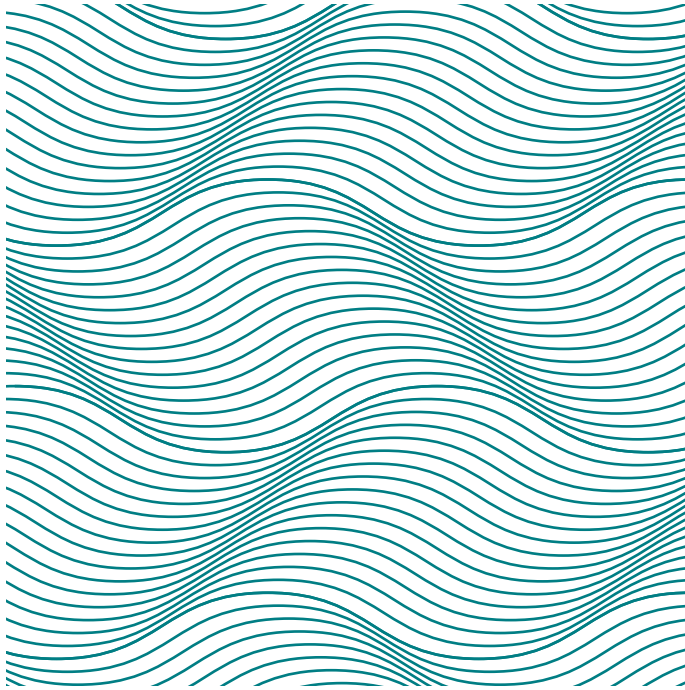


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PICTET ASSET MANAGEMENT

## A RESPONSIBLE VISION



### **A Responsible Vision**

*This document is part of four brochures that highlight Pictet's efforts in environmental, social and governance (ESG) issues. The brochures focus on investments for institutional, philanthropy, wealth management, as well as corporate and environmental initiatives.*

### **A Prix Pictet portfolio**

*This brochure highlights Pictet Asset Management's actions on ESG issues. The pictures are the work of Daniel Beltrá, a Seattle-based, multiple award-winning photographer. He was nominated in the category "Power" of the Prix Pictet's 2012 edition.*

*The Prix Pictet is the world's leading award for photography and sustainability. Launched in 2008, the award aims to draw global attention to these issues. There have been eight cycles of the award until today – each of which has highlighted a particular facet of sustainability. The photographers are nominated by a worldwide network of experts.*

### **The photographer**

*Daniel Beltrá was born in 1964 in Madrid, Spain. His passion for conservation is evident in images of our environment that are evocatively poignant. In 2011 he received the Wildlife Photographer of the Year Award for his work on the Gulf Oil Spill. Daniel's work has been published by the most prominent international publications, including The New Yorker, Time, Newsweek, The New York Times, Le Monde, and El País. Images courtesy of Catherine Edelman Gallery.*

### **Pictet Asset Management**

Pictet Asset Management is an independent asset manager, overseeing USD 183 billion (as at 31st March 2020) of assets for our clients. We provide specialist investment services through segregated accounts and investment funds to some of the world's largest pension funds, financial institutions, sovereign wealth funds, intermediaries and their clients. Our core capabilities span absolute return, emerging markets, multi-asset and thematic equity strategies.

# I. WHAT RESPONSIBILITY MEANS TO US

In our view, responsibility goes hand in hand with a long-term, partnership approach. It means having a sense of responsibility and integrity not only towards the present generation, but also to future generations – and to the real economy and the wider world. This is true sustainable thinking.

We believe in responsible capitalism and take an enlarged view of the economy and its interactions with civil society and the natural environment.

We are convinced that Environmental, Social and Governance (ESG) considerations can help us make better long-term investment decisions for our clients.

We are committed to integrating material ESG criteria in our investment processes and ownership practices with a view to enhancing returns and/or mitigating risks over the long term.

We embed ESG in our risk management and reporting documents to maintain high standards of transparency and accountability.



*“The oil-stained, blue waters of the Gulf of Mexico swirl in my mind’s eye like a grotesque painting. I worked off the coast of Louisiana during the spill, where approximately 4.9 million barrels of oil were released into the Gulf waters in early 2010. The resulting photographs were taken from three thousand feet above, giving perspective to the environmental devastation below.”*

**Daniel Beltrá**  
Oil Spill 6  
Gulf of Mexico, United States  
17 June 2010

“We take a responsible approach as it helps us make better investment decisions for our clients and we think it is the right thing to do.”

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**SÉBASTIEN EISINGER**

Managing Partner, Pictet Group  
Co-CEO, Pictet Asset Management

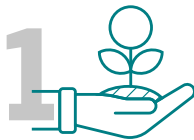


## II. OUR APPROACH TO RESPONSIBLE INVESTMENT

At Pictet Asset Management, responsible investment is driven by five main pillars, which help us ensure sustainable development is taken into account in our long-term strategy. We do not delegate responsible investing to a separate team of ESG experts. Instead we take the, arguably more challenging, route of embedding a mindset of responsible investing into the DNA of all our investment teams.

A firm-wide integration of responsible investing is our goal. To achieve this, we focus on hiring and retaining the right investment professionals, offering them specialist training to keep abreast of a rapidly-evolving environment and access to the appropriate tools and support from a dedicated ESG team.

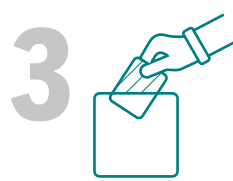
### FIVE MAIN PILLARS



1 ESG integration into investment processes and risk management



2 Engage with companies and governments



3 Systematically exercise voting rights



4 Be transparent with clients



5 Act as stewards of responsible investing

# 1. ESG INTEGRATION INTO INVESTMENT PROCESSES AND RISK MANAGEMENT

We have been on this responsible investment journey for more than two decades. From the mid-90s onwards, we launched Socially Responsible Investment strategies that take into account a company’s environmental and social impact, as well as its financial prospects.

Since then we have built a range of thematic equity strategies that invest in companies helping to solve environmental and social challenges such as water scarcity, climate change and public health.

## HOW ESG FACTORS ARE INTEGRATED IN OUR STRATEGIES

	ESG APPROACH	EXAMPLES
<b>INTEGRATION*</b>	Integrate material ESG risks and opportunities into investment decisions to complement financial analysis. Portfolios may invest in securities with low ESG characteristics	<p><b>Equities</b> Developed Markets, Emerging Markets</p> <p><b>Fixed Income</b> Developed Markets Credit, Emerging Markets Credit, Global Bonds</p>
<b>BEST-IN-CLASS</b>	Seek to invest in issuers with superior ESG features while avoiding those with low ESG characteristics	<p><b>Equities</b> Ethos Swiss Sustainable, European Sustainable, Emerging Markets Sustainable</p> <p><b>Fixed Income</b> Global Sustainable Credit, Sustainable Emerging Debt</p>
<b>ENVIRONMENTAL AND/OR SOCIAL IMPACT STRATEGIES</b>	Aim to deliver a financial return alongside achieving a positive and measurable impact by investing in companies that provide solutions to environmental and/or social problems	<p><b>Equities</b> Biotech, Water, Clean Energy, Timber, Nutrition, Global Environmental Opportunities, Health, Smart City</p>

\*Long only strategies, excludes multi-asset and long/short strategies.

## **ESG AT PICTET ASSET MANAGEMENT TODAY**

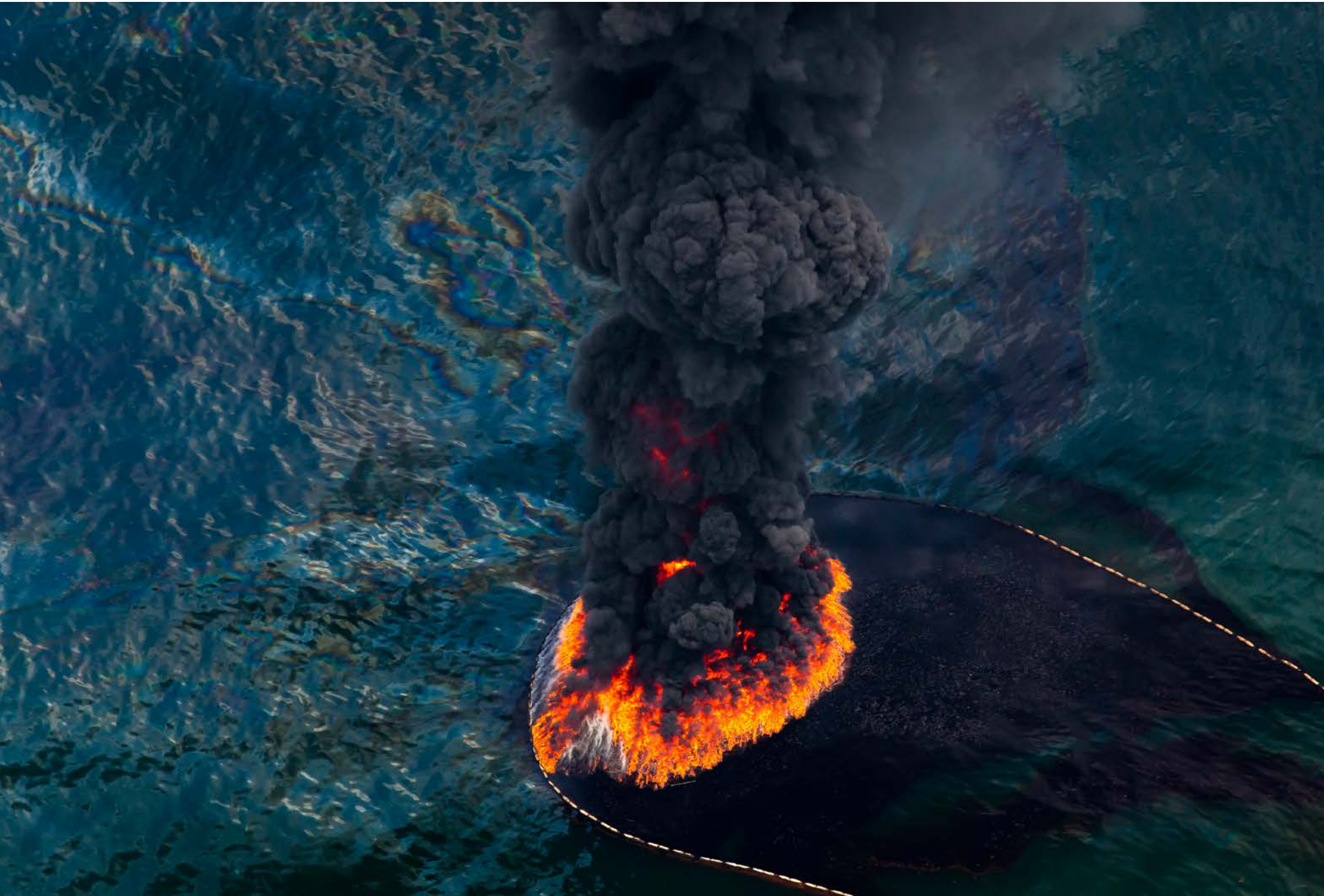
Today, all our active long-only equity and fixed income investment strategies incorporate ESG considerations.

For investors willing to go further, our sustainable strategies invest in companies based on their social and environmental impact, as well as their financial prospects.

We also have a range of thematic strategies that invest in companies helping to solve environmental and social challenges such as water scarcity and climate change.

We were the first asset manager to launch thematic equity strategies in the mid-90s, which have since become mainstream global equity solutions.





*“On 20 April 2010, BP’s Deepwater Horizon drilling rig exploded in the Gulf of Mexico, killing eleven crewmen and injuring seventeen, making it the world’s largest marine oil spill. More than 600 miles of coastline were affected and still show lingering signs of oil and dispersant. Layers of crude oil are spread thick on the ocean floor, radiating far from the wellhead site. Scientists have determined that up to 75 per cent of the oil from BP’s disaster remains in the Gulf environment.”*

**Daniel Beltrá**  
Oil Spill<sub>1</sub>  
Gulf of Mexico, United States  
17 June 2010

## 2. ENGAGE WITH COMPANIES AND GOVERNMENTS

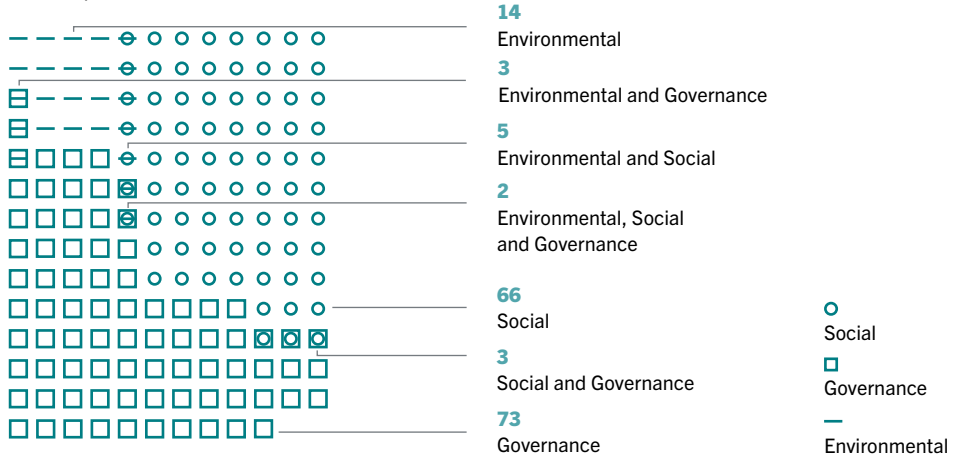
As active managers we can add value or mitigate risks by engaging with sovereign and corporate issuers on ESG topics. These can range from encouraging good governance practices to mitigating social and environmental impacts.

Through our engagement, we aim both to exercise our responsibilities as investors and to contribute to shaping a more sustainable, prosperous, healthy and equitable society.

### COMPANIES ENGAGED WITH ON ESG IN 2019

**166**

total companies



### DIFFERENT APPROACHES

#### TARGETED ENGAGEMENT

Companies selected based on severity of issues and likelihood of success, coordinated by our ESG team

#### COLLABORATIVE INITIATIVES

Opportunistic participation led by third party or Pictet Asset Management

#### ENGAGEMENT SERVICE PROVIDER

Pooled engagement service based on addressing companies' failings on governance issues and/or significant deviations from relevant international norms

**CLIMATE ACTION 100+,  
A COLLABORATIVE APPROACH  
TO RESPONSIBLE INVESTMENT**

We have committed to working with companies to ensure that they are minimising and disclosing the risks – and maximising the opportunities – presented by climate change. This is why we are involved in the Climate Action 100+ initiative. Launched in 2017 and led by professional investors, this collaborative initiative engages with the largest global greenhouse gas emitters and with other companies that have significant opportunities to drive the clean energy transition and achieve the goals of the 2015 Paris Agreement.

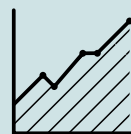
The initiative aims to:

- Implement a solid governance framework which sets down the Board’s accountability and oversight of climate change risk and opportunities.
- Establish actions to reduce greenhouse-gas emissions.
- Provide enhanced corporate disclosure to enable investors to improve investment decision-making.



**450**

investors involved



**40**

trillion dollars of assets  
under management



**161**

companies targeted that represent  
up to two-thirds of annual global  
industrial greenhouse-gas emissions

### 3. SYSTEMATICALLY EXERCISE VOTING RIGHTS

Voting rights are exercised systematically to protect and promote the rights and interests of our clients as shareholders. We do not always support the management of companies and may vote against them from time to time.

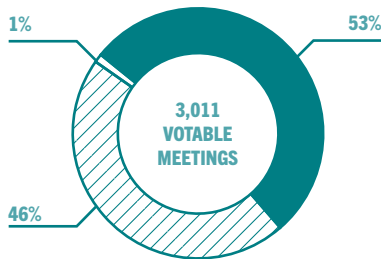
For actively managed funds, we aim to vote on 100% of equity holdings. For passive strategies, we aim to vote on 100% of equity holdings for Swiss index strategies, and on 80% of assets under management for other index strategies.

#### HOW WE INFLUENCE DECISION PROCESSES

December 2019

■ % of meetings voted for    □ % of meetings not voted    ▨ % of meetings with at least 1 vote against, withhold or abstain

##### BREAKDOWN OF VOTABLE MEETINGS ACTIVE STRATEGIES



For active equity strategies, we voted at 2,988 general assembly meetings corresponding to 99% of company meetings by number. We voted “for” at 1,597 meetings, “against” (incl. “abstained” or “withhold”) to at least one resolution at 1,391 meetings and we did not vote at 23 meetings.

**39,299**

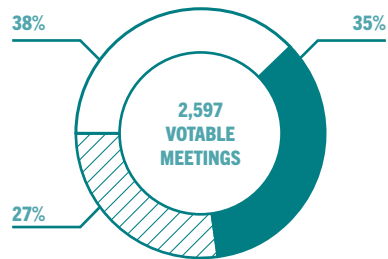
management resolutions

we voted for **88%**      we voted against **11%**



the remaining 1% votes were “abstained”

##### BREAKDOWN OF VOTABLE MEETINGS PASSIVE STRATEGIES



For passive equity strategies, we voted at 1,606 general assembly meetings. We voted “for” at 896 meetings, “against” (incl. “abstained” or “withhold”) to at least one resolution at 710 meetings and we did not vote at 991 meetings.

**1,131**

shareholder resolutions

we voted for **69%**      we voted against **28%**



the remaining 3% votes were “abstained”

“Responsible investment is about systematically integrating ESG factors from investment decisions to reporting to our clients.”

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**ERIC BORREMANS**

Head of Environmental, Social & Governance  
Pictet Asset Management





*“The ‘Spill’ series is a first-hand account of this tragedy, and reveals our society’s obsessive dependence on petroleum. Every day in the United States, we use four times the volume of the oil released into the Gulf.”*

**Daniel Beltrá**  
Oil Spill 18  
Gulf of Mexico, United States  
21 May 2010



## 4. BE TRANSPARENT WITH CLIENTS

Transparency and providing detailed reporting differentiate true integration from box-ticking. ESG characteristics are measured at a portfolio level and compared with the benchmark.

For selected strategies, our impact reports provide additional data on environmental and social impacts. For our environmental strategies, we use an innovative, rule-based framework to measure the environmental footprint of the portfolio called the Planetary Boundaries. When relevant, we report on our strategies' exposure to the United Nations Sustainable Development Goals.

### MAIN ESG METRICS

PROXY VOTING ACTIVITY

CARBON FOOTPRINT

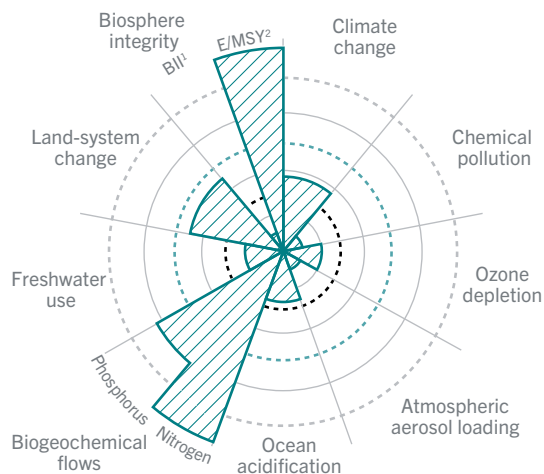
GOVERNANCE PROFILE

CONTROVERSY PROFILE

### PLANETARY BOUNDARIES

Developed by the Stockholm Resilience Centre, Planetary Boundaries are ecological thresholds for nine of the most important environmental dimensions as defined by the group of researchers who created the framework. Transgressing these boundaries would endanger the favourable environmental conditions that have been in place for the last several thousand years.

- ... Safe zone (below boundary)
- ... Increasing risk zone
- ... High-risk zone



<sup>1</sup> Biodiversity Intactness Index (BII). <sup>2</sup> Extinctions per Million Species-Years (E/MSY).

## 5. ACT AS STEWARDS OF RESPONSIBLE INVESTING

We play an active role in supporting organisations that promote responsible finance and sustainable investments. Our objective is to help steer the industry towards more inclusive thinking around people, the planet and portfolios. Indeed, we believe that over the long term these are inextricably linked.

### WHAT WE DO

	WHERE WE STARTED	TODAY
<b>LONG-TERM COMMITMENT</b>	Early signatory of the UN's Principles for Responsible Investment (UNPRI) in 2007	Received an A+ score for Strategy & Governance in 2019, the highest possible ranking
<b>INDUSTRY INITIATIVES</b>	Founding member of Swiss Sustainable Finance <sup>1</sup>	Active participants in initiatives to share best practices and encourage corporate disclosure on ESG issues  Actively involved in the Institutional Investors Group on Climate Change
<b>SUSTAINABLE, THEMATIC, ENVIRONMENTAL OR SOCIAL STRATEGIES</b>	Pioneer in thematic, environmental or social strategies	Ca. €20bn of AUM (as at end of March 2020)

<sup>1</sup> Swiss Sustainable Finance (SSF) was founded in 2014 to inform and educate about and promote the growth of sustainable finance in Switzerland. It unites members from financial services providers, investors, universities and business schools, public-sector entities and other interested organisations.

“Responsibility is a mindset.  
It is the way you conduct  
investment research meetings,  
design your investment process, report  
to clients and engage as a firm.  
It is not a tick-the-box exercise.”

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**LAURENT RAMSEY**

Managing Partner, Pictet Group  
Co-CEO Pictet Asset Management

### III. OUR RESPONSIBILITY AS AN EMPLOYER

For decades, responsibility has been central to our way of thinking. Since the Pictet Group was founded in 1805, our aim has been to ensure the prosperity of our clients and of future generations.



#### EMPLOYEE ENGAGEMENT TO FOSTER RESPONSIBILITY

Our employees are our most crucial asset, and a key amplifier when it comes to sustainability and responsible behaviour. We will continue to engage with staff on sustainability topics and encourage their involvement in local actions, towards clients and the broader world.



#### HOW WE MANAGE OUR DIRECT ENVIRONMENTAL IMPACTS

In our own business activities we are taking every step possible to cut our carbon footprint by employing the most advanced building technology, reviewing every aspect of our operations and reducing the environmental impacts of our infrastructure and employee mobility.



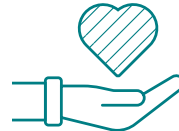
#### ADVOCACY AND PARTNERSHIPS

We strive to encourage the implementation of sustainable and responsible investment by all our stakeholders and partners.



#### HOW WE INVEST OUR BALANCE SHEET

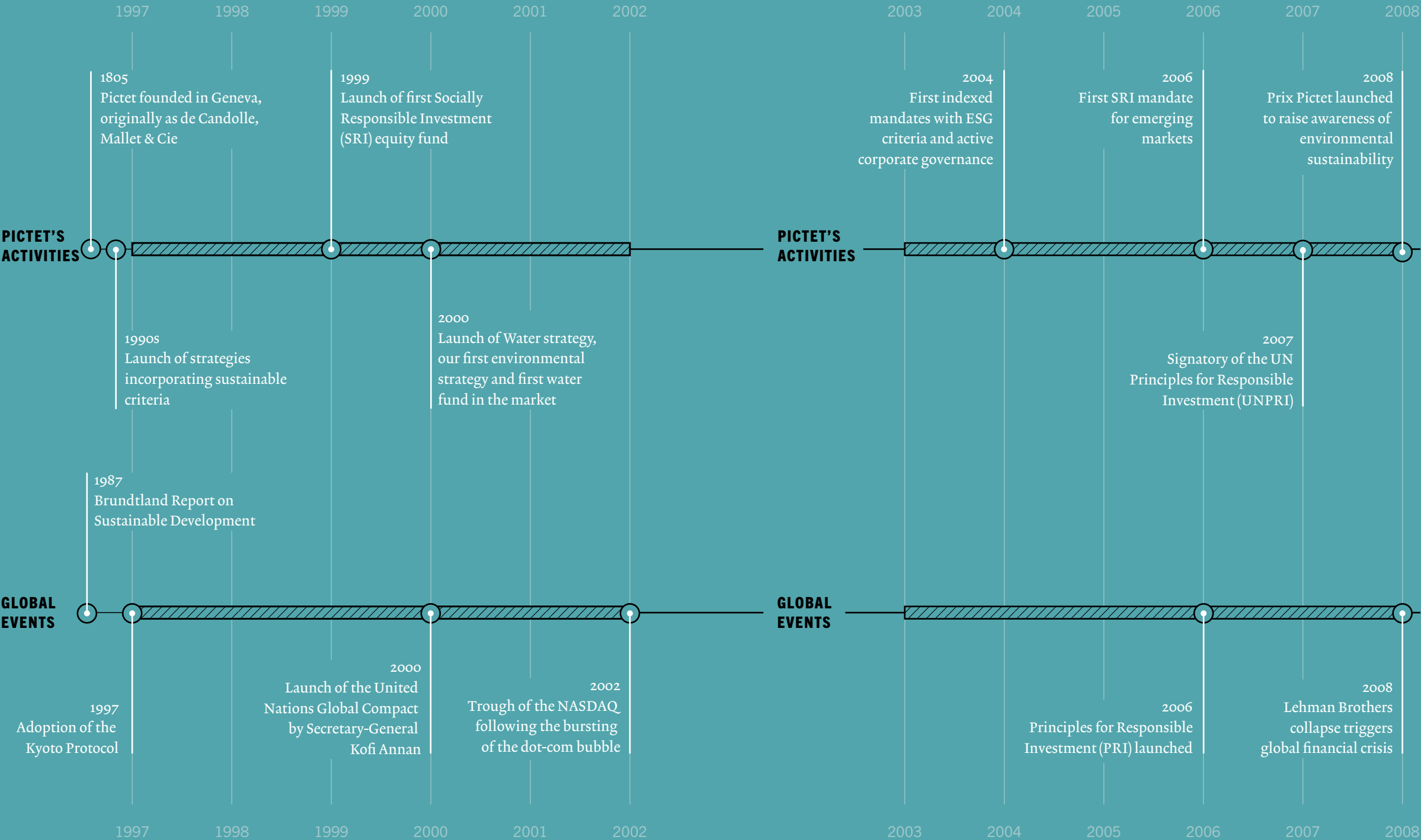
We have committed to reducing the carbon footprint of our corporate portfolio and are investing in activities that help accelerate the transition to a low-carbon economy.

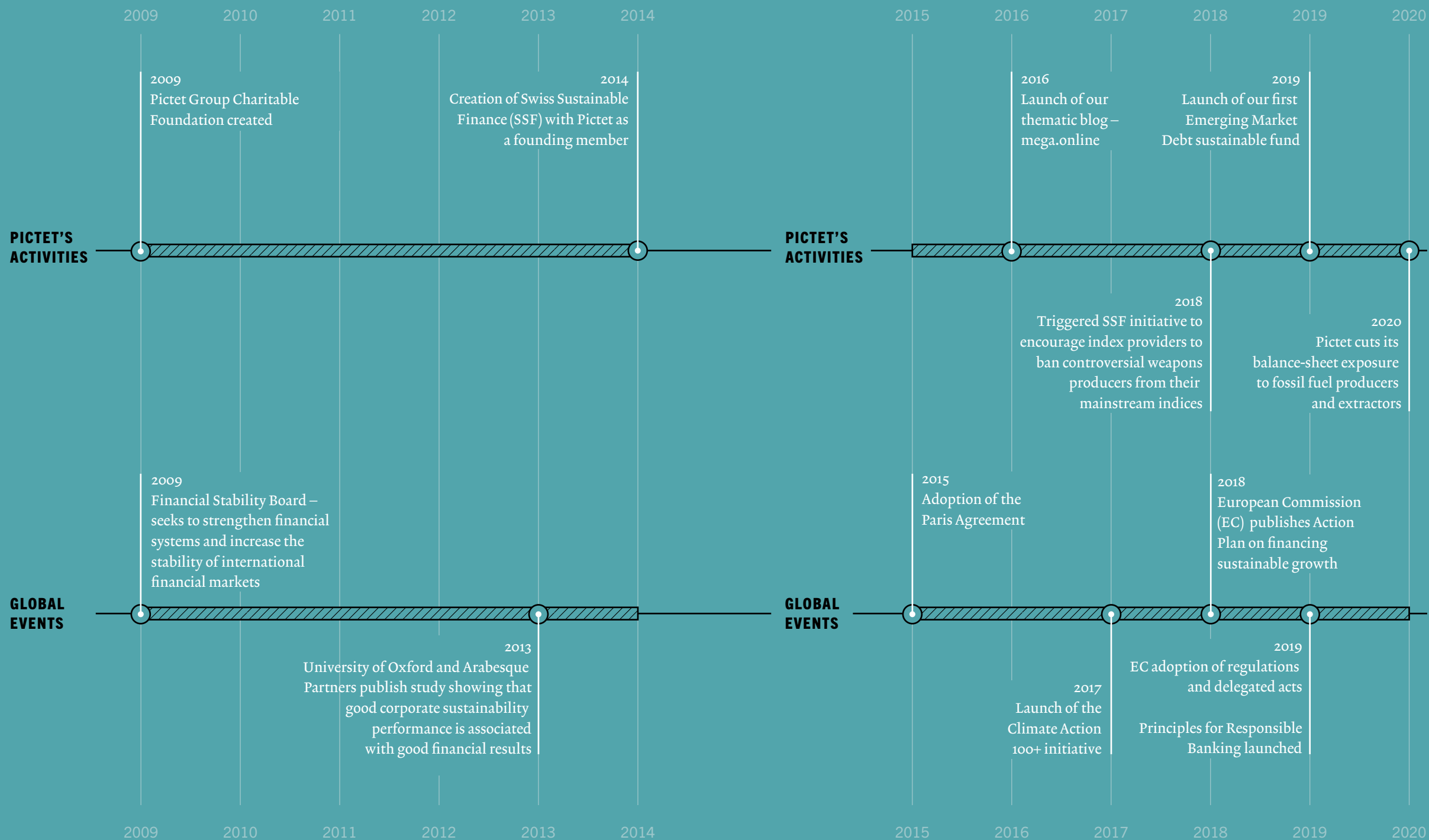


#### SOCIAL AND ENVIRONMENTAL PHILANTHROPY

As the ultimate “risk capital”, philanthropy can be a part of tackling some of the world’s most intractable problems. Through our initiatives, we aim to stimulate action on environmental and social issues.

# MILESTONES OF RESPONSIBLE INVESTMENT





**am.pictet**

*also on*

**LinkedIn**

**Twitter**

**YouTube**

**Disclaimer**

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**Sources**

All data taken from Pictet Group.  
p. 13 Climate Action 100+  
p. 14 ISS, Pictet Asset Management  
p. 18 Stockholm Resilience Centre  
J. Lokrantz/Azote based on Steffen et al. 2015

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