

### About the portfolio manager

Assets under management USD 180.5 bn, USD 14.0 bn according to ESG principles

Number of inv. profess. 382

Number of inv. profess. dedicated to ESG 4

Participation in shareholder meetings Yes

ESG rating A

ESG consultant ISS Institutional Shareholder Services

External data sources

- CFRA
- HOLT
- Sustainalytics
- Inrate
- Reprisk
- ISS Research
- ethos
- Bloomberg
- S&P/Trucost
- Verisk Maplecroft
- Global Footprint Network

### Memberships

Signatory to UNPRI Yes

UNPRI rating A

Others (selection)

- IIGCC (Institutional Investors Group on Climate Change)
- SSF (Swiss Sustainable Finance) and similar organisation in the UK, Germany and Spain
- Swiss Sustainable Finance (SSF)
- FNG, ItaSIF, Spain SIF
- CDP (former Carbon Disclosure Project)
- Swiss Climate Foundation
- EFAMA
- UK Stewardship Code
- JP Stewardship Code
- Climate Bonds Initiative (CBI)
- Inst. Investors Group on Climate Change (IIGCC)
- FTSE Environmental Markets
- Climate Action 100+

### Voting activity

Exercise of voting rights Yes; 2019: >4'000 GM

ESG consultant ISS

Voting report Yes

Additional information

<https://www.am.pictet/en/switzerland/global-articles/2020/expertise/esg/proxy-voting>

### Decision making process for exclusion decisions

The Pictet Group implements an exclusion policy on companies involved in the production of anti-personnel mines, cluster munitions, biological & chemical weapons (including white phosphorous) and nuclear weapons from countries not signatory to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). This policy applies to actively managed strategies (funds and segregated accounts) as well as investments for its own account.

This restriction is programmed into the portfolio management system, PAMFolio, and overseen by the Pictet Asset Management's Compliance department; investment managers are prohibited from trading any securities on the Controversial Weapons List, unless they are shorting the securities.

### Consultant for investment guidelines and exclusion criteria

Sustainalytics (a global leader in ESG research and ratings) is providing us with research on companies involved in controversial weapons. On the basis of this research, Pictet Group Risk Team prepares an exclusion list subject to approval by the Group Investment Stewardship & Sustainability Board (GSSB). Pictet may engage with companies on an ad hoc basis to seek further clarifications and inform its decision-making process. This process may lead to some deviations from our information provider.

### Decision making process for exercising voting rights

To assist us in performing our proxy voting responsibilities, Pictet Asset Management uses the services of third party specialists to provide research and to facilitate the execution of voting decisions at all relevant company meetings worldwide.

Third party specialists are tasked with collecting meeting notices for all holdings and researching the implications of every resolution according to Voting Guidelines defined by Pictet Asset Management. All recommendations are communicated to relevant Investment teams and the Environmental Social Governance 'ESG' team.

Pictet Asset Management always reserves the right to deviate from third party voting recommendations on a case by case basis in order to act in the best interests of our clients. Such divergences may be initiated by Investment teams\* or by the ESG team and must be supported by written rationale. In instances when consensus cannot be reached between the Investments teams and ESG team, the decision is escalated to relevant CIOs and, if necessary, the Head of Investments.

\* The Indexation team retains the right to take part in the decision-making process on a case-by-case basis.



### Engagement

Engagement	Yes
Consultant	GES

### ESG consultant for engagement activities

As responsible investors, we consider it is part of our fiduciary duty to clients to engage with corporate and sovereign issuers in which we are invested where we have concerns relating to matters around environmental, social and governance issues. We will thus interact with management, where appropriate, to protect or enhance the value of our clients' investments. We engage issuers through a combination of targeted in-house-led discussions, third-party engagement services and via collaborative institutional investor initiatives.

## IST portfolio

### Portfolio overview

ESG rating	No
Exercise of voting rights	Yes
Application of an exclusion list	Yes

### Incorporation of ESG factors into the investment process

ESG factors are incorporated at the outset of our process, in the parametrisation of our algorithm, in the form of an exclusion list we append.

An excluded stock with a large weight in the benchmark will exhibit a much larger underweight than would otherwise be achieved in a full replication method. Moreover, systematic industry and country risks may arise on top of the stock-specific risk created by the exclusion, since many exclusions tend to concentrate within specific regions or industry groups.

To reduce the impact of systematic risks relative to (diversifiable) specific ones, we allow our algorithm to marginally overweight purchasable stocks in the same industry and country, which have been impacted by the exclusion. Such an approach enables the exchange of systematic risk for greater specific risk in the portfolio.

Should the ex-ante tracking error exceed the limits defined in the specific guideline, adjustments should occur as per the agreement.

### Identification of companies excluded

Excluded securities are, as agreed, those listed on the SVVK list that we monitor daily for any change. Additionally no investments in thermal coal are permitted (turnover >50% of a company).

*Additional information:* <https://www.svvk-asir.ch/en/about-us/>