

P ICTET GROUP

EU Sustainable Finance Disclosure Regulation

Sustainability-related product
disclosure

AUGUST 2022

DISCRETIONARY MANDATES

RESPONSIBLE INVESTING (MULTI-ASSET STRATEGY)

HIGH QUALITY RESPONSIBLE EQUITY (EQUITY STRATEGY)

1. Environmental and Social Characteristics

The discretionary mandate “Responsible Investing” promotes environmental and social characteristics by adopting a holistic approach combining the monitoring of issuers’ and funds’ environmental and social characteristics, the analysis of their level of sustainability risks, the implementation of clear screening criteria and portfolio construction rules.

2. Investment strategy

The Responsible Investing multi asset strategy follows a diversified, actively managed approach that aims at investing responsibly across a wide range of asset classes and currencies while optimizing risk-adjusted returns.

3. Binding elements for investment selection

Single securities: we exclude companies with revenues from high risk activities above a defined threshold (e.g. controversial weapons, thermal coal, oil & gas, nuclear power generation, weapons, tobacco, genetically modified organisms, pesticides, adult entertainment, gambling) and/or companies exposed to severe ESG controversies (e.g. violation of human rights, pollution incidents, employee accident, product-related issues and breaches of business ethics).

Funds: we exclude funds with an ESG score¹ of less than 2 and we do invest in funds classified as Article 8 or Article 9 of the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector or with an ESG score of minimum 4, for at least 60% of the assets invested in funds.

For detailed explanation about our responsible investing framework, please refer to Pictet Wealth Management Responsible Investment Policy on <http://www.group.pictet/wealth-management/aiming-be-responsible>

4. Continuous investment monitoring

The bank relies on various sources of information (including third party data and internal proprietary analysis) to analyze and monitor potential investments, and to ensure compliance with defined elements and exclusions. The Bank retains full discretion over the implementation of exclusion criteria and reserves the right to deviate from third-party information on a case-by-case basis, in instances where it is deemed incorrect or incomplete, for example in the case a company or a fund is undergoing a sustainable transformation. Such exemptions may be initiated by investment teams and must be supported by a written rationale subject to validation by senior members of the PWM investment platform and need to be monitored on an on-going basis.

This strategy is implemented in the investment process continuously by pre-trade and post-trade checks against the binding elements performed by Portfolio Management as well as Investment Risk teams

5. Sustainability indicators used

The sustainability indicators used are the following:

¹ This indicator is based on the bank’s own due diligence assessment of the fund and ESG scoring methodology. ESG scores ranges from 1 to 5 with 1 being “Laggards” and 5 being “Leaders”.

Single securities: ESG Risk Rating, Exposure to severe controversies, Corporate Governance, Exposure to high Risk Activities.

Funds: SFDR Classification, ESG score.

6. Monitoring of sustainability indicators

The indicators to measure the attainment of the environmental or social characteristics promoted by this financial product are monitored on a regular basis as part of the investment process by the risk and compliance teams.

7. Data source for ESG characteristics

We have developed a proprietary ESG Scorecard that provides a focused view of both ESG risks and opportunities. Our ESG Scorecard is based on a curated set of the most material data points, across four pillars: Corporate Governance, Products & Services, Operational Risks, and Controversies. The scorecard collects ESG data from various providers on specific datasets.

Similarly, for fund manager selection we have developed a comprehensive ESG questionnaire that includes both firm-and fund-level questions. The completed questionnaires are assessed on four pillars: Management Firm commitment to ESG, Investment Process, Active Ownership, Monitoring and Reporting. Based on this assessment, each fund is then assigned an ESG score ranging from 1 (ESG Lag-gard) to 5 (ESG Leader).

8. Designated Reference Benchmark

Not Applicable