



Global Environmental Opportunities **Sustainability & Impact Report**

31.12.2020

For professional investors only



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Our declaration of intent

“Our core belief is that the true value of natural capital is not properly reflected in market prices, leading to over-consumption of natural resources and excessive pollution. Therefore, over the long term, those business models, technologies and services that help increase the resource efficiency of the economy will be those most in demand.”

GEO Investment Team

A rapidly growing global middle class, expected to increase from 3.8 billion people to more than 5.6 billion people by 2030¹, is requesting more and more global resources.

Across the world, consumers, companies and governments recognise that environmental challenges have to be addressed. Going forward, adverse ecological changes will become some of the major risks to future economic expansion. We believe that companies providing products and services to increase resource efficiency are well placed to grow strongly within this changing environment.

The strategy targets capital appreciation by investing in companies who seek to solve environmental challenges through innovation, technology and intelligent use of natural resources. We invest in companies that make a substantial active contribution to solving environmental challenges by providing solutions to others, rather than companies only focusing on minimizing the environmental impact of their own operations.

Our Global Environmental Opportunities strategy aims to capture investment opportunities across all areas of the global industry, whilst making a positive contribution towards a more sustainable world. The strategy focuses on the following areas:

- > Energy efficiency
- > Pollution control
- > Water supply & technology
- > Waste management & recycling
- > Sustainable agriculture & forestry
- > Dematerialized economy

In order to be eligible in the portfolio, at least 20% of the activities of the firm must be related to products and services actively solving environmental challenges.

We only select companies that make a substantial ‘active’ contribution to solving environmental challenges. This is measured by the strategic importance of environmentally-related products and services within the company, by the quality and amount of R&D spent in the environmental domain.

¹ World Economic Forum in October 2018: A global tipping point: Half the world is now middle class or wealthier



Our investment approach uses a unique scientific framework to construct the universe. The framework – Planetary Boundaries – was first published in Nature magazine in 2009 (by Johan Rockström (Stockholm Resilience Centre)). It represents the state of the art in terms of the current scientific consensus regarding which environmental challenges matter most.

The planetary boundaries framework identifies nine key environmental dimensions (water, climate change, biodiversity, land-use, nitrogen & phosphorous cycle, ocean acidification, ozone depletion, aerosol loading and chemical pollution) and specifies the respective thresholds that humanity shall not cross, lest it is to cause irreversible environmental damage with potentially catastrophic consequences.

The area within the boundaries, where human activities can take place safely is called the ‘safe operating space’.

We relate planetary boundaries and safe operating space to sub-industries and to individual companies. This allows us to understand how a company’s products and services, taken over their entire life cycle, impact on the nine key environmental dimensions. We can thus see whether a company’s activities lie within the safe operating space, and whether its business model is rather forfeited or favoured by stricter environmental constraints in the future.

We only invest in companies within the safe operating space that, at the same time, make an ‘active’ contribution to solving environmental challenges.



Investment universe

Strategic definition of the investment theme related to environmental opportunities

The investment theme defines our long-term strategic orientation. A dedicated Advisory Board helps the investment managers to identify future trends impacting the various investment segments that are of relevance to the environmental industry.

Input from the highly recognised independent members of the Advisory Board is essential as it allows the investment managers to better identify future trends in technology, public policy and consumption patterns that affect the theme. They also help define the key themes that will characterise the strategy's investment concept.

GEO Advisory Board

External Environmental Experts

Nino Tronchetti Provera – Environmental Technologies

Founder and Managing Partner of Ambienta Sgr (Environmental Private Equity)

Prof. Dr. Nicolas Gruber – Climate Systems Modelling

Professor of Environmental Physics at ETH Zurich, Switzerland

Internal Environmental Experts

Christoph Butz – Senior Investment Manager Timber

Expertise: Environmental research concept, land-use & resources

Marc-Olivier Buffle, PhD – Senior Product Specialist for Environmental Strategies

Expertise: Environmental technologies & sustainability

We have identified an initial investment universe of listed companies active in environmental businesses from the global equity market of over 40,000 companies.

The companies' business models must have a low environmental impact, as well as driving & benefitting from development of environmental solutions.

Out of 40'000 global companies, 3'500 operate within the safe operating space as defined by the Planetary Boundaries framework. 400 of these firms make an active contribution to solving environmental challenges. These 400 companies are our investable universe.

The investment universe is dynamic. The team is constantly on the lookout for undiscovered companies. Primary research through industry trade shows and associations, visit of companies and supply chain discussions, advisory board as well as associated industry networks are helping us to discover additional companies for our universe.



Investment process

Our investment process is focused on finding stocks that play an active role in solving environmental challenges. These companies can be active in energy efficiency, pollution control, water supply & technology, waste management & recycling, sustainable agriculture & forestry or dematerialized economy.

In the process we follow the steps shown below:

- > Strategic definition of the investment themes
 - Inclusion of all companies with some exposure to environmental solutions
 - Exclusion of companies from Pictet's controversial weapons blacklist
 - Exclusion of companies that have an adverse impact on environmental or social aspects (e.g. companies with significant exposure to weapons, fossil fuels or for example GMO producers)
- > Identification of the investment universe and calculation of exposure to the theme ("purity"²)
- > Bottom-up stock selection based on company fundamentals: purity, business franchise, management quality, valuation and ESG criteria
- > Active ownership of our holdings, i.e. voting on all our equity positions as well as engagement with selected companies, either directly or through third-party providers

Investment process overview



The investment team in charge of the Global Environmental Equities strategy is embedded in Pictet Asset Management's Thematic Equities team. Our investment teams are specialized and dedicated to their thematic strategies. Investment managers have dual responsibilities for both fundamental stock analysis and portfolio construction.

² Please refer to next chapter for description of purity



Fundamental stock analysis and portfolio construction activities are performed by Luciano Diana, Gabriel Micheli and Yi Du, who act as co-managers and are the main decision-makers of the strategy. They are supported by Marc-Olivier Buffle and Jennifer Boscardin-Ching, who are mostly responsible for interactions with key clients and contribute to investment meetings. The team is also supported by Sandy Wolf on sustainability, engagement and impact topics as well as Steve Freedman on Sustainability & Thematic Research. Pictet Asset Management's ESG Team leads and coordinates implementation of the responsible investment policy, including ESG integration in investment processes, ownership practices, risk management and reporting tools.

PRIMARY RESEARCH



Managers of the Global Environmental and Water strategies inspecting a production site for pollution control equipment in Shanghai.

We believe that detailed fundamental analysis and primary research are prerequisites for successful stock selection in international markets. A considerable amount of time is spent by the investment managers conducting company visits to assess the underlying quality and the management of the companies.

The GEO investment team, along with colleagues from the Water investment strategy visited the Chinese operations of various European, American and Chinese companies. Such visits allow for comparison of production efficiency across regions as well as insight into the environmental and safety processes implemented by companies in countries with less stringent regulations. The team visited companies currently in the portfolio as well as others in their environmental investment universe.

On the left, the team visited the Chinese production site of a US based technology company, manufacturing electronic pollution control equipment.



Exclusion policy

EXCLUSION OF COMPANIES OUTSIDE OF SAFE OPERATING SPACE

Out of 40'000 global companies, 3'500 operate within the safe operating space as defined by the Planetary Boundaries framework. Only those companies are eligible for the positive screen for environmental products & services.

CONTROVERSIAL WEAPONS BLACKLIST

The Pictet Group applies an exclusion policy for companies involved in the production of anti-personnel mines, cluster munitions, biological & chemical weapons (including white phosphorous) and nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). The Pictet Controversial Weapons Blacklist so far covers 17 listed entities and 58 private companies.

ADDITIONAL EXCLUSIONS FOR THEMATIC EQUITIES

Additional exclusions

When defining the investment universe of Thematic strategies, we systematically exclude stocks that have negative impacts on the environment or society. If a company's revenues generated by such activities are above the threshold, the company is excluded from the universe.

We also exclude companies in severe material breach of UN Global Compact Principles on human rights, labour standards, environmental protection and anti-bribery/corruption.

INDICATOR	REVENUE THRESHOLD
Nuclear Power Generation	>10% *
Thermal Coal Extraction	>5%
Thermal Coal Power Generation	>10% *
Oil & Gas Production	>5%
Oil & Gas Power Generation	>10% *
Oil Sands Extraction	>5%
Shale Energy Extraction	>5%
Arctic Oil & Gas Exploration/Extraction	>5%
Tobacco Products Production	>5%
Alcoholic Beverages Production	>5%
Genetically Modified Plants and Seeds Growth	>5%
Genetically Modified Plants and Seeds Development	>5%
Palm Oil Production and distribution	>5%
Pesticides Production	>5%
Military Contracting Weapons	>5%
Small Arms Civilian Customers (Assault Weapons)	>5%
Small Arms Civilian Customers (Non-Assault Weapons)	>5%
Small Arms Military/Law Enforcement Customers	>5%
Small Arms Key Components	>5%



INDICATOR	REVENUE THRESHOLD
Adult Entertainment Production	>5%
Gambling Operations	>5%
Gambling Specialized Equipements	>5%

* To a limited extent these companies may be above the individual revenue thresholds, subject to a clear transitioning plan and an engagement dialogue with Pictet Asset Management. Please note that the majority of companies active in some fossil fuel power production will be eliminated by the next step in our investment process based on the Planetary Boundaries framework.

Exclusions are based on reliable sources gathered from reputable third-party research providers. Pictet Asset Management retains full discretion over exclusions and always reserves the right to deviate from third party information on a case by case basis. These are internal guidelines and may be subject to changes at any time and without prior notice.

POSITIVE SCREEN

We have identified an initial universe of listed companies active in solving environmental challenges. We include companies in the investable universe only if at least 20% of the enterprise value (or sales, EBIT or EBITDA) is derived from environmental activities (“purity” to the theme). Defining the theme ensures that only companies within the safe operating space and with sufficient exposure to environmental activities are eligible for investment.

By applying the Planetary Boundaries framework and the positive screen for environmental activities, we narrow the universe down from 40,000 to 400 companies.

REVENUES FROM CONTROVERSIAL PRODUCTS & SERVICES

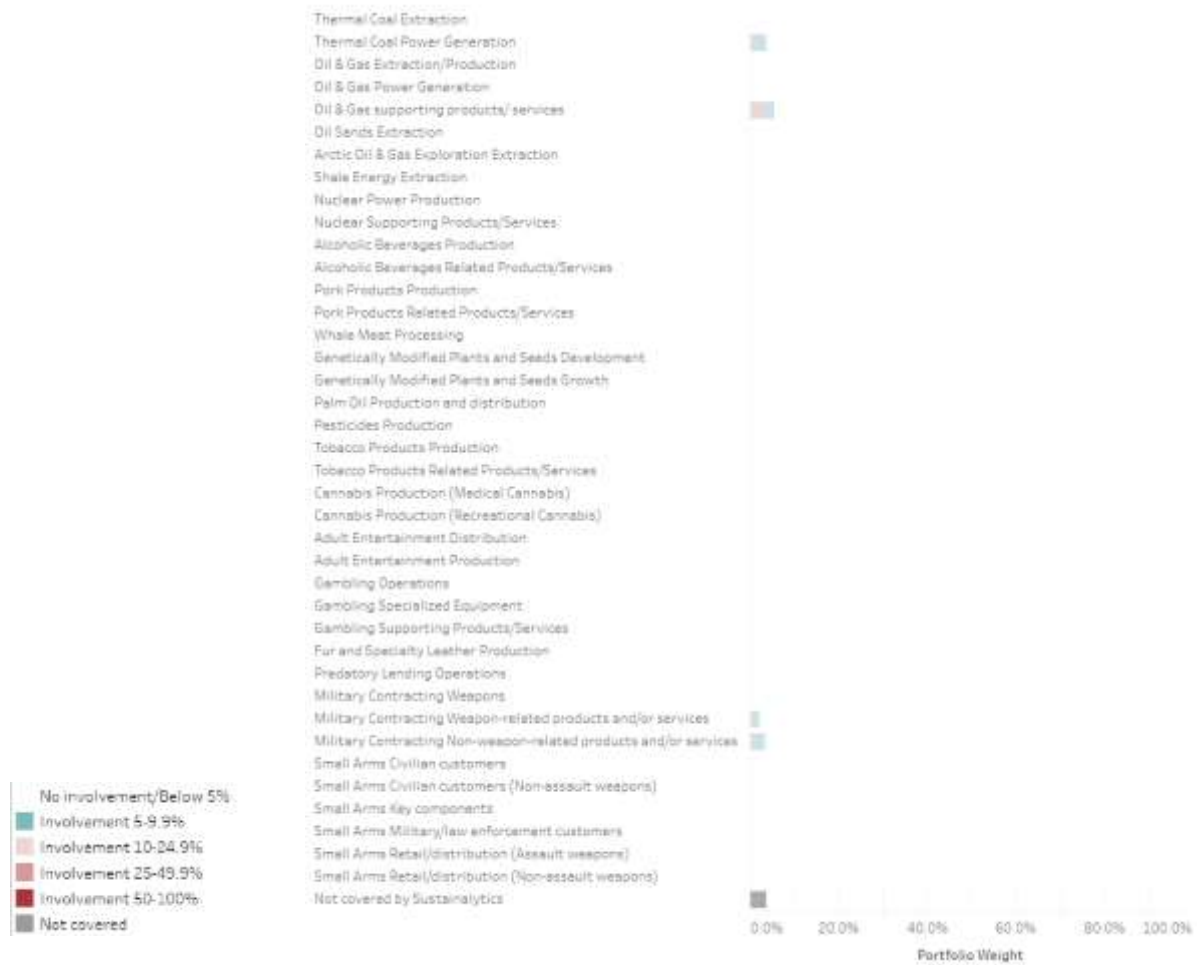
By construction our investment universe will tend to include fewer names with controversial products and services. This is because we systematically exclude companies from the global equities universe that may be harmful to the society and environment. In addition, the universe is built bottom-up. As the share of the companies’ activities with respect to investment areas in the environmental value chain must exceed a 20% threshold, the exposure to any controversial industries will be very limited.

We monitor the exposure to all activities that might be perceived as controversial by some investors. We use Sustainalytics as our external data provider and enhance it with company disclosures and our own research.

Monitoring of additional controversial activities



Please see below the product involvement of the portfolio as at 31.12.2020.



Source: Sustainalytics, Pictet Asset Management as at 31.12.2020

The Global Environmental Opportunities portfolio was exposed to four companies with some involvement in oil and gas and supporting products and services³ (portfolio weight 5.6%), one company involved in thermal coal energy⁴ and three companies related to military contracting⁵. Around 3.8% of the portfolio is not covered by Sustainalytics data.

³ Oil & Gas supporting products and services: The companies engage in some activities related to quality and safety as well as environmental engineering services to some clients in the oil&gas industry.

⁴ One company in the portfolio has some exposure to thermal coal power generation (portfolio weight 3.7%). This company is a leading offshore wind producer. Sustainalytics estimates the revenues from thermal coal at 7.5% based on 2018 data. However, it is worth noting that the company has started a rapid transformation process to convert all remaining coal-fired power plants to bioenergy until 2023.

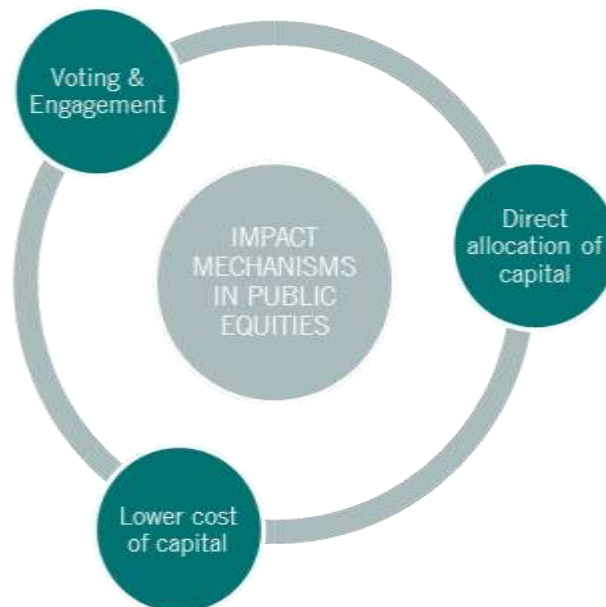
⁵ Three stocks provide non-weapon and weapon-related services to the military industry (portfolio weight 5.8%). The companies each have less than 10% exposure to military contracting.

Impact reporting

The companies we invest in contribute positively to solving environmental or societal challenges. Please note that we invest in shares of publicly traded companies, which means that our direct impact as investor is through

- › our active ownership practices, such as voting and engagement with senior management where we act as a strategic partner and promote stronger sustainability
- › participating in IPOs or capital raises to provide direct capital
- › participation on the secondary market, and thus contributing to lowering the companies' cost of capital.

Mechanisms of impact with listed equities



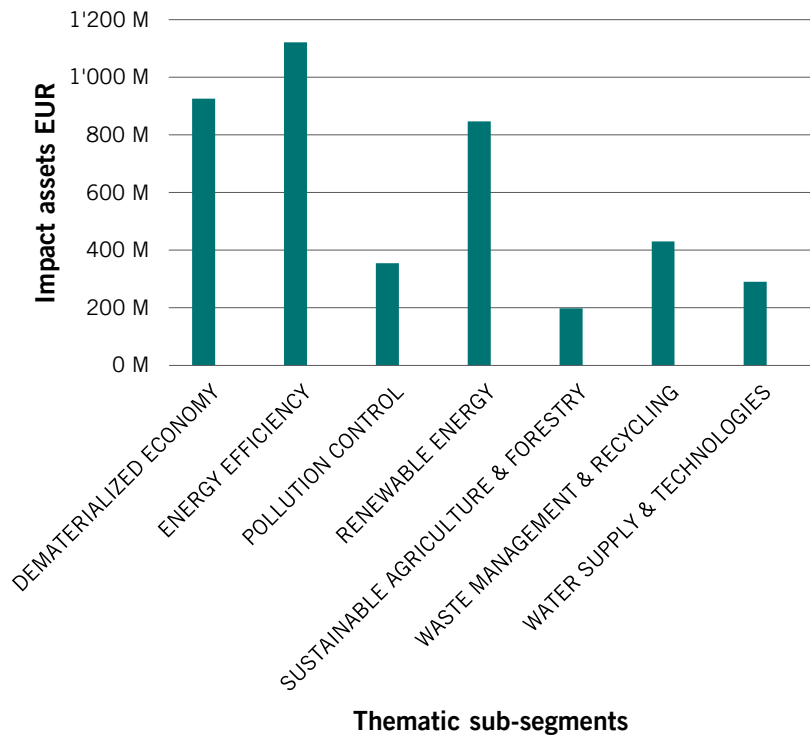
THEME-SPECIFIC IMPACT

We systematically measure the exposure to such sustainable activities in the strategy. We use exposure (purity as measured by revenues, Enterprise Value, EBIT or EBITDA) to the sustainable theme as our measure of impact.

The chart below indicates the portfolio's purity-adjusted assets. For each category, only the exposure of portfolio holdings related to products and services solving environmental challenges through innovation, technology and intelligent use of natural resources.



Global Environmental Impact Portfolio



Source: Pictet Asset Management, Purity-adjusted impact assets for Pictet-Global Environmental Opportunities as of 31.12.2020 in each sub-segment;
Total assets: EUR 6.1bn

For illustration purposes, we have also determined concrete examples to quantify and aggregate the positive societal & environmental contribution generated by the holdings in the strategy for an invested amount of EUR 50'000.

Metrics are defined in absolute terms, based on the percentage of ownership in each company via an investment of EUR 50'000 in the Global Environmental Opportunities strategy. The six dimensions assessed are considered as relevant given the fund's strategy.



Examples of positive contribution of an investment of EUR 50'000



Pictet Asset Management as of 31.12.2020, updated annually. Metrics are based on portfolio weights as of end of December 2020 for an assumed full year of investment. 'Waste collected', 'Green Energy' and 'Materials Recycled' data is based on the latest available publication of companies active in these areas as well as company-specific estimates and are based on the percentage of ownership in each company via an investment of EUR 50'000 in the strategy.

'Water Saved', 'CO2 Saved' and 'Oceans Protected' data is based on a framework assessing full lifecycle emissions of industries and companies and this data is relative to an equivalent investment in the reference index MSCI AC World. The 6 dimensions assessed are considered as relevant given the fund's strategy.

Please note that these examples should be considered as estimates as there are no standardized reporting frameworks available. The data is based on available company disclosures or analyst estimates. When no information is available, a company is not included in the calculation.



A scientific framework to measure environmental impact along nine criteria

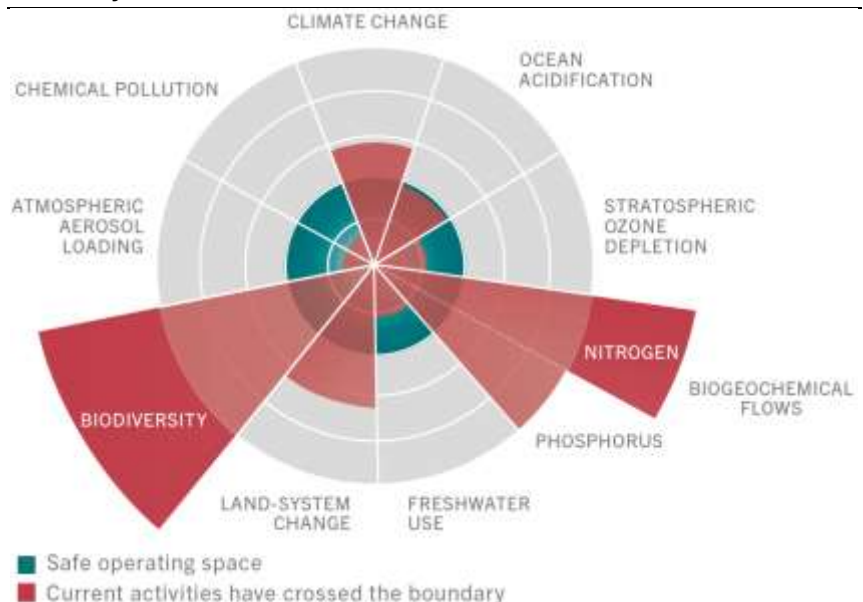
ENVIRONMENTAL IMPACT

We base the environmental impact measurement of our thematic strategies on the scientific framework of planetary boundaries*. Planetary boundaries are ecological thresholds for nine of the most important environmental challenges:

- › Climate change
- › Ocean acidification
- › Ozone depletion
- › Eutrophication/Biogeochemical flows
- › Water use
- › Land use
- › Biodiversity
- › Atmospheric aerosols
- › Chemical pollution

Transgressing these boundaries would endanger the favourable environmental conditions that have been in place for the last several thousand years. Staying within these boundaries, in the so-called “safe operating space”, will be crucial for mankind and all life forms on this planet.

Planetary boundaries framework



* See “A safe operating space for humanity”. Rockstrom et al. Nature, September 2009



We operationalise the planetary boundary framework and apply it to an environmental assessment of companies. We analyse whether companies' core activities, products and services respect these boundaries or not, over their life-cycle ('from cradle to grave').

Most environmental reporting today is done taking into account emissions related to in-house production and insourced energy. Wider impacts at suppliers, impacts of the products and services during their lifetime or impacts that lead to desired substitution are not taken into account.

Our methodology accounts for the full life-cycle of products and services provided by companies. The environmental impacts we show can therefore differ very significantly from more conventional measurements.

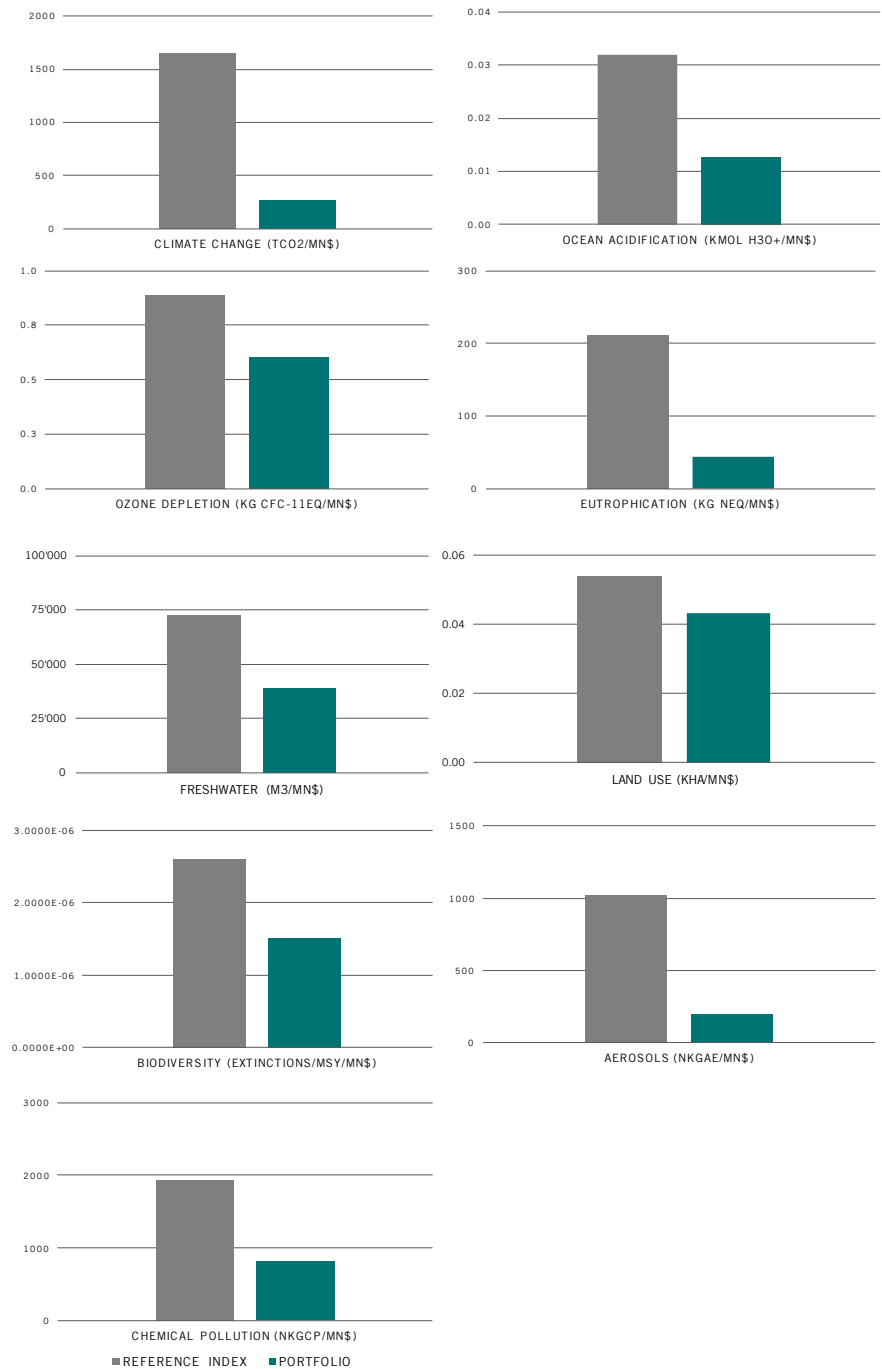
It should be noted that our methodology occasionally yields negative emissions. For example, a company manufacturing wind turbines would generate negative carbon dioxide emissions if those wind turbines replace more conventional oil, coal or gas powered energy generation and help reduce emissions in the future.

On the next page we show the profile of our portfolio versus MSCI All Countries along the nine planetary boundaries dimensions.



Global Environmental Opportunities demonstrates a positive impact on all planetary boundaries.

Global Environmental Opportunities vs MSCI All Countries World



Source: Pictet Asset Management, as at December 2020

As intended, the environmental footprint of the GEO strategy is significantly lower than that of the MSCI AC along all planetary boundaries.

The GEO strategy has its largest positive impact on climate change, ocean acidification, eutrophication and aerosol loading.



This translates into a direct positive impact on the environment and global health. It is estimated that over 6.5 million people die of air pollution every year⁶. Reducing atmospheric aerosol has a direct, measurable impact on health.

By investing in companies that help to reduce greenhouse gas emissions, the strategy is helping to achieve the Paris Agreement's long-term goal to keep the global average temperature increase below 2 degrees Celsius.

Another impact can be measured on chemical pollution. This is achieved by investing in companies that avoid chemical pollution through improved waste management, recycling and sewage treatment or companies that help to replace wasteful materials (generally plastic-based) by renewable and recyclable materials.



COMPANY EXAMPLE

Orsted A/S engages in the development, construction, and operation of offshore wind farms, as well as generates power and heat from power stations.

One way to drastically limit climate change and power the world sustainably is to accelerate the transformation of the world's energy systems from fossil fuels to renewable energy. Orsted is the perfect example of a company that successfully demonstrated how a transition from coal to renewable can be achieved. Indeed, while their business was initially based on fossil fuels, and was one of the most coal-intensive energy companies in Europe, Orsted has managed to dismantle its fossil fuel business and now focuses entirely on renewables. They will completely phase out the use of coal by 2023 and generate nearly 100% green energy by 2025.

According to the Corporate Knights 2020 Global 100 index of most sustainable corporations, Orsted was ranked most sustainable company in the world. Thanks to their successful energy transition, Orsted positively contributes to climate change mitigation.

⁶ Source: The Lancet, Planetary Health: Global Burden of Disease Study 2017



EXPOSURE TO SUSTAINABLE DEVELOPMENT GOALS

In September 2015, the United Nations (UN) announced 17 Sustainable Development goals (SDGs) as a part of the 2030 Agenda for Sustainable Development. The Sustainable Development Goals, as depicted below, are a united set of global aims which balance the social, economic and environmental dimensions of sustainable development. They recognize “that ending poverty must go hand-in-hand with strategies that build economic growth and address a range of social needs including education, health, social protection, and job opportunities, while tackling climate change and environmental protection”⁷:

The United Nation's 17 Sustainable Development Goals



Initially designed primarily for policy makers and governments, businesses increasingly try to show their exposure to SDGs within their Sustainability reports, while investors are also starting to request that asset managers demonstrate the exposure of their investment to SDGs.

In the absence of a standardised global reporting framework on SDGs and given some excessive optimism we observe in terms of reporting practices, we believe it is our duty to provide our clients with a transparent and rule-based SDG-exposure analysis of our portfolios. We have developed a two-tier proprietary process, combining Artificial Intelligence-based quantitative analysis with fundamental input from our experienced investment managers in the Thematic Equities team to assess the external impact of company's products and services on society and on the planet.

⁷ United Nations <https://www.un.org/sustainabledevelopment/development-agenda/>



Our process

We aim for a systematic, data-driven estimation of companies' contribution to the SDGs. Our process consists of two parts:

1- Quantitative

- › Our proprietary AI engine uses natural language processing (NLP) to analyse seven different sources of information for each company – including transcripts of earnings calls, company reports and financial databases. It then identifies a set of keywords which occur the most frequently and which thus sum up that company's DNA.
- › The system then screens the keywords to focus on ones which are aligned with the SDG concept. It takes into account their relative importance (both to the company and to the SDG) to quantify the exposure of each company to the 17 goals and 169 sub-goals.

2 - Fundamental

- › The fundamental analysis is conducted by our experienced investment managers and thematic product specialists. They focus on the impact of the products and services produced by the companies, rather than on their own internal operations.
- › The SDG exposure is assessed by drilling down to all 169 targets (or sub-goals) across the thematic portfolios. Scores are ranging from highly negative to highly positive exposure.

For example, to get a good exposure score for “Good Health and Wellbeing” (SDG 3), a company would need to help others to improve their health or have a positive external impact on the public Health system. It is not enough to just prevent health-related incidents for their own employees.

The final SDG score for our portfolios consists of equal contributions from the fundamental and quantitative analysis.

In below chart we show only SDG exposures above 15.6%, which is the average SDG exposure of MSCI AC World according to our methodology.

The Global Environmental Opportunities strategy high exposure to SDG 9 (Infrastructure and Innovation) and SDG 12 (Responsible Consumption and Production).

SDG Exposure Pictet-Global Environmental Opportunities



Source: Pictet Asset Management, as of December 2020

The chart demonstrates the relative importance of the SDGs for the strategy as of December 2020 based on our own SDG methodology. We assess the impact of the companies' products and services to help achieving the SDGs.

The chart has been scaled to the highest SDG exposure of this strategy.

SDG exposure data below 15.6% (MSCI ACWI average) are not shown.

Highest SDG exposure of the Global Environmental Opportunities strategy is: **SDG 9 60%**



COMPANY EXAMPLE

Waste Management Inc. provides waste management services including collection, transfer, recycling, resource recovery, and disposal services, and also operates waste-to-energy facilities. The Company serves municipal, commercial, industrial, and residential customers throughout North America.

SDG 12 - Responsible Consumption and Production, focuses on the global and local circular economy. This SDG includes in its scope the sustainable management and efficient use of natural resources, the reduction of waste generation through prevention, reduction, recycling and reuse and the environmentally sound management of chemicals and all wastes throughout their life cycle.

As a waste management giant with many diverse waste collection services, Waste Management directly and greatly positively impacts SDG 12.



Environmental, social and governance reporting

Integration of ESG factors in the investment process

We integrate ESG considerations in the fundamental analysis of companies. Environmental and social indicators are formally integrated in the business franchise score and corporate governance is integrated in the management quality score. If stocks are not covered by external data, investment managers assess the E, S and G impact through primary research and a qualitative assessment of company fundamentals.

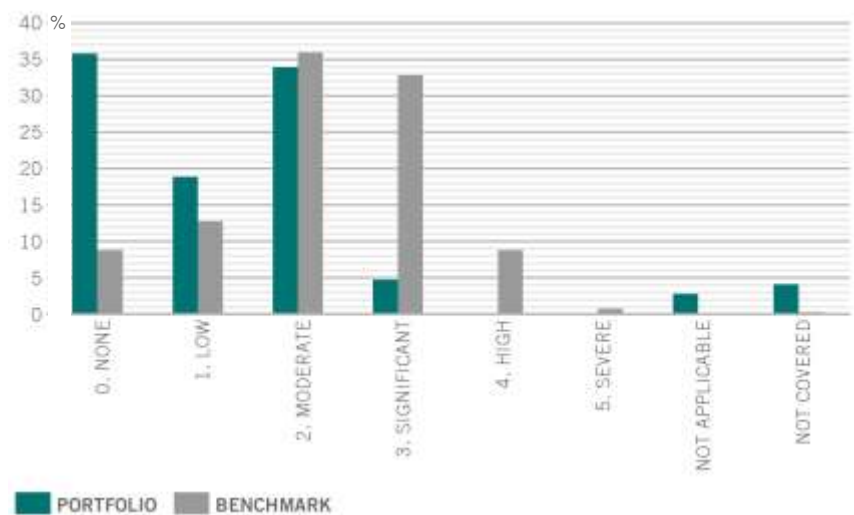
ESG considerations have a direct impact on the holding weight in the portfolio.

ESG CONTROVERSIES

The controversies indicator measures the extent to which companies are exposed to news flow related to ESG controversies such as bribery, corruption, product recalls, pollution incidents and conflicts with local communities. Controversies are evaluated based on their degree of severity and recurrence, as well as company accountability and reliability of information sources.

We use Sustainalytics⁸ as our main source for controversies, which are measured on a relative scale from 0 (no controversy) to 5 (significant controversies). Below we have grouped the results into six categories to represent none, low, moderate, significant, high and severe ESG standings. Final results are based on company weights in the portfolio and benchmark. Not covered corresponds to securities for which no scores are available from Sustainalytics.

ESG controversies



Pictet-Global Environmental Opportunities, Reference index: MSCI AC World Sustainalytics as of 31.12.2020

⁸ <http://www.sustainalytics.com/>

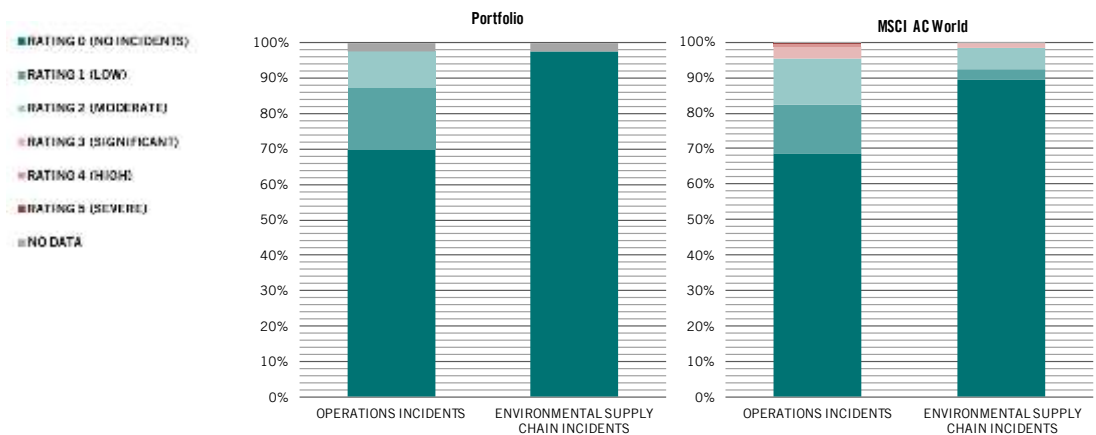


Pictet-Global Environmental Opportunities has no exposure at all to the severe and high controversy categories, and a very low exposure to the significant controversy category. 4.1% of the portfolio is not covered by Sustainalytics data.

ENVIRONMENTAL CONTROVERSIES

Environmental controversies are a proxy to estimate the news flow relating to controversial environmental practices. Here we show Operations Incidents and Environmental Supply Chain Incidents.

Environmental incidents



Source: Pictet-Global Environmental Opportunities, Reference index: MSCI AC World Sustainalytics as at 31.12.2020

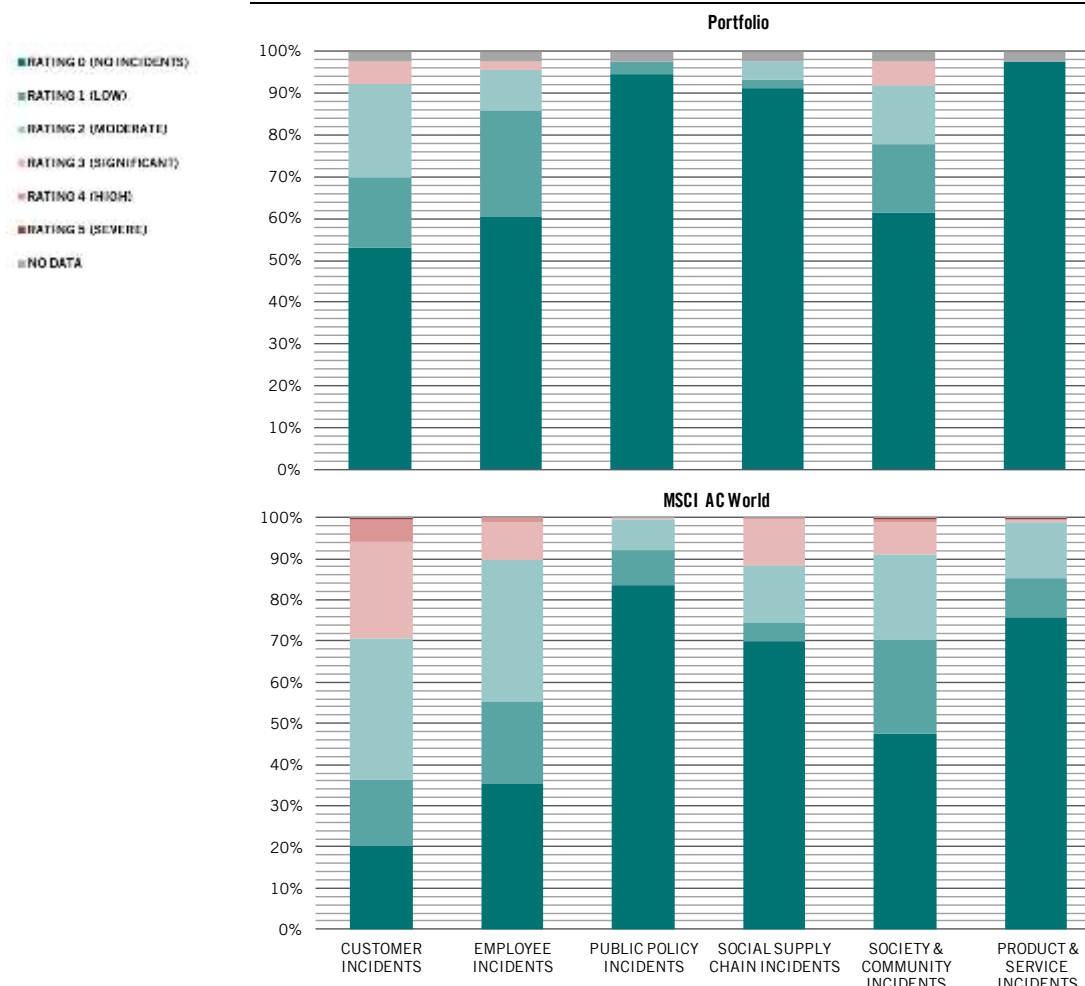
The portfolio has higher exposure to companies with no or low controversies compared to MSCI AC World across all incident types. 4.1% of the portfolio is not covered by Sustainalytics data. No data was available for 0.2% of the reference index.



SOCIAL CONTROVERSIES

Social controversies are a proxy to estimate the potential extent to which companies are engaging in questionable social practices. Here we show employee incidents, customer incidents, pollution incidents, conflicts with local communities and others.

Social incidents



Source: Pictet-Global Environmental Opportunities, Reference index: MSCI AC World Sustainalytics as at 31.12.2020

The portfolio has higher exposure to companies with no or low controversies compared to MSCI AC World across all incident types. 4.1% of the portfolio is not covered by Sustainalytics data. No data was available for 0.2% of the reference index.

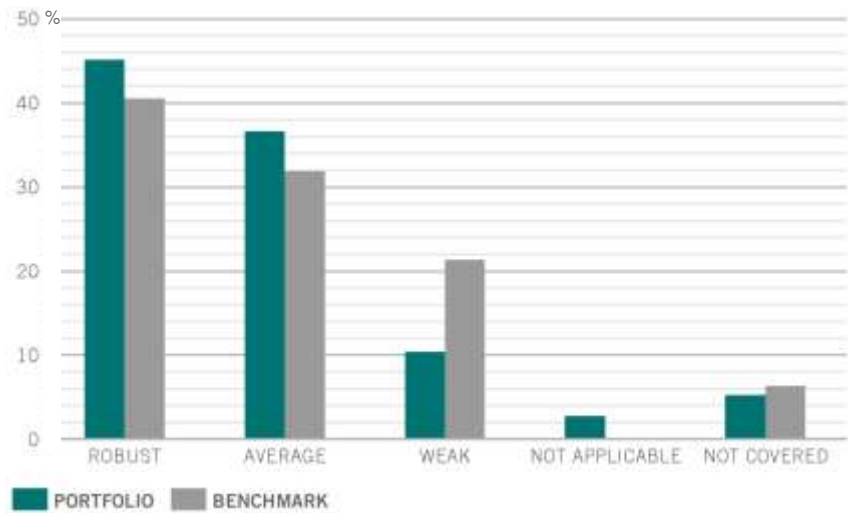
CORPORATE GOVERNANCE

In response to increased pressure from regulators and shareholders for stronger corporate governance, companies are expected to strengthen board competence and independence, to adopt executive remuneration plans based on long-term performance, to respect minority shareholder rights, and to reinforce risk control and audit functions.



We use ISS corporate governance⁹ scores, which range from robust (decile scores 1 to 3), average (decile scores 4 to 7) and weak (decile scores 8 to 10). The lower the score, the better. We then group them into the three categories below. Results are based on aggregate company weights in each category for the portfolio and the benchmark. Not covered corresponds to securities for which no scores are available.

Corporate governance score



*Pictet-Global Environmental Opportunities, Reference index: MSCI AC World
Data source: ISS as at 31.12.2020*

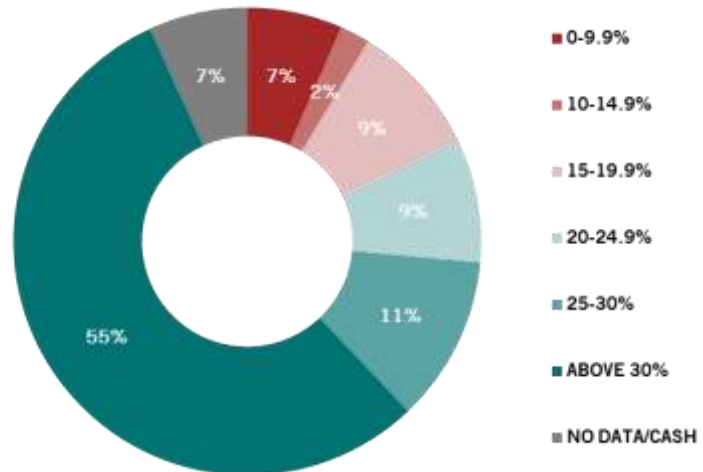
Pictet-Global Environmental Opportunities has lower exposure to the weak governance rating category. “Not covered” corresponds to companies for which no ISS score is available (portfolio weight 5.2%). 8% of the index is not covered by ISS data.

⁹ <https://www.issgovernance.com/>



Diversity is an important factor for operational success. Some indicators such as board membership can be a proxy of diversity and a topic of engagement. Here, we show female board membership for our portfolio.

Female board members



Percentage of Women on Board

Source: ISS, Bloomberg, Pictet Asset Management as at 31.12.2020

No data is available for 6.8% of the portfolio (including cash).



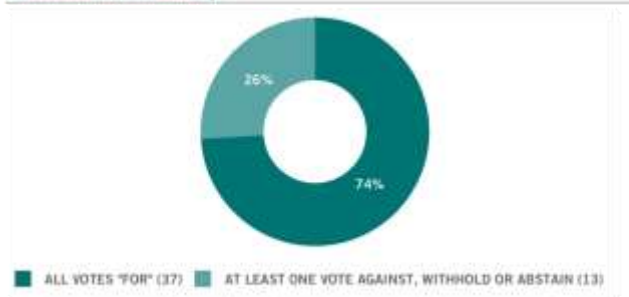
Active ownership

PROXY VOTING

Systematic proxy voting on 100% of our active equity strategies

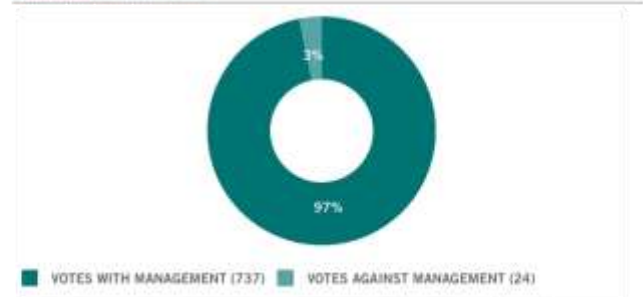
Voting rights are systematically exercised at general assembly meetings for the companies held in the fund in accordance with Pictet Asset Management’s voting policy and through the ISS proxy voting platform¹⁰. Our voting policy takes into account internationally recognised standards of corporate governance. Subject to the comments above, we vote against resolutions that are not in the interest of shareholders.

Breakdown of votable meetings



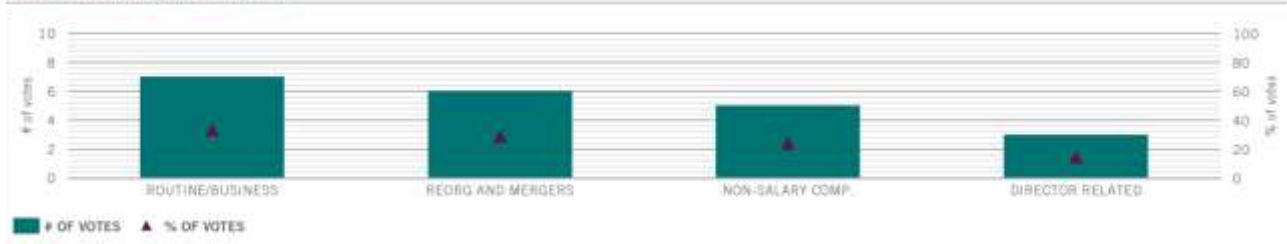
Number and percentage of General Assembly meetings where votable items were presented to shareholders. Meetings are broken down in three categories: (i) meetings where we supported all items, (ii) meetings where we voted against, withheld, or abstained on at least one item, and (iii) meetings where we could not vote for technical or legal reasons.

Breakdown of votable items



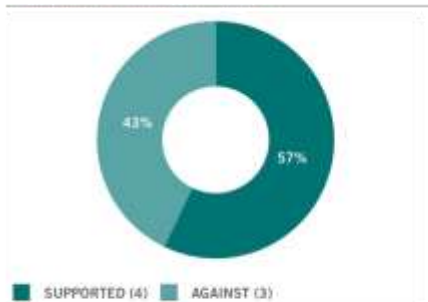
Number and percentage of votable items presented to shareholders at General Assembly meetings of portfolio companies. Items are broken down in three categories: (i) votes in line with the management (ii) votes against the management (iii) items not voted.

Breakdown of votes against management



Number and percentage of votes against management broken down by category. This includes votable items proposed by management and excludes votable items proposed by shareholders. Please refer to the glossary for a description of categories.

Breakdown of shareholder resolutions



Number and percentage of votable items proposed by shareholders. Items are broken down in three categories: (i) shareholder resolutions that we supported, (ii) shareholder resolutions that we opposed, (iii) shareholders resolutions for which we abstained.

Categories of shareholder resolutions that we supported



Number and percentage of shareholder resolutions that we supported broken down by category. Please refer to the glossary for a description of categories.

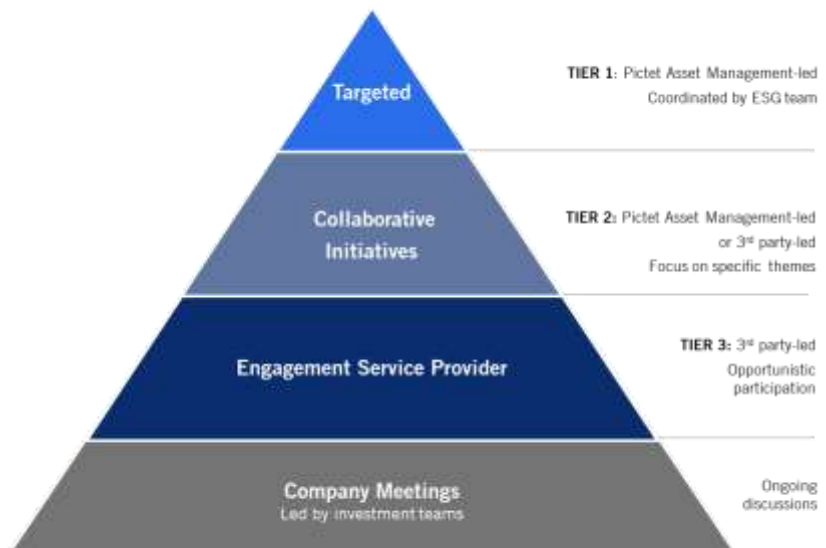
Data YTD 31.12.2020, Pictet-Global Environmental Opportunities
Source: ISS, Pictet Asset Management

¹⁰ <https://www.issgovernance.com/solutions/proxy-voting-services/>

ENGAGEMENT

Engagement with companies to positively influence business and financial practices

Our engagement framework is aimed at positively influencing ESG performance of corporate and sovereign issuers and to create long term value for our clients. It is built on four key pillars: direct engagements by the investment teams, pooled engagements led by an external service provider, participation in collaborative initiatives and targeted engagements.



Company meetings

1. To positively influence corporate behaviour, including ESG issues, **investment teams** engage with companies in their normal course of business:

The Thematic equities team held various meetings with SIG Combibloc since 2019, a Swiss company specialized in aseptic packaging, to discuss their long-term sustainable packaging strategy. We especially focused on the following points

- Suppliers dedicated to sustainable forestry
- 'Closed loop' life cycle of SIG Combibloc's products through encouraging higher recycling quotas
- Increased collaboration with suppliers and their own Research & Development efforts into broader adaption of bio-based coatings as a substitute for plastic coatings.
- Increased emphasis on energy efficiency of their packaging from a life cycle assessment (LCA) perspective.

This engagement is particularly interesting as it combines the expertise of Pictet's Thematics team across the topics Timber, Nutrition and environmental solutions, giving it a holistic value chain approach.

The engagement is still in progress.



Pooled engagements

- 2.** We also use the services of Sustainalytics to perform ESG engagement with corporate issuers across Pictet Asset Management's entire suite of investment strategies. The Sustainalytics Corporate Governance Engagement program is a value-enhancing overlay service focused on corporate governance issues, such as board composition, succession planning and ESG strategy. Sustainalytics targets companies for engagement based on several criteria, including voting-related issues, event-driven concerns and portfolio characteristics, and focuses on materiality when evaluating companies and their risks. Sustainalytics sets engagement objectives and formulates an action plan for each engagement. During 2019 and 2020, it engaged with 22 companies across our Thematic equity universes.

Collaborative initiatives

- 3. Collaborative initiatives** in which we participate include Climate Action 100+. As part of this initiative, Pictet Asset Management is actively participating in collaborative engagements with a Swiss mining company, a Russian metals and mining company and a German automaker.

Pictet AM targeted engagements

- 4. Targeted engagements** are coordinated by Pictet Asset Management's ESG team. The key criteria for candidate selection are based on the severity of ESG concern(s) and our likelihood of successfully influencing the issuer. The issuers that we engage with represent a variety of regions, sectors and ESG issues.



ENGAGEMENT WITH INDUSTRY STAKEHOLDERS

We also include active engagement with industry stakeholders in our framework. This reflects our commitment to drive the ESG discussion within the asset management industry and to raise awareness and better understanding of environmental, social and governance aspects of investment management with our clients.

Pictet Asset Management has been a signatory of the UNPRI since 2007 and has been awarded an A+ rating under the PRI's Reporting and Assessment Framework. In addition, Pictet Asset Management actively participates to several investor initiatives aimed at sharing best practices between asset managers and owners and encouraging corporate disclosure on ESG issues. We are notably involved in the IIGCC (Institutional Investors Group on Climate Change), SSF (Swiss Sustainable Finance) and similar organisation in the UK, Germany and Spain.

Pictet Asset Management supports and actively participates in international and national initiatives, including:

ORGANISATION/INITIATIVE/ PARTNERSHIPS	INVOLVEMENT OF PICTET ASSET MANAGEMENT
UNPRI	Signatory
Copenhagen Institute for Future Studies	Member, Research Partnership: Megatrends Research
FNG, SpainSIF, ItaSIF	Member
CDP (Carbon Disclosure Project)	Member
Swiss Climate Foundation	Corporate sponsor
EFAMA (European Fund and Asset Management Association)	Member of the Stewardship Market Integrity & ESG Investment Standing Committee
UK Stewardship Code	Signatory
Climate Bond Initiative	Member of the Standards Board
IIGCC (Institutional Investors Group on Climate Change)	Steering Committee Member Investment Practices program; Vice-chair of the Board (from 2013-2016)
FTSE Environmental Markets	Member of the Advisory Committee
Swiss Sustainable Finance (SSF)	Founding member
JP Stewardship Code	Signatory
Stockholm Resilience Centre	Research Partnership: Planetary Boundaries Framework
Investment Association	Member of the Sustainability and Responsible Investment Committee
Climate Action 100+	Collaborative Engagement
EMpower	Partnership
Mining and Tailings Safety Initiative	Collaborative Engagement
Investor Initiative for Sustainable Forests	Collaborative Engagement
Oxford University: Smith School for Enterprise and the Environment	Research Partnership: Climate Change and EM
Task Force on Climate-related Financial Disclosures (TCFD)	Signatory

Source: Pictet Asset Management, 2020



Furthermore, Pictet, together with Swiss Sustainable Finance, is leading an initiative to put pressure on index providers to remove controversial weapon manufacturers from mainstream indices. The initiative, launched in August 2018, secured the backing of 174 signatories controlling over USD 9.7 trillion and including international asset owners and managers (as of January 2020).

This initiative reflects Pictet AM's commitment to responsible investment principles and if successful will be an impressive demonstration of how the asset management industry can bring about positive change while putting PAM at the forefront of ESG investing.

Pictet has set up a Group Investment Stewardship (GSSB) unit which is responsible for driving and coordinating sustainability, ESG and stewardship strategy across the firm. The Group Stewardship function was created in 2018 by the Partners to align projects linked to Responsible Investing, ESG integration, regulatory preparedness and strategic partnerships across the Group.

The Group function sets framework conditions, ensures alignment in ESG integration and active ownership policy, and optimal dissemination of best practices across the Group. Dedicated specialist teams are responsible for driving initiatives within business lines. The GSSB is chaired by Laurent Ramsey, Group Partner and CEO of Pictet Asset Management and comprises specialists and C-suite representatives from relevant corporate functions and all four business lines (Pictet Asset Management, Pictet Wealth Management, Pictet Asset Services, Pictet Alternative Advisors).



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Information for Swiss investors: The legal representative of the fund is Pictet Asset Management S.A. route des Acacias 60, CH 1211 Genève 73 and the Paying Agent is Banque Pictet & Cie S.A., route des Acacias 60, CH 1211 Genève 73.