



PICTET GROUP

Principles for Responsible Banking

Report 2022

MAY 2023, PICTET WEALTH MANAGEMENT

Pictet Group Annual Report on United Nations
Principles for Responsible Banking

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PRINCIPLE 1: ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement, and relevant national and regional frameworks.

1.1 Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

The Pictet Group is a partnership of eight owner managers, with principles of succession and transmission of ownership that have remained unchanged since foundation in 1805. It offers only wealth management, asset management and related asset services to private and institutional clients. The Group does not engage in investment banking, nor does it extend commercial loans.

With CHF 608 billion in assets under management or custody at 31 December 2022, Pictet is today one of the leading Europe-based independent wealth and asset managers.

Pictet Wealth Management has been helping private clients and family offices to build their businesses, protect, grow, and control their wealth and preserve it for future generations. With CHF 242 billions in assets under management, Pictet Wealth Management serve clients globally and provides tailored financial services to preserve and manage private wealth.

Links and references

<https://www.pictet.com/ch/en/wealth-management>

1.2 Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

- Any applicable regulatory reporting requirements on environmental risk assessments, e.g. on climate risk - please specify which ones: -----
- Any applicable regulatory reporting requirements on social risk assessments, e.g. on modern slavery - please specify which ones: ----
- None of the above

Since our origins as a Bank, our purpose was and remains 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 to safeguard and transmit wealth, of all kinds, in the service of the real economy.

Being a Responsible Firm – and contributing to a more resilient and sustainable economy – is one of Pictet’s seven strategic initiatives that underscore our Ambition 2025. The latter is articulated around 3 poles, namely:

- 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

These poles define our implementation process, detailed in the 10 levers of action ([Responsible vision link](#)).

As an investment-led service company, our fiduciary duty has always been to manage the long-term savings of our clients, and in doing so to protect and grow their capital. Focusing on this objective and shying away from short term profits is the only way to achieve the dual goal of performing for our clients, while deploying their capital in a way that accelerates the transition towards a more resilient and responsible economy.

Active in the European market, the adoption of regional regulations contributes to our journey in guiding capital to society’s goals, partnering with our clients and public structures.

As part of our commitment to Responsibility we advocate for sustainability in and beyond financial industry and use our influence to forge change. We are signatories of the UN PRI, TCFD, SBTi, NZAMi (list not exclusive).

Links and references

<https://www.pictet.com/ch/en/about>

<https://www.pictet.com/ch/en/responsible-vision>

PRINCIPLE 2: IMPACT AND TARGET SETTING

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products, and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly¹ and fulfil the following requirements/elements

Scope

Pictet Wealth Management invested portfolio consists of 3 buckets: the Discretionary part (where the investment decision is delegated to Pictet Wealth Management), the Advisory part (where the Bank accompanies clients throughout the investment process, but clients keep the final investment decision), and finally the Execution only (where clients make their own investment decisions). This year's impact analysis was undertaken exclusively on the assets held under Discretionary and Advisory mandates on investments done in direct lines.

We have considered the global exposure through corporate issuers (equity and fixed income) and their activity sectors, and the nature of impact classified by the UNEP FI and well as the country origin of the issuer.

Please note that the analysis covers approximately 30% of our total assets under management. The remaining portion of the portfolio couldn't be assessed through the same tool, due to the nature of the investment products (funds, ETFs, structured products, private assets, etc.). The below analysis does not include the assets managed by other entities of Pictet Group.

Portfolio composition

Based on the scope of analysis using the Impact analysis tool, we could classify our exposure on sector thanks to the listed corporate instruments (equities and corporate bonds), held directly within the Bank. This year's methodology was exclusively based on the sectors impact classified by UNEP FI.

Context

Considering our global exposure and the scope of direct investments in corporate issuers held in our Discretionary and Advisory portfolios, the exposure as of December 2022 is as follows:

Our 3 highest exposures to positive sectors (for a total exposure of 17.9%):

1. Diversified Banks (7.6%)
2. Biotechnology (2.3%)
3. Restaurants (2%)

Our 3 highest exposures to negative sectors (for a total exposure of 7.2%):

¹ That means that where the initial impact analysis has been carried out in a previous period, the information should be updated accordingly, the scope expanded as well as the quality of the impact analysis improved over time.

1. Integrated Oil and Gas (2.8%)
2. Diversified metals and mining (0.53%)
3. Oil and Gas exploration and production (0.46%)

Performance measurement

We have identified the types of clients and their contribution to positive and negative impacts according to invested portfolios. The table below summarize the distribution:

	Positive sectors	Negative sectors
Discretionary	17.1%	4.7%
Advisory	19.3%	11.1%

Self-assessment summary:
Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?²

Scope:
 Yes In progress No

Portfolio composition:
 Yes In progress No

Context:
 Yes In progress No

Performance measurement:
 Yes In progress No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?
 Climate change mitigation, water

How recent is the data used for and disclosed in the impact analysis?
 Up to 6 months prior to publication
 Up to 12 months prior to publication
 Up to 18 months prior to publication
 Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc.: *(optional)*

2.2 Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

Following last year’s report and based on our current invested portfolio, the actions to address our impact on areas of most impact remain:

- Awareness:

² You can respond “Yes” to a question if you have completed one of the described steps, e.g. the initial impact analysis has been carried out, a pilot has been conducted.



- The current global warming and the challenge of climate change are complex problems that need the interaction of all stakeholders, from government to corporates, to financial institutions and consumers.
- It's key for both us and our clients, as investors, to fully understand the entity of the issue and the potential solutions. As such we are communicating internally and externally about the topic of climate change through publications that support both awareness and positive impact opportunities (eg [Net zero transition leaders white paper](#))
- Engagements:
 - As active owners, we engage and vote in the companies we invest in.
 - Our engagement strategy focuses on: 4 thematic pillars (Climate, Water, Nutrition, Long term vision) and on companies with revenues from high risk activities (beyond a defined threshold), or being involved in severe controversies.
 - Specifically, when referring to Oil&Gas companies, the engagement asks will be aligned with our overall climate action plan and include topics like:
 - > Transparency on GHG Emissions scope 1, 2, 3
 - > Commitment to Net Zero
 - Resources across the group are in place to monitor the engagement activities and take further action if needed.
- Exclusions:
 - Our Responsible Investing Policy identifies activities for which an exclusion policy is in place, either for all assets (eg Controversial Weapons and Thermal Coal Extraction), or for our Responsible Investing solutions (eg GMOs, Pesticides, Oil&Gas Production).
 - > Expansion and exploration strategy
 - > Phase-out strategy

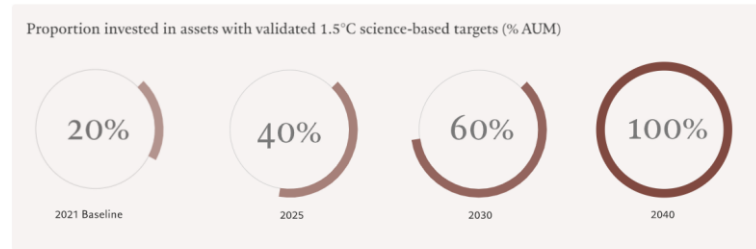
Pictet followed the Science Based Targets initiative (SBTi)'s guidance to determine the scope of our climate targets, which have been validated by SBTi in 2022. Pictet's commitment is reflected into its Climate Action Plan, covering both clients' assets, as well as Pictet Group's own assets. The Plan fully applies to Pictet Wealth Management, as it includes 100% of direct and indirect listed equity and corporate fixed income investments across discretionary mandates.

The Pictet Climate Action plan includes engaging with the companies and funds we invest in to set science-based targets. This is done in line with the priority angles identified -specifically: Low-carbon transition- in the Pictet Group Engagement Focus' framework. This approach is aligned with the SBTi methodology for Financial Institutions.

Pictet Group has also committed to the Net Zero Asset Managers initiative in 2021.

For the first impact area identified as Climate mitigation, Pictet developed the Pictet *Climate Action Plan*, which applies to all Business lines of the Group. The indicator of the Plan is measured by the portion of total assets under management invested in companies with validated 1.5°C science-based targets, as illustrated below. The baseline started in 2021 with 20% of total assets for the Group.

Pictet’s target for listed equity and fixed income



The current baseline and expected future progress will differ by asset class and geography. SBTi validated

More specifically, the targets for the Wealth Management division:

ASSET CLASS	AUM in scope (CHFbn)	BASELINE	TARGET 2025	TARGET 2030	TARGET 2040	
		31.12.2021				
PWM	ALL	42	20%	38%	59%	100%
Single lines	Listed EQ	22	33%	45%	65%	100%
	Corporate FI	7	16%	40%	55%	100%

The scope is limited to assets under Discretionary mandate, as the Bank has the delegation of the investment decision. Internal targets also include investments through funds.

The second impact area is Water, as defined in our Group Engagement focus. The approach angles are water conservation and water quality. Now, our main actions evolve around voting and engagement with invested companies which contributed negatively to such areas. In 2022, Pictet partnered with Ceres to contribute this expertise in designing the *Valuing Water Finance Initiative* and became a founding signatory. The Initiative commits signatories to engaging with companies with high water footprints to align with SDG6.

	Climate	Water
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> In progress <input type="checkbox"/> No

Links and references

[https://www.pictet.com/ch/en/responsible-vision/climate-action-plan#:~:text=Our%20target%20for%20real%20estate&text=Across%20our%20direct%20investments%20and,2030%20\(from%202021%20levels\).](https://www.pictet.com/ch/en/responsible-vision/climate-action-plan#:~:text=Our%20target%20for%20real%20estate&text=Across%20our%20direct%20investments%20and,2030%20(from%202021%20levels).)

<https://sciencebasedtargets.org/companies-taking-action>

<https://www.netzeroassetmanagers.org/signatories/pictet-group/>

[Responsible investing policy](#)

[Our progress on climate change](#)

[Ceres Valuing Water Finance Initiative](#)

2.3 Target implementation and monitoring

For the first impact area identified as Climate mitigation, Pictet developed the Pictet *Climate Action Plan*, which applies to all Business lines of the Group (please refer to section 2.2).

For the second area of impact identified as Water. Current main actions include voting and engagement with invested companies which contributed negatively to such area (please refer to section 2.2). Defining SMART targets is part of the Engagement process and is individual to each case, as each case and company is unique.

The list of engaged companies will be enhanced over time.

PRINCIPLE 3: CLIENTS AND CUSTOMERS

3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers³ in place to encourage sustainable practices?

Yes In progress No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes In progress No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities⁴). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

Following last year's report, our engagement with clients in the journey towards responsible investing evolve across 4 pillars:

- Awareness through collecting clients' sustainability preferences
- Awareness through Investment Solutions

³ A client engagement process is a process of supporting clients towards transitioning their business models in line with sustainability goals by strategically accompanying them through a variety of customer relationship channels.

⁴ Sustainable economic activities promote the transition to a low-carbon, more resource-efficient and sustainable economy.

- Awareness through Extra-Financial Reporting
- Awareness through Communication

Clients' Sustainability preferences

Our European Bank is collecting clients' sustainability preferences and ensuring checking the suitability of investment solutions offered to those preferences. The project has been rolled out in 2022 with Bankers' training and dedicated material to successfully lead conversations with clients on this topic.

Implementation project is being put in place to cover the other regions.

Investment Solutions

Our ambition is for all the investment solutions available to our clients to integrate ESG considerations in the investment process. We have reached 80% of assets under management at the end of 2022 and remain on track to reach our ambition to have 100% ESG integration before our initial 2025 target.

By including E, S and G considerations in our investment process, we create awareness about those characteristics and their financial materiality through the whole value chain of wealth management. As of end of 2022, around 19% of the assets managed for our clients were classified as responsible (art.8 or art.9 according to the SFDR directive), and we foresee to reach 35% by 2025.

The broadening of the shelf initiated with the update and evolution of existing solutions into responsible, when the convergence is possible, given the availability of both data and products in the needed asset classes (regions, styles).

Extra Financial reporting

To extend the reach of our awareness efforts, we deployed the Extra Financial Report to all our clients under management. Such report is available as a two-pagers integrated in the Investment Management Report and provides an ESG Overview of the portfolio. The objective is to familiarize readers and to provide transparency not only to clients invested in Responsible solutions but also to the core bucket of our clientele.

The Report was developed and includes now additional metrics, notably the qualitative analysis of investment made through funds.

A highly customizable Extra-Financial reporting is also available, upon clients' request, for those clients who wish to go deeper in their understand and exposure of their portfolio.

Communication

To support our client's awareness in the journey, we are investing in internal and external communication.

- The Responsible Investing Awareness training that is mandatory for all new Pictet employee, and part of the Bankers mandatory trainings, enabling meaningful conversations with our clients.

- We have a dedicated internal Responsible Investing page collecting all the information regarding our frameworks, our solutions, case studies.
- We are continuously producing interesting external material to create awareness both about Responsible Investing in general and specific themes, like Climate Change or Impact Investing. An Group internal dedicated page was created where employees have access to such resources.

Links and references

<https://www.pictet.com/ch/en/insights/beyond-markets>

3.2 Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

We have seen from last year an increase in holdings from positive impact sectors as defined by UNEP FI, and a decrease in negative sectors. The global economic and political environment has been a passive actor in this trend. At Wealth management, we have seen these trends as follow:

- Products and services:
 - Investments products
 - > update our “net-zero transition leaders” list of recommendation
 - > monitor and improve our Responsible Investing solutions (multi-assets and equities solutions)
 - Proxy voting and engagement
 - > Active Ownership report for 2021 activities ([online report](#))
 - > Refining in 2022 of Engagement guidelines, procedure, and resources to start documenting activities in 2023.
- Increase in Asset under management: attraction of assets into Responsible investing products (art.8 and art.9 under SFDR classification). More specifically, those investment instruments classified as Art. 8 under SFDR have seen an increase in assets under management.
- Data availability: we monitor and review our existing data providers to ensure to choose those who fit our purposes and are highly ranked from a quality perspective. The opportunity angle is embedded in the more “positive aspects” of data, what we interpret as “sustainable investments” defined as “[...] an investment in an

economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices” (<https://www.eiopa.europa.eu/select-language?destination=/node/1>).

Links and references

<https://www.pictet.com/ch/en/wealth-management/aiming-to-be-responsible>

PRINCIPLE 4: STAKEHOLDERS

4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate, and partner with stakeholders (or stakeholder groups⁵) you have identified as relevant in relation to the impact analysis and target setting process?

Yes

In progress

No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated, or partnered with for the purpose of implementing the principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

As investors, practicing active ownership, including engagement with the issuers we are invested in, is a key lever of responsible investing. Pictet is actively involved in several collaborative investor engagement initiatives, each of which addresses a specific theme that aligns with our Group Engagement Focus.

Starting in 2023, Pictet Wealth Management is leading direct bilateral engagement dialogues with corporates. We seek meaningful impact defined on individual issuers in which we hold a significant position and have specific expertise. We have identified high-ESG impact companies to engage with in priority themes, including low-carbon transition, water and long-term performance culture through our Group Engagement Focus framework. Over time, we will expand the companies included as those in the initial target list make satisfactory progress. We will for example ask those companies to set validated science-based targets and devise credible decarbonisation plans to achieve them.

Concrete engagement objectives and timelines will be solidified for each target issuer. Over a pre-determined time horizon, when insufficient progress or a lack of response is noted, the respective lead engagement analysts/portfolio managers will, on a case-by-case basis, determine whether escalation actions should be taken.

Proxy voting guidelines and activities are aligned with our

⁵ Such as regulators, investors, governments, suppliers, customers and clients, academia, civil society institutions, communities, representatives of indigenous population and non-profit organizations

engagement dialogues. Specifically, we use our voting decisions to influence target companies on the specific issues raised in our engagements.

We also partner with other organisations with aligned engagement agendas, therefore benefiting from their expertise on specific issues and themes. Through collaborative engagement initiatives we are enabled to join aligned groups of investors willing to aggregate their voices for a greater impact on specific causes.

In 2022, we were active signatories of the following initiatives: Climate Action 100+, Institutional Investor Group on Climate Change, Access to Nutrition Initiative, Ceres Valuing Water Finance Initiative and FAIRR Initiative.

In addition, as an active member in various industry groups and workstreams, including Swiss Sustainable Finance and the Swiss Bankers Association, we aim to engage and collaborate more broadly within our industry.

In alignment with the Paris Agreement, we are committed to the SBTi and Net Zero Asset Managers initiatives. In 2022, we submitted our first CDP survey (receiving a B score) and launched our [Climate Action Plan](#), which includes long-term and interim SBTi-validated targets.

Our associative presence also extends to the Asset Management Association Switzerland and Swiss Sustainable Finance.

Because the problems we face require new partnerships across sectors of the economy and society, we have been very active in the Building Bridges initiative, which aims to drive capital towards the SDGs through promoting dialogue between the financial centre and Geneva's international organisation ecosystem.

Through its philanthropy, the [Pictet Group Foundation](#) supports impact-driven solutions that build resilient communities and ecosystems with a special focus on Water and Nutrition.

Links and references

[Active Ownership report](#)

https://www.pictet.com/ch/en/responsible-vision/climate-action-plan/our-clients-assets#active_ownership

PRINCIPLE 5: GOVERNANCE & CULTURE

5.1 Governance Structure for implementation of the principles

Does your bank have a governance system in place that incorporates the PRB?

Yes

In progress

No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant

positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about

- *which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to),*
- *details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as*
- *remuneration practices linked to sustainability targets.*

The **Group Stewardship & Sustainability Board (GSSB)** is the governing body for Group ESG & Stewardship. It oversees and tracks Group and Business line alignment and progress against our 2025 ambitions and the 10 levers of action outlined in our Responsible Vision which was approved by our Partners in 2020. This includes tracking progress and implementation against our main commitments such as the UNPRB, UNPRI, TCFD and to Net Zero (through NZAM and SBTi). Members of the Board include Business Line and Group key function representatives who are responsible for bringing key topics, recommendations, and decisions from the board into the appropriate Business Line and Group bodies (EXCOs, EXBOs and IMCOs) for execution. The Business Lines are responsible for defining their ESG strategies (in alignment with the GSSB policies and priorities) and monitoring execution against them. Laurent Ramsey, Partner in charge of Sustainability & Responsible Investing, chairs the board. The Head of Group ESG & Stewardship coordinates the board and ensures information is brought in a timely manner and decisions are effectively executed at the business-line level. The Group ESG & Stewardship team also has oversight of GSSB sub-committees – including the Group ESG Data Committee and the Corporate Sustainability Advisory Committee.

The GSSB meets 4 times per annum and reports to the board of partners through the Group Head of ESG & Stewardship, at minimum on a quarterly basis, and ad hoc if need be.

Additionally, group entities and locations actively collaborate regarding regulatory projects. The governance of the latter is assured by the **ESG Regulatory Working Group** led by Group Risk. Representatives of each business division have a seat on the table to ensure implementation and monitoring across the Group.

Moreover, the Wealth Management division takes the lead when addressing client services. Driven by the ESG team, responsibility to implement actions towards our goals are shared among the division including, but not limited to the Investment department. Each Goal setting for each participant in the workstream is officially communicated through the performance management tool and ensures accountability and commitment.

The implementation of the Responsible Investing vision in the Wealth management division has been strengthened by the creation of the ESG Steering Committee. The goal of the committee is to:

- distribute of information and ownership
- ensure proper inclusion of all Wealth management representatives
- update the committee on Responsible investing ambitions, concerns, and decisions.

The committee meets every 2 months and involves the highest governing bodies of the division.

5.2 Promoting a culture of responsible banking

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Our ambition of becoming a leading responsible investment firm is one of Pictet's seven 2025 strategic priorities and was first presented by our Partners in early 2020 at the bi-annual all-staff company presentation ("Semestrielle"). This ambition has been re-iterated at each subsequent Semestrielle session, underlining its importance and providing visibility of progress towards it.

Furthermore, over the last 6 years we have had an annual Sustainability Week which aims to foster a Group-wide conversation on Sustainability and responsible investing. Several of our Partners and C-suite representatives are involved alongside internal and external experts around key sustainability themes for Pictet and our stakeholders. In 2022, the "sustainability week" was replaced by recurring communication campaigns all year-round. The latest event of the year was a conference presented by a Mountaineer and motivational speaker creating awareness around Water and its crucial role on climate safety.

To align incentives, our remuneration policy integrates sustainability risks by way of the policies and procedures which Pictet employees are bound to respect. Compliance with internal (Policies & Procedures) P&Ps form a part of an employee's annual review, which may include ESG limitations and considering sustainability risks based on the type of products or services selected by clients served by that employee. In addition, Pictet employees are held to the Group's general engagement on sustainability and responsible investing, as relevant to their function.

The network of Responsible Investing Ambassadors runs monthly and has been completed with additional colleagues from European desks desiring to be part of the forum. The exchange is documented and shared on our Internal Website. A second network of professionals, namely the Responsible Investing Champions was created to empower our experts in the implementation process. They represent

the drivers of the several working groups implementing Responsible Investing targets.

5.3 Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio?⁶ Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

In addition to the Responsible Investing Policy (publicly available online,) the Responsible Investing solutions benefit from several levels of controls, from inception to execution:

- **Robust frameworks:** our instrument selection for Responsible Investing solutions is framed by asset-class specific frameworks, built by our experts across the Group. Such frameworks allow the solutions to respond to our **Responsible Investing Policy**, reviewed on a yearly basis.
- **Due Diligence:** when building partnerships with third-party managers, the process of ESG due diligence is mandatory. Additional resources were allocated to this activity to increase the level of efficiency and accuracy by having the process stored on a web-based platform. Analysts remain the owners of the process as they are the ones in close contact with managers.
- **Internal Controls:** In additions to systems' constraints, monthly controls of delegated investment strategies are in place to ensure quality monitoring and performed by the Investment Risk team, reporting to the Risk department. The latter is not directly linked to the Investment department.
- **Internal Audit:** our final sets of controls, we are audited yearly on our activities related to Responsible Investing, from communication, investment decisions to Client Reporting. Once interviewed, Internal audit will submit recommendations which must be implemented in a reasonable timeframe.

⁶ Applicable examples of types of policies are: exclusion policies for certain sectors/activities; zero-deforestation policies; zero-tolerance policies; gender-related policies; social due diligence policies; stakeholder engagement policies; whistleblower policies etc., or any applicable national guidelines related to social risks.

Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

Yes No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes In progress No

**PRINCIPLE 6:
TRANSPARENCY &
ACCOUNTABILITY**

6.1 Assurance

Our current UNPRB report has not yet been assured by an external independent party. Resources will be allocated to have next year’s report assured.

6.2 Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: UNPRI....

We received a B score from CDP in 2022.

6.3 Outlook

In the next 12 months, you can expect from the Bank to further implement the principles. Two noteworthy areas are:

- Pictet Group has established a dedicated working group to assess the contribution to the energy transition of companies operating in sectors with the highest climate impact. The working group is led by Chief Investment Officers and supported by subject-matter, industry, and ESG experts. The conclusions of the working group will set our expectations for companies operating in high-impact sectors, including exclusion and engagement frameworks.
- One of the Bank’s 2023 targets is to provide further transparency over investment recommendations to indicate whether it can be considered as supporting a sustainable economy, improving towards a sustainable economy, or neither of them.

6.4 Challenges

Here is a short section to find out about challenges your bank is possibly facing regarding the implementation of the Principles for Responsible Banking. Your feedback will be helpful to contextualise the collective progress of PRB signatory banks.

What challenges have you prioritized to address when implementing the Principles for Responsible Banking? Please choose what you consider the top three challenges your bank has prioritized to address in the last 12 months (optional question).

If desired, you can elaborate on challenges and how you are tackling these:

- | | |
|--|---|
| <input type="checkbox"/> Embedding PRB oversight into governance | <input type="checkbox"/> Customer engagement |
| <input type="checkbox"/> Gaining or maintaining momentum in the bank | <input checked="" type="checkbox"/> Stakeholder engagement |
| <input type="checkbox"/> Getting started: where to start and what to focus on in the beginning | <input type="checkbox"/> Data availability |
| <input type="checkbox"/> Conducting an impact analysis | <input checked="" type="checkbox"/> Data quality |
| <input type="checkbox"/> Assessing negative environmental and social impacts | <input type="checkbox"/> Access to resources |
| <input type="checkbox"/> Choosing the right performance measurement methodology/ies | <input type="checkbox"/> Reporting |
| <input type="checkbox"/> Setting targets | <input checked="" type="checkbox"/> Assurance |
| <input type="checkbox"/> Other: ... | <input checked="" type="checkbox"/> Prioritizing actions internally |

If desired, you can elaborate on challenges and how you are tackling these:

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