

PICTET GROUP

# EU Sustainable Finance Disclosure Regulation

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

NOVEMBER 2024 (amendment to the version dated June 2024)

## Summary

Bank Pictet & Cie (Europe) AG (Legal Entity Identifier (LEI): 549300GSSPQ1QSKI1376) and its EU branches consider principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Bank Pictet & Cie (Europe) AG and its EU branches. This statement on principal adverse impacts on sustainability factors covers the reference period from **1 January to 31 December 2023**.

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

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

Furthermore, we address principal adverse impacts on the environment and society through active ownership activities, including voting and engagement. In 2023, at Pictet Wealth Management, we voted at 109 Annual General Meetings (AGMs) and supported 25 management & shareholder resolutions addressing a broad range of ESG issues related to principal adverse impacts including, greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.

Finally, we engage issuers on material ESG factors and encourage them to address those effectively over the short, medium and long term. As part of our approach we rolled out in 2022 a Pictet Group Engagement Framework focusing on a number of themes including climate change mitigation, biodiversity and water and longtermism. During the course of 2023, our Pictet Wealth Management equity and credit analysts initiated engagement cases with 14 companies.

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

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

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

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

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

As of today, not all information is available for all companies in our investment universe, therefore consideration of PAI is subject to data availability and quality. As part of the European Green Deal, the Corporate Sustainability Reporting Directive (CSRD) includes a mandate for companies to report from 2024 sustainability information under the reporting framework of the European Sustainability Reporting Standards (ESRS). This framework ensures that all PAI indicators will be covered by company disclosures<sup>2</sup>.

With regards to investment funds in our universe, we calculate PAI on a best effort basis based on the fund's underlying investments ("look-through" approach).

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

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

## Description of the principal adverse impacts on sustainability factors

<b>Table 1: Indicators applicable to investments in investee companies. Eligible Assets<sup>3</sup>: 58%</b>						
Adverse sustainability indicator	Metric	Impact year 2023	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions (tCO <sub>2</sub> eq)	287'197	119'196	Data Coverage <sup>4</sup> on eligible assets 84%	<b>Exclusions</b> All managed strategies invested directly in equity and corporate bonds apply a baseline level of exclusions and exclude companies that gather more than 25% revenue from thermal coal extraction.  Responsible investing strategies (as per Art.8 SFDR) apply a stricter level of exclusions and exclude companies that derive a significant portion of their revenue from activities detrimental to the environment, such as: fossil fuels (including thermal coal extraction & power generation (> 25% revenue), unconventional oil and gas (> 10% revenue) and
		Scope 2 GHG emissions (tCO <sub>2</sub> eq)	76'527	25'888	Data Coverage on eligible assets 84%	
		Scope 3 GHG emissions (tCO <sub>2</sub> eq)	2'715'681	1'004'610	Data Coverage on eligible assets 84%	
		Total GHG emissions (tCO <sub>2</sub> eq)	3'079'405	1'150'099	Data Coverage on eligible assets 84%	
	2. Carbon footprint	Carbon footprint Scope 1+2 (tCO <sub>2</sub> eq per million EUR invested)	52	56	Data Coverage on eligible assets 84%	

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

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

		Carbon footprint scope 1+2+3 (tCO <sub>2</sub> eq per million EUR invested)	439	442	Data Coverage on eligible assets 84%	<p>offshore arctic oil &amp; gas exploration (&gt; 10% revenue), Oil&amp;Gas production (&gt; 25% revenue).</p> <p><b>ESG Integration</b></p> <p>Since 2018 we have put in place a central repository of environmental, social and governance information (i.e. “ESG Scorecard”), our analysts are integrating those information into their evaluations (both equity and credit)</p> <p>Since 2018 we have put in place an ESG Due Diligence Questionnaire and we ask all our Third Party Fund Managers to complete it. The questionnaire includes both firm- and fund-level questions. The completed questionnaires are assessed and scored on four pillars (Management Firm commitment to ESG, Investment Process, Active Ownership, Monitoring and Reporting). Each fund is ranked with a score from 1 (ESG Laggard) to 5 (ESG Leader). This structured and robust approach offers us a strong foundation to integrate further criteria around climate based on the identified best practices and as managers increasingly transition their strategies.</p> <p><b>Active Ownership</b></p> <p>Climate change is a priority engagement theme for us. We have published our <a href="#">Pictet Climate Action Plan</a>, which includes a commitment to net zero by 2050, as well as interim science-based targets. Key actions to progressing towards these objectives include engaging with issuers to encourage them to set science-based targets, develop decarbonization plans to achieve them, and report on their progress.</p>
3. GHG intensity of investee companies		GHG intensity of investee companies scope 1+2 (tCO <sub>2</sub> eq per million EUR revenue)	119	130	Data Coverage on eligible assets 84%	
		GHG intensity of investee companies scope 1+2+3 (tCO <sub>2</sub> eq per million EUR revenue)	948	757	Data Coverage on eligible assets 84%	
4. Exposure to companies active in the fossil fuel sector		Share of investments in companies active in the fossil fuel sector (%)	7%	6%	Data Coverage on eligible assets 86%	
5. Share of non-renewable energy consumption and production		Share of non-renewable energy consumption / Total energy consumption of investee companies (%)	63%	61%	Data Coverage on eligible assets 64%	
		Share of non-renewable energy production / Total energy production of investee companies (%)	26%	27%	Data Coverage on eligible assets 21%	
					This indicator has limited data availability (i.e. coverage <50%). We consider a	

					threshold of 50% coverage necessary in order to provide a meaningful view.	<p>In line with Pictet’s Climate Action Plan, our 2023 voting activities on climate change focused on a company’s ability to set science-based targets validated by the Science-Based Targets initiative (SBTi)<sup>5</sup>. When assessing a company’s climate or transition action plan, we consider peer practices and regulatory constraints.</p> <p>As such, we did not support 40% of management climate-related proposals voted, by either voting Against or Abstain. The proposals we supported were based on SBTi-validated targets, while the ones we did not support were deemed insufficient in scope and/or granularity. We particularly focused on the risk of greenwashing associated with long-term net-zero strategies (2030/2050 targets) where the disclosed levers of action and their associated impact on existing emissions did not allow us to confidently assess how companies would deliver on their stated strategies.</p> <p>All management-led climate-related proposals we voted on were supported by a majority of shareholders. We supported 52% of shareholder proposals challenging existing climate plans and their associated emissions reduction targets and/or requesting the submission of such plans and targets. Out of the shareholder proposals we supported, unfortunately none were supported by a majority of shareholders.</p>
	6. Energy consumption intensity per high impact climate sector	Energy consumption intensity by sectors (GWh per million EUR revenue)			The energy consumption intensity per high impact climate sector indicators have limited data availability (i.e. coverage <50%). We consider a threshold of 50% coverage necessary in order to provide a meaningful view.	
		<i>Agriculture, forestry and fishing</i>	4	14	Data Coverage on eligible assets <1%	
		<i>Mining and quarrying</i>	3	2	Data Coverage on eligible assets 4%	
		<i>Manufacturing</i>	2	78	Data Coverage on eligible assets 39%	
		<i>Electricity, gas, steam and air conditioning supply</i>	5	11	Data Coverage on eligible assets 2%	

<sup>5</sup> See: <https://sciencebasedtargets.org/how-it-works>

		<i>Water supply; sewerage; waste management and remediation activities</i>	1	2	Data Coverage on eligible assets <1%	<p><b>Actions planned</b></p> <p>As part of our Climate Action Plan, we have committed to reducing our own scope 1 and 2 emissions at operational level and, critically, to steadily increasing the proportion of our investee companies/third party managers with specific science-based targets (to mitigate climate change) to 40% by 2025, 60% by 2030 and 100% by 2040.</p> <p>In 2024, we plan to continue our efforts to engage with issuers and third party fund managers across our investment portfolios to encourage them to set science-based targets, grow and launch new investment solutions that foster the low-carbon transition, and motivate other stakeholders join the net-zero transition.</p>
		<i>Construction</i>	0	0	Data Coverage on eligible assets 1%	
		<i>Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	29	0	Data Coverage on eligible assets 3%	
		<i>Transporting and storage</i>	2	1	Data Coverage on eligible assets 1%	
		<i>Real estate activities</i>	72	1	Data Coverage on eligible assets 3%	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas (%)	13% <sup>6</sup>	23%	Data Coverage on eligible assets 86%	<p><b>Exclusions</b></p> <p>Our responsible investing strategies exclude companies:</p> <ul style="list-style-type: none"> <li>- with a significant proportion of activities or products that are harmful to biodiversity (e.g. Pesticides production or retail if revenue are &gt; 10%)</li> <li>- in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe biodiversity losses.</li> </ul>

<sup>6</sup> 2022 and 2023 data are not directly comparable. We rely on a dedicated data set from a third-party data provider. The data provider has reviewed its methodology for this indicator, consequently, the roll-out of the enhanced data set effected the values.

						<p><b>Active Ownership</b></p> <p>In 2022 we initiated our strategic Group Engagement Focus program which includes the priority topics of biodiversity and deforestation.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on biodiversity and deforestation, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p>In 2022, Pictet joined a range of Multi-stakeholder initiatives such as the <u>Finance for Biodiversity Pledge</u> and several engagement initiatives by FAIRR related to biodiversity. Pictet also became official supporters of the Taskforce on Nature-related Financial Disclosures (TNFD).</p> <p><b>Actions planned</b></p> <p>As signatories to the Pledge, we committed, among other topics, to set nature-related targets.</p>
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	<1	0	<p>Data Coverage on eligible assets 10%</p> <p>This indicator has limited data availability (i.e. coverage &lt;50%). We consider a threshold of 50% coverage necessary in order to provide a meaningful view.</p>	<p><b>Exclusions</b></p> <p>Our responsible investing strategies exclude companies that are in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including emissions to water.</p> <p><b>Active Ownership</b></p> <p>In 2022 we initiated our Group Engagement Focus program which includes the priority theme of water. Pictet also became a founding signatory of Ceres' Valuing Water Finance Initiative aimed at promoting</p>



						<p>good corporate water stewardship practices through collaborative engagement.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on water, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p><b>Other commitment</b></p> <p>Pictet is a pioneer investor in water solutions, having launched our flagship Water Fund in 2000.</p>
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	6	2	Data Coverage on eligible assets 78%	<p><b>Active ownership</b></p> <p>We may engage with companies involved in the production of hazardous waste or with poor waste management practices.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on waste, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p>
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	2%	1%	Data Coverage on eligible assets 86%	<p><b>Exclusions</b></p> <p>Our Responsible Investing strategies exclude companies that severely violate (i) the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption. or (ii) OECD Guidelines for</p>

	Multinational Enterprises					Multinationals, including severe social and employee issues.
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises (%)	43%	46%	Data Coverage on eligible assets 85%	<p><b>Active Ownership</b></p> <p>In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as community impacts, human rights, labour standards, health and safety, or business ethics and corruption.</p> <p>Our Group Engagement Focus program also includes the priority topic of talent retention and development, of which gender diversity is an important factor.</p> <p>Where relevant, we used proxy voting to reinforce our engagement activity, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p>In addition, we vote against or withhold on Directors individually, on a committee, or potentially the entire Board due to material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks.</p> <p><b>Other commitments</b></p> <p>In 2022, Pictet joined the UN Global Compact, committing to adhere to its principles around human rights, labour, environment and anti-corruption.</p>

						In 2022, Pictet also signed the FAIRR Working conditions engagement letter: Unpacking labour risk in global meat supply chains.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies (%)	14%	15%	Data Coverage on eligible assets 7% This indicator has limited data availability (i.e. coverage <50%). We consider a threshold of 50% coverage necessary in order to provide a meaningful view.	<p><b>Active ownership</b></p> <p>Where relevant, we used proxy voting to reinforce our engagement activity on these topics, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient. This includes generally voting against or withhold from the chair of the nominating committee, or relevant committee member depending on jurisdiction, if the board lacks at least one director of an underrepresented gender identity.</p> <p>On societal-related items, including gender, diversity, civil rights, labour issues, and working conditions, we supported 27% of shareholder proposals in 2023.</p>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members (%)	35%	36%	Data Coverage on eligible assets 80%	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons (%)	0%	0%	Data Coverage on eligible assets 86%	<p><b>Exclusions</b></p> <p>Since 2011 all managed strategies invested directly in equity and corporate bonds do not invest in companies involved with nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NMT) and other controversial weapons.</p> <p><b>Active ownership</b></p>

Where relevant, we used proxy voting to reinforce our engagement activity on weapons, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.

**Other commitments**

In August 2018, Pictet — who have a seat on the Board of Swiss Sustainable Finance (SSF) — spearheaded a collaborative initiative together with SSF, aimed at removing controversial weapons manufacturers from mainstream indices and benchmarks.

**Table 1: Indicators applicable to investments in sovereigns and supnationals. Eligible Assets: 18%**

Adverse sustainability indicator	Metric	Impact year 2023	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period	
Environmental	15. GHG intensity	GHG intensity of investee countries (tons of CO <sub>2</sub> eq per million EUR GDP)	284	250	Data Coverage on eligible assets 74%	<p><b>Universe and portfolio construction</b></p> <p>Responsible investing strategies may address adverse impacts through portfolio construction and/or universe definition. As part of this, investment teams may consider GHG intensity if material to their strategy or to issuers they invest in.</p>
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number / relative number divided by all investee)	Q1:0/0% Q2:0/0% Q3:0/0% Q4:1/5%	Q1:1/9% Q2:1/10% Q3:0/0% Q4:0/0%	Data Coverage on eligible assets 73%	<p><b>Exclusions</b></p> <p>For sovereign and quasi-sovereign issuers, exclusions or enhanced due diligence is applied based on (i) international sanctions as defined by Switzerland, the European Union and/ or the US Office of Foreign Assets Control (OFAC), (ii) EU financial sanctions, (iii) countries affected by violent conflict as defined by the</p>

		countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law				World Bank (iv) an independent assessment of countries' vulnerability to conflict or collapse as determined by the Fragile State Index (FSI) , (v) countries subject to export related sanctions by the EU.  <b>Actions planned</b>  We will continue to monitor social violations. We will continue to review and expand our approach to sovereign engagement.
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**Table 1: Indicators applicable to investments in real estate assets.**

Adverse sustainability indicator		Metric	Impact year 2023	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels (%)	n.c.	n.c.		Investments in real estate asset class represent a marginal share of the overall assets in scope of the present PAI statement. Moreover, exposure to real estate in our managed strategies is traditionally not achieved through direct investments. Given the lack of PAI indicators data available at fund level, it was not possible to provide a value for these metrics.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets (%)	n.c.	n.c.		Our approach to managing environmental risks and opportunities in our direct and co-investments in real estate is described in the <a href="#">Pictet Alternative Advisors' ESG policy</a> .

Other indicators for principal adverse impacts on sustainability factors

Table 2: Indicators applicable to investments in investee companies. Eligible Assets: 58%

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse sustainability indicator		Metric	Impact year 2023	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in companies without carbon emission reduction initiatives (%)	19%	28%	Data Coverage on eligible assets 86%	<p><b>Active ownership</b></p> <p>In 2022 we published our Pictet Climate Action Plan which includes our commitment to net zero by 2050 as well as interim science-based targets. Key actions to progressing towards these objectives included engaging with issuers to encourage them to set science-based targets, develop decarbonization plans to achieve them, and report on their progress.</p> <p>Where relevant, we use proxy voting to reinforce our engagement activity on climate change, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p> <p><b>Actions planned</b></p> <p>As part of our Climate Action Plan, we have committed to steadily increasing the proportion of our investee companies/third party managers with specific science-based targets (to mitigate climate change) to 40% by 2025, 60% by 2030 and 100% by 2040.</p>

						In 2024, we plan to continue our efforts to engage with issuers and third party fund managers across our investment portfolios to encourage them to set science-based targets, grow and launch new investment solutions that foster the low-carbon transition, and motivate other stakeholders join the net-zero transition.
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**Table 3: Indicators applicable to investments in investee companies. Eligible Assets: 58%**

**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

Adverse sustainability indicator		Metric	Impact year 2023	Impact year 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Anti-corruption and anti-bribery	15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption (%)	1%	1%	Data Coverage on eligible assets 86%	<p><b>Exclusions</b></p> <p>Our Responsible Investing strategies exclude companies in severe breach of UN Global Compact Principles and OECD Guidelines for Multinationals, including severe corruption and bribery issues.</p> <p><b>Active ownership</b></p> <p>In 2022 we initiated our Group Engagement Focus program which includes engagements with companies in breach of UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Such engagements may cover topics such as business ethics and corruption.</p> <p>Where relevant, we use proxy voting to reinforce our engagement activity on business ethics and corruption, either by supporting shareholder resolutions or by voting against management when we felt that progress was not sufficient.</p>

## Description of policies to identify and prioritise principal adverse impacts of investment decisions on sustainability factors

### Governance in relation to policies

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

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

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

The last update of the Responsible Investing Policy was approved by the Management Board of Bank Pictet & Cie (Europe) AG in November 2024.

The policy is accessible from our website or through the link: <https://www.pictet.com/content/dam/www/documents/brochures/responsibility/PWM-Responsible-Investing-Policy.pdf>

### Identification and assessment of principal adverse impact

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

Furthermore, we address principal adverse impacts on the environment and society through active ownership activities, including voting and engagement. In 2023, at Pictet Wealth Management, we voted at 109 Annual General Meetings (AGMs) and supported close to 50 management & shareholder resolutions addressing a broad range of ESG issues related to principal adverse impacts including, greenhouse gas emissions and climate change, biodiversity loss and deforestation, water and waste management, social and employee matters such as gender and ethnic diversity, freedom of association, and human rights.



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

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

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

## Data sources

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

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

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

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

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

## Engagement policies

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

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

The Responsible Investment Policy includes an escalation strategy that we may deploy when we are not satisfied with the outcome of an engagement for example in the absence of reduction of the targeted principal adverse impacts over time.

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

## References to international standards

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

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

We are also:

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

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

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

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

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

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

### **Swiss associations**

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

### **Historical comparison**

Information is included in the table “Description of the principal adverse impacts of investment decisions on sustainability factors”.