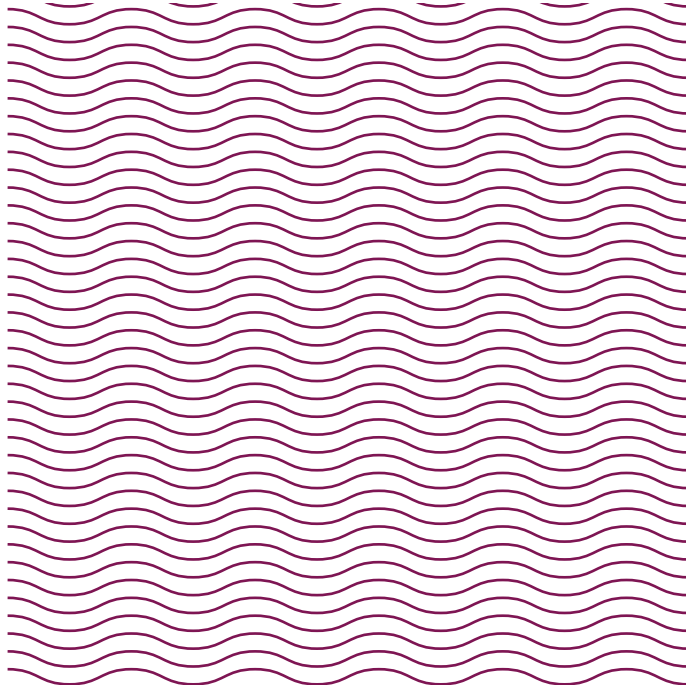

PICTET WEALTH MANAGEMENT

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 institutionals, philanthropy, wealth management, as well as corporate and environmental initiatives.

A Prix Pictet portfolio

This brochure highlights Pictet Wealth Management's efforts on ESG issues. It also features the work of Lynn Davis, a New York-based photographer. In 2008 she was nominated for the Prix Pictet in the "Water" category.

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

The photographer

Lynn Davis was born in Minneapolis in 1944. She studied at the University of Colorado, and became Berenice Abbott's apprentice in the summer of 1974. She lives and works in New York. The photographer has had over 80 solo shows since 1980 and worked in many collections including at the Museum of Modern Art, the Whitney Museum, the J. Paul Getty Museum, the Guggenheim Museum and Reina Sofia Museum in Madrid.

Pictet Wealth Management

From the outset, Pictet has focused on managing the wealth of private individuals and institutional investors. Its capital significantly exceeds the already stringent levels demanded by Swiss regulation. Pictet does not engage in any form of investment banking, and does not issue any commercial, mortgage or unsecured loans. The company has never been tempted to raise capital by floating on the stock exchange: it advances organically at its own pace without growth by acquisition.

I. RESPONSIBILITY AND LONG-TERM THINKING

Our mission has always been to partner with our clients in sustaining and building their wealth over multiple generations. With wealth comes responsibility and long-term thinking. The impact of our investment decisions extends beyond our portfolios, and we must therefore be deliberate in our choices.

This is also why, at Pictet Wealth Management, we have adopted the term Responsible Investing, as it represents the breadth of the investment opportunity while at the same time capturing its primary objective: *to invest responsibly*, regardless of what one's personal definition of that may be. Responsible Investing presents a broad spectrum of investment options, from Environmental, Social and Governance (ESG) integration, where ESG factors are included in traditional financial analysis, to Impact Investing, where meeting a goal with social benefits is prioritised ahead of financial returns.

This responsibility inherently includes the preservation and improvement of the world that our future generations will inherit. A rich life is one with not only financial means, but also family, health, security and stability, and we must ensure that future generations can enjoy life's richness tomorrow as we do today.



“My first trip to the Arctic was in 1986. Four journeys later, in 2007, my journeys came to a melancholy end when the giant glacier had become so diminished in size that icebergs, such as I had known them, became almost impossible to find.”

Lynn Davis
Iceberg VI
Disko Bay, Greenland
2004

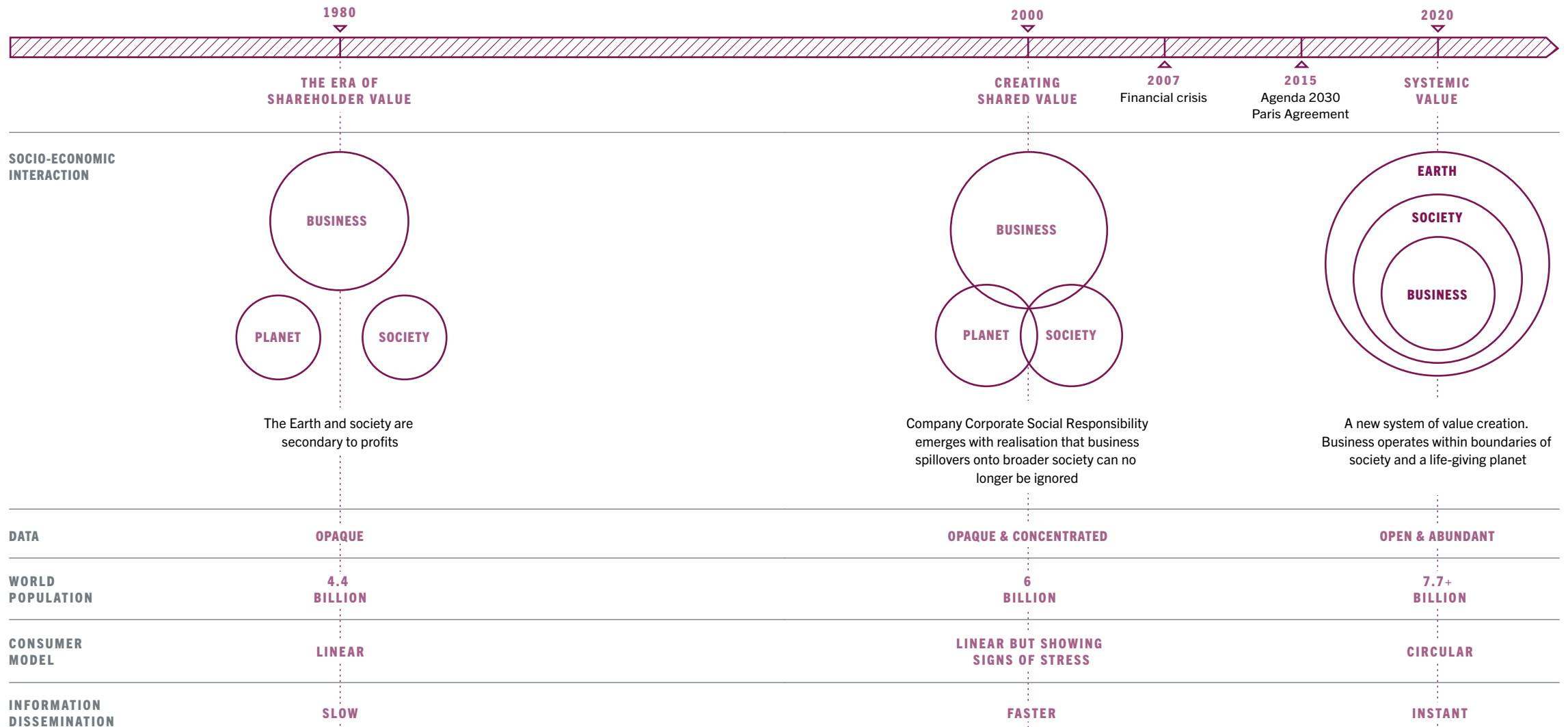


*"Going, going and no doubt gone was
the mystical experience of awe that
I first experienced when photographing
that changing alchemy of ice and water
that created such monolithic forms."*

Lynn Davis
Iceberg II
Disko Bay, Greenland
2004

II. WHERE WE ARE TODAY AND HOW WE ARRIVED HERE

FROM SHAREHOLDER TO SYSTEMIC VALUE





"For over twenty years I have made the long journey from New York to Greenland to photograph the giant icebergs that calve off the glacier in Ilulissat, a small town on the north-west coast that faces Disko Bay, and beyond, the Labrador Sea."

Lynn Davis
Iceberg #29
Disko Bay, Greenland
2000

III. THE OPPORTUNITY

The long time horizons required to invest in sustainable development are aligned with investors who are looking after the wealth of multiple generations.

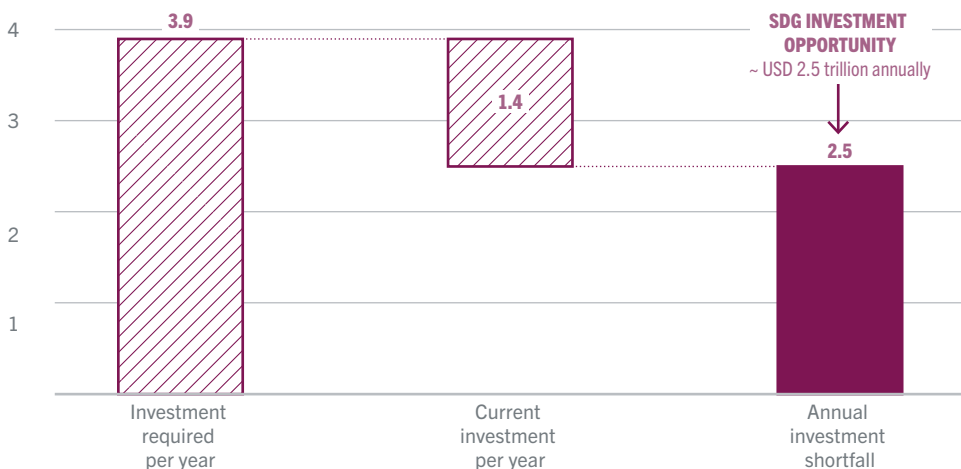
The UN Sustainable Development Goals

In 2015, 193 countries committed to the UN 2030 Agenda for Sustainable Development. It contains 17 sustainable development goals (SDGs), including gender equality, ending hunger and poverty, responsible consumption and production, and climate action.

The global vision of the goals, coupled with emerging regulation and technology, is creating an unprecedented momentum as companies and countries progressively recognise that sustainability fosters long-term value.

ENORMOUS OPPORTUNITIES FOR COMMERCIAL FINANCE AND INVESTMENT

In USD trillions, worldwide



THE SIX SDG TRANSFORMATIONS

The SDGs call for important transformations that require complementary action by governments, civil society, science and business. These transformations must be implemented by respecting the leave-no-one-behind principle, which means that they shouldn't harm or discriminate against any social groups.

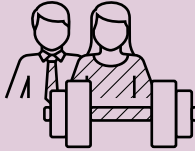
There are six SDG transformations that present a framework for action and a diverse range of investment opportunities.

Investment opportunities



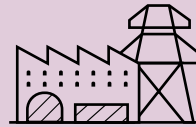
1. EDUCATION, GENDER, INEQUALITY

Innovation hubs, incubators, R&D, schools, companies that promote diversity



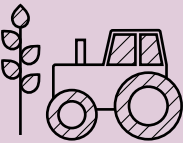
2. HEALTH, WELLBEING, DEMOGRAPHY

Hospitals, technologies to prevent or treat diseases, medtech, life sciences, product design



3. ENERGY DECARBONISATION AND SUSTAINABLE INDUSTRY

Zero-carbon energy sources, smart grids, electric or hydrogen vehicles, water and waste management, circular economy



4. SUSTAINABLE FOOD, LAND, WATER AND OCEANS

Agricultural and fishing procedures, reduction of post-harvest losses, conservation of natural ecosystems, food supply chains



5. SUSTAINABLE CITIES AND COMMUNITIES

Water supply, sewage, waste management, infrastructure, urban planning, transport



6. DIGITAL REVOLUTION FOR SUSTAINABLE DEVELOPMENT

Artificial intelligence, digital technologies, data protection, cyber security

“Our future-oriented philosophy translates directly into responsibility and a sustainable way of thinking.”

REMY BEST
Managing Partner

IV. RESPONSIBLE INVESTING: THE CHANGING NATURE OF RISK

In addition to identifying new opportunities, integrating environmental, social and governance (ESG) factors into investment research increases the prospect of stable, long-term value creation. Sustainability factors materially influence an asset's **risk-return profile**:

Stranded assets risk

These are, for example, fossil fuel-related resources which are no longer able to earn an economic return as a result of changes associated with the transition to a low-carbon economy.

Credit risk

Rating agencies are now incorporating ESG factors into their rating decisions.

Share-price risk

Investors like the Government Pension Fund of Norway, the world's largest sovereign wealth fund, have divested from many tobacco, coal and fossil fuel companies.

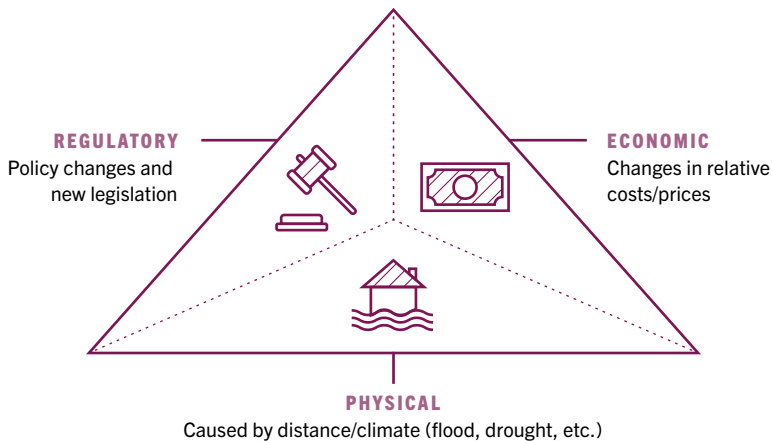
Business risk

Global insurers are starting to deny coverage to climate change contributors like coal companies.

Existential risk

Companies that fail to adapt to changing demand will simply cease to exist as their products and offerings become irrelevant.

STRANDED ASSETS – A TRIUMVIRATE OF RISK



"It has been my melancholy privilege to record and celebrate such an extraordinary journey of impermanence and renewal. It is my hope and prayer that, by witnessing and recording such transcendent phenomena, it is not too late to change what now seems like an irreversible fate."

Lynn Davis
Iceberg XVIII
Disko Bay, Greenland
2007



V. THE SPECTRUM OF RESPONSIBLE INVESTING APPROACHES

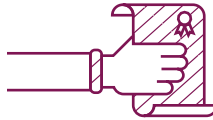
Responsible Investing covers a broad investment landscape: from environmental, social and governance (ESG) integration – where ESG factors are included in traditional financial analysis – to Impact Investing, where meeting a goal with social benefits is prioritised ahead of financial returns.

ALIGN INVESTMENT
WITH VALUES →



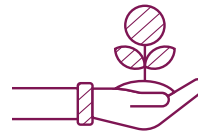
EXCLUSIONS

Screen investments based on company behaviour or products and services considered controversial.



BEST-IN-CLASS

Select top companies within each sector using ESG criteria.



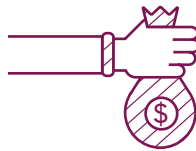
SUSTAINABILITY THEMES

Construct themes benefiting from social and environmental trends.



IMPACT INVESTING

Intentionally seek and actively measure environmental and social impact, with financial return.



PHILANTHROPY

Private initiatives, for the public good, focusing on social or environmental outcomes without financial returns.

→ INVESTING FOR
POSITIVE IMPACT

ESG INTEGRATION & ACTIVE OWNERSHIP

The goal is to seek higher, long-term, risk-adjusted performance by including ESG factors into decisions and to oversee as well as influence management actions through engagement and/or voting.

VI. RESPONSIBLE INVESTING AT PICTET WEALTH MANAGEMENT

SEEKING WELL-SUITED PARTNERS

We look for fund managers who share similar values with regard to their fiduciary duties and who prioritise the best interest of their clients as we do. The ideal candidate will demonstrate a clear stance on responsible investing (RI) and be informative and transparent regarding their practice.

We have developed a process for evaluating and monitoring our partners based on 4 pillars:

-  **Firm-level policy**
 - Signatory to recognised standards
 - ESG principles and guidelines
 - Products and resources allocated
-  **Investment process**
 - Principles underlying the research
 - Criteria defining investment universe
 - Explicit list of exclusions
-  **Active ownership**
 - Proxy voting policy
 - Engagement with management
 - Products and resources allocated
-  **Monitoring & reporting**
 - Regular RI progress reports
 - Monitoring of ESG parameters
 - Communication

The initial assessment involves 3 steps:

- 1. Qualitative appraisal**
Understand and evaluate a fund's responsible investing policy and approach as well as its integration at every step of the investment process. We also seek to determine the degree of engagement with company management taken on ESG issues.
- 2. Quantitative appraisal**
Analyse the portfolio's ESG scores using third-party ESG data providers and establish conformity with recognised norms, like the exclusion of controversial weapons makers or commitment to the Principles of Responsible Investing (PRI). This is to assess the coherence of execution with the manager's responsible investment policy.
- 3. Peer group ranking**
Review managers in light of their quantitative and qualitative ESG scores in order to identify the best-in-class players and offerings for our clients.

Finally, we actively continue to monitor funds on these ESG criteria and engage with managers on related issues as they arise.

TWO CLIENT PATHS

Wealthy investors can achieve Responsible investing (RI) by choosing one of these two approaches:

DELEGATE YOUR RI STRATEGY MULTI-ASSET RESPONSIBLE INVESTING PORTFOLIO

This strategy follows our Strategic Asset Allocation, meaning that we substitute conventional strategies with sustainable equivalents

Implementation via Funds and Exchange-Traded Funds that have been screened and selected according to sustainability criteria

Combination of different responsible investment approaches, including:



ESG INTEGRATION



BEST-IN-CLASS



**SUSTAINABILITY
THEMES**



**IMPACT INVESTING
(E.G. GREEN BONDS,
MICROFINANCE,
SUSTAINABLE
DEVELOPMENT BONDS)**

Extra-financial reporting available, showing the portfolio's exposure to ESG issues

DESIGN YOUR RI STRATEGY

Select single-line mandates

Choose funds based on an open-architecture approach, including:

- Impact investing strategies: green bonds, microfinance, sustainable development banks
- Sustainability theme strategies such as water and clean energy

ALTERNATIVE INVESTMENTS

By their active nature and focus on long-term value creation, alternative strategies – including private equity, real estate and hedge funds – have a key role to play in today’s global environmental and social challenges.

The growth and institutionalisation of the alternatives space has led to broader adoption of responsible investing practices and market standards are being developed.

Pictet Alternative Advisors has implemented a four-pillar approach to responsible investing and actively engages with the community to foster broader standards adoption and improvement.

A FOUR-PILLAR APPROACH

ESG FACTORS INTEGRATED INTO OUR INVESTMENT PROCESS

A due diligence process that includes an analysis of ESG practices. Fund managers are given an ESG score, a useful benchmark for monitoring the evolution of their progress over time.

ACTIVE OWNERSHIP & ENGAGEMENT

Active and responsible ownership, acting in our clients’ best interests, while fostering dialogue and sharing best practices with our partners.

THEMATIC & IMPACT INVESTING

Assessment of environmentally and socially-oriented strategies for potential investment opportunities.

UN PRI SIGNATORY

Engagement with the UN PRI effort and other industry bodies to foster progress.

PICTET ALTERNATIVE ADVISORS – MANAGER SELECTION ESG DUE DILIGENCE PROCESS AND RATING

ASSESSMENT OF THREE AREAS

1. Management company commitment to ESG
2. Fund’s investment activity
3. Reporting

RATING SCALE

- 1 = Best-in-class ESG processes and active engagement
- 2 = Advanced integration and engagement
- 3 = Limited integration and engagement
- 4 = Non-existent

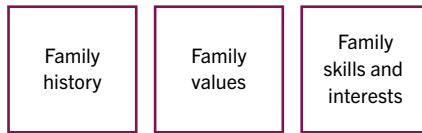
AN EXPRESSION OF FAMILY VALUES

As commanders of great wealth, large families have the potential to shape the world and future. Through our family governance process, we create a framework tailored to each family’s unique mission and purpose. When all members of a family are aligned on these, they can work towards how to achieve maximum social impact.

Increasingly, families are interested in applying a holistic approach by using a variety of complementary channels, from philanthropy to corporate social responsibility and sustainable investing. We help families navigate any challenges by guiding them through the process of not only creating a family-governance model, but of anchoring all decision-making to it over time.

FAMILY “DNA”

**WHO
ARE WE AS
A FAMILY?**



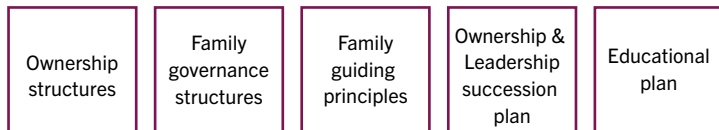
FAMILY PURPOSE

**WHY
SHOULD WE
CONTINUE
TO ACT
TOGETHER?**



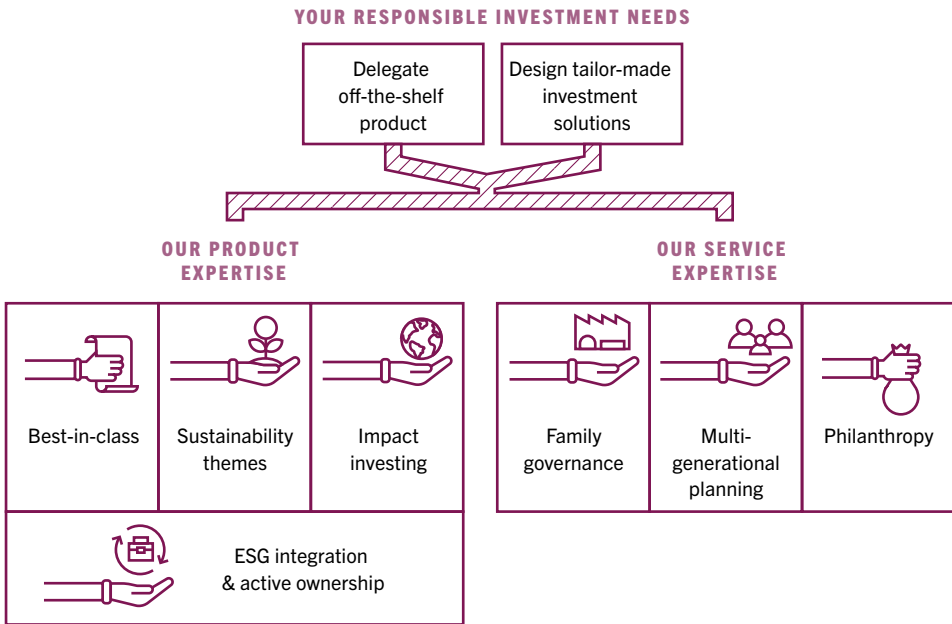
FAMILY ORGANISATION

**HOW
DO WE ORGANISE
OURSELVES TO
ACHIEVE OUR
MISSION?**



A PARTNER YOU CAN TRUST

Whether you are looking for an off-the-shelf, responsible, multi-asset product or a bespoke investment solution, we are here to partner with you in creating a rich and sustainable legacy.



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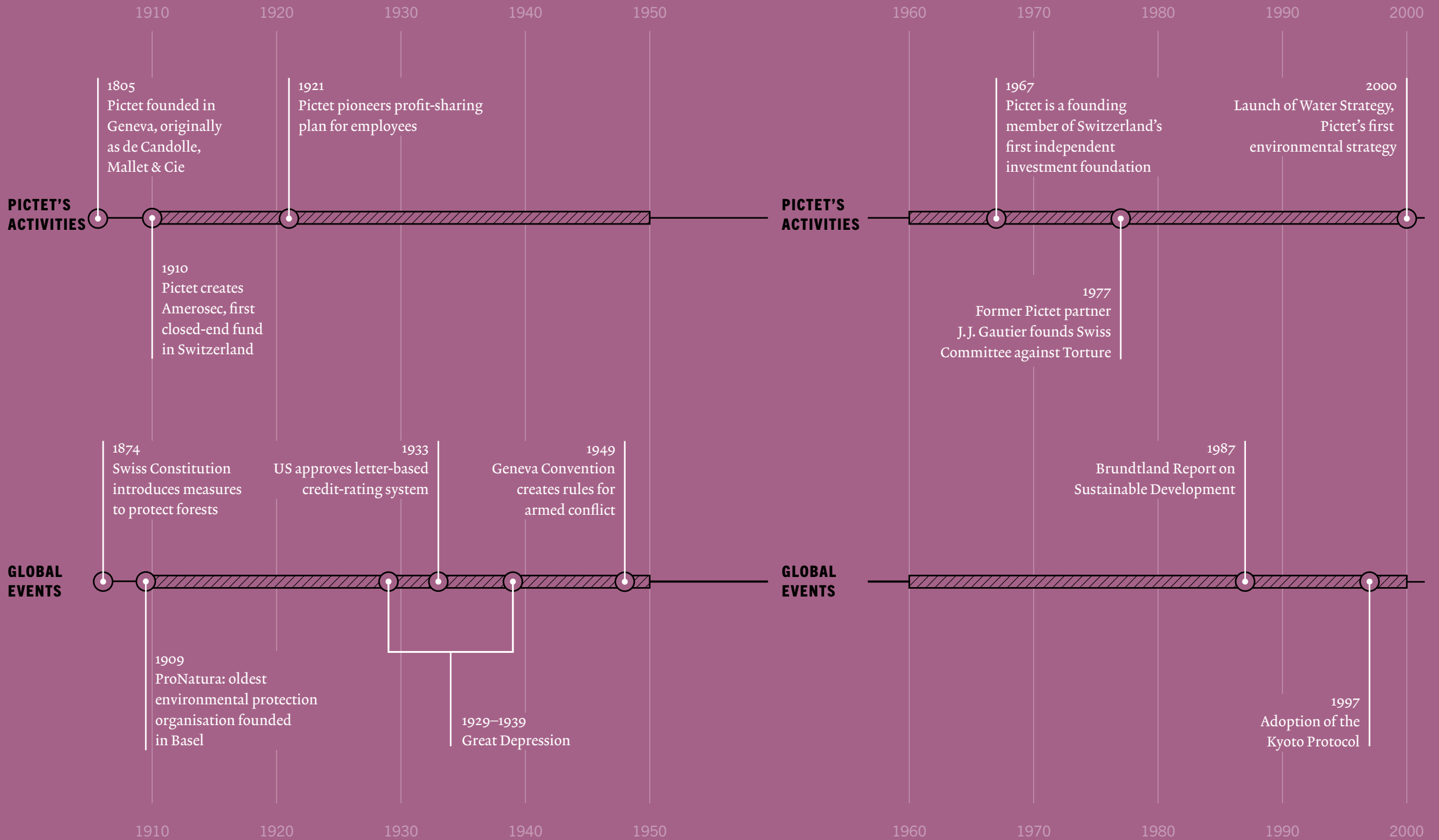
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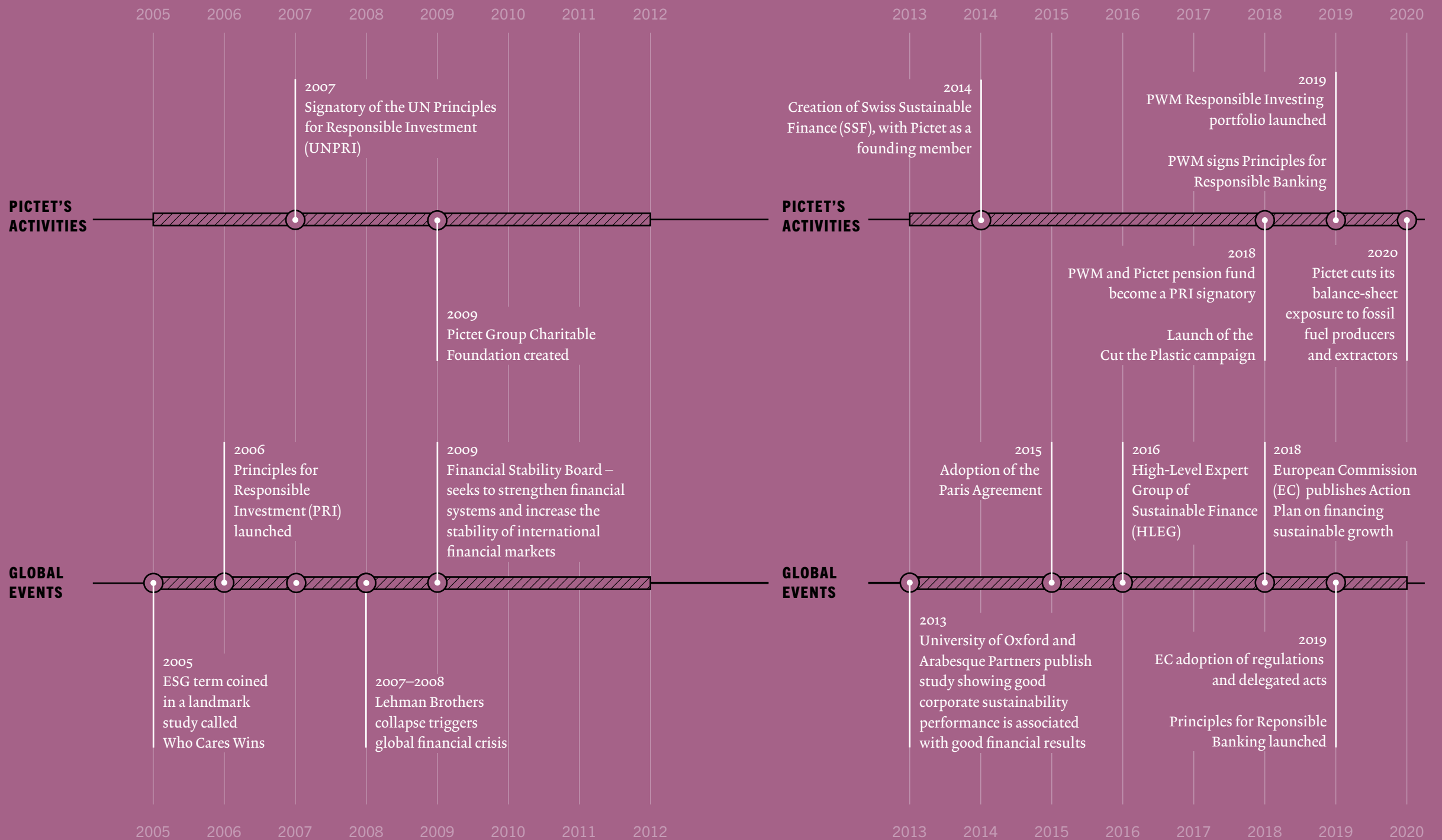
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MILESTONES OF RESPONSIBLE WEALTH MANAGEMENT





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Sources

All data taken from Pictet Group.
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