recycled, or sold with non-profit organisations. This is also positive in improving the product life cycle.

- + The company also has an SBTi-aligned decarbonisation strategy. Its focus on chemical use, i.e. to avoid health and safety risks, includes a review of the manufacturers and the chemical substances used to classify products based on their degree of compliance with the Clear to Wear standard and the company's Zero Discharge of Hazardous Chemicals commitment.

Social

Despite high exposure to labour risks in its supply chain and continued public scrutiny, the company's strong protections with targets linked to executives' pay give us comfort that such issues are being addressed. Going forward, we would appreciate transparency on the criteria to categorise suppliers as compliant with social standards and a reduction of the number of suppliers who are in breach of such standards.

“Going forward, we would like to see these targets become even more ambitious.”

Governance

The company is controlled by the founder (>50% of the voting rights) and, as a result, the ability of minority shareholders to influence decisions at the AGM is limited. Nevertheless, we did not note any concerns in the way the family has exercised its power. On the contrary, the company has constantly improved its governance practices – with increasing diversity numbers and independent directors. The latter is helpful to counter-balancing the strong influence of the family.

ESG Overall View

The company has serious commitments to move towards a sustainable business with a credible strategy and governance to achieve its ambition. More transparency on its due diligence practices and stronger oversight can give us more confidence on its ability to overcome its supply chain risks. Overall, we were very impressed with how the management team are running the company and therefore supportive of all management resolutions at the AGM.

Engagement Activities

Summary

Engagement involves a purposeful dialogue between investor and investee, with a specific and targeted objective to achieving change. Our underlying aim when initiating an engagement is to preserve and enhance the value of assets on behalf of our clients.

COLLECTIVE ENGAGEMENT

In 2021, engagement activities at PWM focused mainly on collaborative shareholder engagement, which is typically guided by a partner organisation. Alongside the participants, the lead organisation defines the objectives and boundaries of the engagement dialogue. Collective engagement allows asset managers and asset owners to leverage their combined investor ownership into a high-quality conversation with clear outcomes.

“Our underlying aim when initiating an engagement is to preserve and enhance the value of assets on behalf of our clients.”

For the first time in 2021, PWM participated in the engagement efforts led by Climate Action 100+ and the Access to Nutrition Initiative.

CLIMATE ACTION 100+ INITIATIVE

The Climate Action 100+ initiative is the world's largest investor engagement initiative on climate change. It has led investor engagement on behalf of a group of investors to secure several corporate commitments in strategic industries, including the oil and gas, utilities, mining and metals, transportation, industrials and consumer products sectors. In 2021, the organisation regrouped more than 615 signatory investors, representing USD65 trn in assets under management. The focus list for engagement is composed of around 170 companies responsible for an estimated 80%+ of global industrial emissions. The initiative has implemented a Net Zero Company Benchmark, which is used to compare the relative performance of focus companies. The most notable achievements of the Climate Action 100+ in 2021 have been to guide several strategic companies in setting ambitious and achievable climate-related targets:

- BlueScope announced a commitment to net-zero emissions by 2050,
- Boral set a science-based target aligned with 1.5°C for Scope 1 & 2 emissions,
- Ecopetrol, the Colombian state-owned oil and gas company, committed to achieve net zero emissions by 2050 (Scopes 1–2),
- Enel became the first utility to commit to an exit from natural gas generation by 2040,
- Engie committed to net-zero emissions by 2045, following the negotiated withdrawal of a shareholder resolution.⁷

ACCESS TO NUTRITION INITIATIVE

The Access to Nutrition Initiative publishes an assessment of the world's largest food and beverage manufacturers in contributing to addressing obesity, diet-related chronic diseases and undernutrition. Each year, it provides input to the Global Nutrition Report's coverage of the contribution of the private sector in tackling global nutrition challenges. In 2021, the initiative launched a dedicated investor collaborative engagement programme targeting 16 companies: Ajinomoto, BRF, Campbell's, China Mengniu, Coca-Cola, ConAgra, Danone, Grupo Bimbo, Inner Mongolia Yili, Keurig Dr Pepper, Kraft Heinz, Meiji, Mondelez, Nestlé, PepsiCo, and Unilever. These companies were engaged through several strategic issues:

- The link between CEO remuneration and nutrition targets
- Affordability and accessibility
- Responsible marketing
- Harmonisation of labelling and certification schemes
- Lobbying⁸

Any reference to a specific company does not constitute a recommendation to buy, sell, hold or directly invest in that company.

⁷ See <https://www.climateaction100.org/>

⁸ See <https://accesstonutrition.org/investor-signatories/>

PWM is committed to deepening and strengthening its involvement as an investor signatory in both initiatives in 2022.

These strategic partnerships come in addition to other ESG-related collective initiatives where Pictet Group is an active signatory, such as:

- Ceres: a research and advocacy group focused on the world's most pressing sustainability issues
- The FAIRR initiative: a collaborative investor network that raises awareness of the ESG risks and opportunities brought about by intensive livestock production.

DIRECT ENGAGEMENT

2021 was also the first year in which both our equity and credit research analysts and our dedicated team of ESG specialists initiated specific direct engagement interactions with a few companies on strategic sustainability-linked risks and opportunities. These direct exchanges with leading companies allowed our analysts to ask targeted questions on the most material ESG indicators for their respective industries. We have summarised some of our interactions below.

COMPANY IN THE HOTELS, RESTAURANTS AND LEISURE INDUSTRY:

In May 2021, we had the opportunity to join a virtual investor meeting with the Head of Sustainability at the company to specifically discuss the ESG initiatives being implemented at the company and the sustainability challenges of the restaurant industry.

The company announced a near term science-based climate target. It committed to reduce absolute scope 1,2 & 3 GHG emissions 50% by 2030 (from a 2019 base year). In this context, we challenged the company's ability to save costs, which will depend on climate budget defined at CFO-level. According to the company, the climate target will not necessarily allow cost savings across all

programmes (especially when it comes to product quality and customer satisfaction) but the overall associated costs are deemed acceptable.

We also highlighted the importance of transparency, specifically on the progress and positive achievement of other targets (waste reduction) in order to avoid greenwashing allegations. We questioned the company on the customer reaction to its climate-related programs. The overall feedback in that regard is seen positively, as customers are used to being exposed to such information.

COMPANY IN THE TEXTILES, APPAREL AND LUXURY GOODS:

In March 2021, we met with the Group Corporate Communications Director at the company to discuss its ESG strategy and priorities.

The company announced a near term science-based climate target. It committed to reducing absolute scope 1 & 2 greenhouse gas emissions by 46% by 2030 (from a 2019 base year), and to increase annual sourcing of renewable electricity from 64% in 2019 to 100% by 2025. The company also committed that 20% of its suppliers by emissions covering purchased goods and services and upstream transportation and distribution, will have science-based targets by 2025. In this context, we challenged the governance guiding this project. The company replied by highlighting that progress is tracked on a quarterly basis.

One key priority for the company is related to responsible sourcing and traceability. Certifications and standards have been implemented for the most material commodities (gold, diamonds, and leather), but still needs to be extended across the full supply chain.

We also questioned the company on board diversity, specifically on gender and expertise on sustainability. The company highlighted that these issues have not yet been fully addressed but that additional KPIs will be implemented in 2022.

The company has hired a Chief Sustainability Officer in 2022. We have identified improvements in corporate governance and management structure as key priorities for 2022.

Our analysts also specifically discussed ESG performance and priorities with several other companies in 2021, including companies from industries including Retail, Food Products, Beverages, Energy as well as Pharmaceuticals.

The above-mentioned engagement interactions were concluded by an agreement to follow up on specific discussion items. In order to formalise and structure our engagement dialogues in 2022, PWM is introducing a new engagement process based around target definition, progress tracking, impact assessment and escalation, resulting in voting implications and possible divestment. This process will allow PWM to engage with a global universe of companies on the most material ESG risks and opportunities through dedicated tools and platforms.

ENGAGEMENT WITH THIRD-PARTY MANAGERS

In 2021, PWM also improved the assessment and engagement strategies with third-party fund managers in the context of the selection of responsible investment funds. The dedicated questionnaire was improved in order to better assess the integration of ESG considerations and frameworks by fund managers, based on best-in-class practices and existing regulations. This initiative has allowed PWM to select investment funds that are aligned with the ESG vision implemented in our responsible investment products and mandates, and to engage with fund managers that lack best practices.

Fund manager engagement examples

MANAGER A

An investment-grade credit manager

Throughout 2021, we engaged with one of our investment-grade credit managers, following its takeover by a larger institution.

Prior to the acquisition, this manager had made good commitments to sustainable investing, and was on a positive path towards integrating ESG metrics throughout the firm. It was also a member of the UNPRI since 2017 as well as the Global Impact Investing Network (GIIN) and the Sustainability Accounting Standards Board (SASB).

However, the acquiring firm was lagging in terms of ESG commitments, leading to a significant fall in its overall ESG rating. The fund manager was previously classified

as 'above-average' under our ESG rating methodology. Following the acquisition by the larger manager, its rating dropped to 'below average'.

We organised several calls with senior staff members, including the fund manager's CIO, COO and Head of ESG, to inform them of our expectations, in terms of their commitments to ESG. They were appreciative of our feedback and the initial outcomes of the engagement have been positive. We expect their commitment in terms of overall ESG policies and reporting to continue to develop going forward, and are satisfied with the progress of this engagement.

MANAGER B

A global equities manager

In September 2021, we engaged with one of our large US-based equities managers, which had previously shown limited interest in sustainability. The fund manager currently has a 'below-average' score under our ESG Rating methodology.

Given that the manager's primary client base is in the US, it has not been as quick to integrate ESG factors as its European peers, in terms of both firm-level commitment and strategy-level investment processes.

We organised a call with the manager's ESG team to communicate what we expect in terms of firm-level commitments, principally relating to establishing responsible investing policies and producing sustainability reporting on a regular basis. They informed us that the information will be taken on board, but at this stage, we are not aware of any future commitments to ESG nor any related timeline.

We will continue to engage with this manager throughout 2022 in order to incentivise them to integrate ESG into their overall investment process and strategy.

This initiative has allowed PWM to select investment funds that are aligned with the ESG vision implemented in our responsible investment products and mandates, and to engage with fund managers that lack best practices.

Appendix A: 2021 PWM Proxy Voting Universe – 66 Companies

Cayman Islands

Alibaba Group Holding

China

Hangzhou Tigermed Consulting

France

AXA

BNP Paribas 'A'

Danone

EssilorLuxottica

LVMH Moët Hennessy Louis Vuitton

Vinci SA

Germany

Beiersdorf

MTU Aero Engines

Rational

SAP

United Kingdom

AstraZeneca

Reckitt Benckiser Group

Hong Kong

AIA Group

Ireland

Medtronic

Korea

Samsung Electronics

Netherlands

Airbus

ASML Holding

Spain

Inditex Industria De Diseno Textil

Switzerland

Bachem Holding

Chocoladefab.Lindt & Spruengli Reg.

Cie Financiere Richemont Nom.

Dormakaba Holding

Givaudan

Logitech International

Lonza Group

Nestle

Novartis Reg.

Schweiter Technologies

SGS Reg.

Sika

US

3M

Align Technology

Alphabet 'A'

Apple

Bristol Myers Squibb

Colgate-Palmolive

Cooper Companies

Danaher

Electronic Arts

Exact Sciences

Facebook 'A'

Fidelity National

Honeywell International

Idexx Laboratories

Intuitive Surgical

Johnson & Johnson

JPMorgan Chase

Mastercard 'A'

McDonald's

Merck & Co

Microsoft

Nike 'B'

PepsiCo

Procter & Gamble

Rollins

Salesforce.Com

Starbucks

Texas Instruments

Thermo Fisher Scientific

UnitedHealth Group

Walt Disney

Wells Fargo

Zebra Technologies 'A'

Zoetis 'A'

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