

Template pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: **Pictet - Water**

Legal entity identifier: **549300750VPZP6MC4674**

Sustainable investment objective

| <p>Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.</p> <p>The EU Taxonomy is a classification system laid down in Regulation (EU) 2020/852, establishing a list of environmentally sustainable economic activities. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.</p> | Does this financial product have a sustainable investment objective? | |
|--|---|--|
| | <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> Yes | <input checked="" type="checkbox"/> <input type="checkbox"/> No |
| <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 10% | <input type="checkbox"/> It promotes Environmental/Social (E/S) characteristics and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective | |
| <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | <input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments | |
| <input checked="" type="checkbox"/> It will make a minimum of sustainable investments with a social objective: 20% | | |

Note: Pictet Asset Management uses a proprietary framework to define sustainable investments. Sustainable investments are calculated on a pass/fail basis including labelled bonds, general bonds from countries that reduce CO2 emissions or implement policies that may lead to meaningful improvement in reducing CO2 emissions, and securities from issuers with at least 20% combined exposure (as measured by revenue, EBIT, enterprise value or similar metrics) to economic activities that contribute to environmental or social objectives.

Please refer to Pictet Asset Management's Responsible Investment policy for further details on our Sustainable Investment Framework.



What is the sustainable investment objective of this financial product?

Main ways in which the fund seeks to achieve its sustainable objective:

- **Positive impact:**

The fund seeks to achieve a positive environmental and/or social impact by investing at least two-thirds of its total assets/total wealth in companies operating in the water sector and providing solutions to global water challenges. The fund is targeting companies that are providing technologies to improve water quality, maximize water efficiency or increase the number of households connected to water services.

No reference index has been designated for the purpose of attaining the sustainable investment objective.

The fund invests mainly in companies whose significant proportion of their activities are related to, but not limited to, water production water conditioning and desalination, water suppliers, transport and dispatching, collection and treatment of waste water, sewage and solid, liquid and chemical waste, sewage treatment plants and providing water equipment, consulting and engineering services and other relevant economic activities.

The companies targeted in the air sector include those responsible for inspecting air quality, suppliers of air-filtration equipment and manufacturers of catalytic converters for vehicles.

This is achieved by investing in securities financing economic activities that substantially contribute to environmental or social objectives such as:

Environmental

- De-carbonisation
- Efficiency & Circularity
- Natural Capital Management

Social

- Healthy Life
- Water, Sanitation & Housing
- Education & Economic Empowerment
- Security & Connectivity

- Norms- and values-based exclusions:

The fund excludes issuers that are in severe breach of international norms or have significant activities with adverse impacts on society or the environment.

- Active ownership:

The fund methodically exercises its voting rights. The fund may also engage with the management of companies on material ESG issues and may discontinue investment if progress proves unsatisfactory.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

- **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**

Indicators the fund uses include:

- The percentage of the financial product's exposure to "sustainable investments" as defined in Article 2 (17) of SFDR
- Overall ESG profile
- Principle Adverse Impact (PAI) indicators such as exposure to issuers that are in severe breach of international norms or have significant activities with adverse E/S impacts on society or the environment
- The percentage of eligible company meetings where voting rights were exercised
- Engagement with companies

- **How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**

The fund considers an investment sustainable if it does no significant harm to any E/S objective, which the investment team determines by applying exclusions. Exclusions allow the fund to remove economic activities and behaviours towards international norms that have high adverse impacts on society or the environment. Please refer to Pictet Asset Management's Responsible Investment policy for further details on excluded sectors and behaviours and exclusion thresholds.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The fund considers principal adverse impacts (PAIs) on sustainability factors through the exclusion of issuers associated with controversial conduct or activities. Exclusions allow the fund to remove economic activities and behaviours towards international norms that have high adverse impacts on society or the environment. How exclusions map to PAIs and their related indicators is set out in Pictet Asset Management's Responsible Investment policy.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

The fund excludes issuers that are subject to high or severe controversies in areas such as human rights, labour standards, environmental protection and anti-corruption, or in breach of UN Global Compact Principles or OECD Guidelines for Multinational Enterprises.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, the fund considers and, where possible, mitigates principal adverse impacts (PAIs) of its investments on society and the environment that are deemed material to the investment strategy through a combination of portfolio management decisions, exclusion of issuers associated with controversial conduct or activities, and active ownership activities.

Exclusions allow the fund to remove economic activities and behaviours towards international norms that have high adverse impacts on society or the environment.

Active ownership activities, which include engagement and proxy voting (where applicable), aim at positively influencing the issuer's ESG performance and to protect or enhance the value of investments. Engagement is conducted by the investment team either independently or as part of a Pictet-level initiative. Pictet-level initiatives focus mainly on climate change, water, nutrition, long-termism and breaches of global norms.

How exclusions and entity-level initiatives map to PAIs and their related indicators is set out in Pictet Asset Management's Responsible Investment policy.

No



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Objective:

To increase the value of your investment while seeking to achieve a positive environmental and/or social impact.

Reference index:

MSCI AC World (EUR), an index that does not take into account environmental, social and governance (ESG) factors. Used for risk monitoring, performance objective and performance measurement.

Portfolio assets:

The fund mainly invests in equities of companies providing water supply or processing services, water technology or environmental services. The fund may invest worldwide, including in emerging markets and Mainland China.

Derivatives and structured products:

The fund may use derivatives to reduce various risks (hedging) and for efficient portfolio management, and may use structured products to gain exposure to portfolio assets.

Investment process:

In actively managing the fund, the investment manager uses a combination of market and fundamental company analysis to select securities that it believes offer favourable growth prospects at a reasonable price. The investment manager considers ESG factors a core element of its strategy by seeking to invest mainly in economic activities that contribute to an environmental and social objective whilst avoiding activities that adversely affect society or the environment. Voting rights are methodically exercised and there may be engagement with companies to positively

influence ESG practices. For further information, please refer to our exclusion framework in the Responsible Investment policy, SFDR product category Article 9. The portfolio composition is not constrained relative to the benchmark, so the similarity of the fund's performance to that of the benchmark may vary.

Fund currency:

EUR

● What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

The fund's binding elements include:

- at least 80% of sustainable investments, i.e. investments in companies that have a significant exposure to activities such as water production water conditioning and desalination, water suppliers, transport and dispatching, treatment of waste water, sewage and solid, liquid and chemical waste, sewage treatment plants and providing water equipment, consulting and engineering services and other relevant economic activities (as measured by revenue, enterprise value, earnings before interest and tax, or similar)
- exclusion of issuers that:
 - are involved in the production of controversial weapons including anti-personnel mines, cluster munitions, biological and chemical weapons, nuclear weapons and depleted uranium
 - derive a significant portion of their revenue from activities detrimental to society or the environment, such as thermal coal extraction and power generation, unconventional oil and gas exploration and extraction, conventional oil and gas production, nuclear power generation, military contracting weapons, weapon-related products and services, small arms, alcoholic beverages, tobacco production, adult entertainment production, gambling operations and specialised equipment, genetically modified organisms development and growth, pesticides production and retail, and palm oil production and distribution. Please refer to Pictet Asset Management's Responsible Investment policy for further details on excluded sectors and exclusion thresholds.

- severely violate international norms including the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption
- a better ESG profile than the reference index after removing the bottom 20% of issuers with the weakest ESG characteristics
- ESG criteria analysis of eligible securities that covers at least 90% of net assets or the number of issuers in the portfolio

To ensure ongoing compliance, the fund monitors the ESG profile of all securities and issuers that form part of the minimum percentage of sustainable investments stated in “What is the asset allocation planned for this financial product?”. The fund draws on information from various sources, such as proprietary fundamental analysis, ESG research providers, third-party analyses (including those from brokers), credit rating services and financial and general media. Based on this information, the investment manager may decide to add or discontinue certain securities or increase or decrease its holdings in certain securities.

● **What is the policy to assess good governance practices of the investee companies?**

The good governance practices criteria apply to issuers of all corporate investments of the fund. To determine whether a company meets minimum requirements for good governance practices under SFDR, Pictet Asset Management ensures that companies it invests in do not have severe controversies or UN Global Compact breaches that are linked to various topics including sound management, employee relations, remuneration of staff and tax compliance. How breaches to UNGC principles and severe controversies map to good governance practices is set out in Pictet Asset Management's Responsible Investment policy.

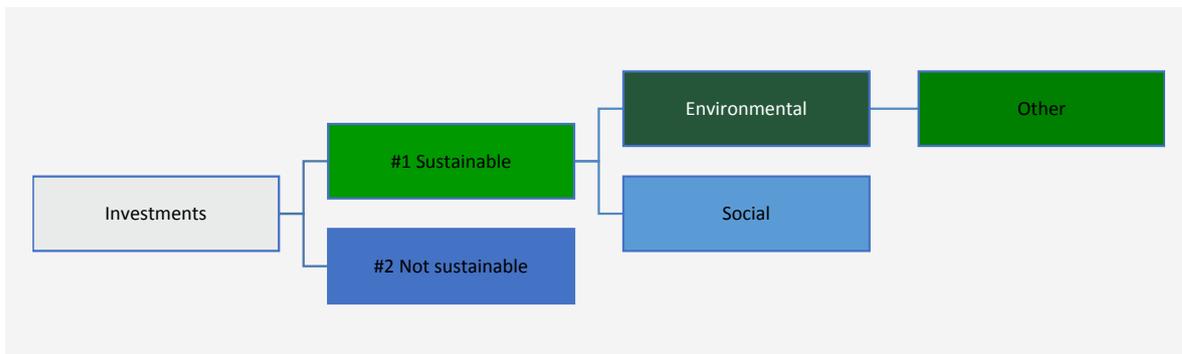
Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

The fund allocates at least 80% of its assets to Sustainable investments (#1 Sustainable) and up to 20% to Not sustainable investments (#2 Not sustainable). At least 10% of its assets is allocated to environmental objectives and at least 20% to social objectives.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

• Pictet Asset Management uses a proprietary framework to define sustainable investments. Sustainable investments are calculated on a pass/fail basis including labelled bonds, general bonds from countries that reduce CO2 emissions or implement policies that may lead to meaningful improvement in reducing CO2 emissions, and securities from issuers with at least 20% combined exposure (as measured by revenue, EBIT, enterprise value or similar metrics) to economic activities that contribute to environmental or social objectives.

Please refer to Pictet Asset Management's Responsible Investment policy for further details on our Sustainable Investment Framework.

• Whilst the fund includes achieving a positive environmental or social objective, its investment policy does not target specifically EU Taxonomy aligned investments as defined by the technical screening criteria of the Taxonomy Regulation.

● **How does the use of derivatives attain the sustainable investment objective?**

The fund does not use derivatives to achieve its sustainable investment objective. However, exclusions are applied to all types of securities (equities, bonds, convertible bonds) issued by excluded entities, including participation notes and derivatives issued by third parties on such securities.



To what minimum extent are sustainable investments with an

environmental objective aligned with the EU Taxonomy?

The fund does not currently commit to invest in sustainable investments with an environmental objective aligned with the EU Taxonomy, however, these investments may form part of the portfolio.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

- Yes:
 In fossil gas In nuclear energy
- No

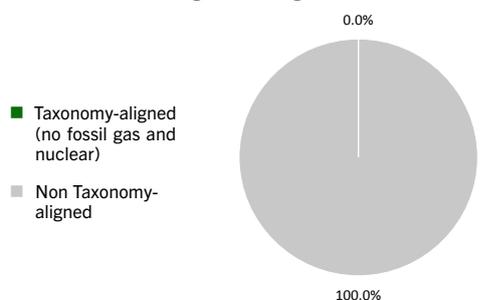
The fund does not currently commit to invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy, however, these investments may form part of the portfolio.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

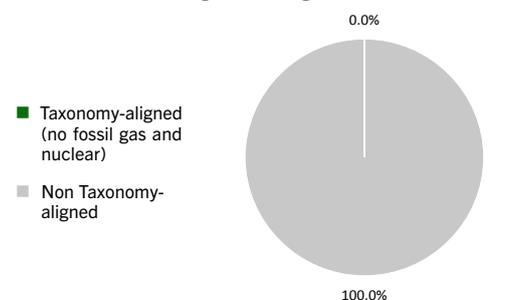
Taxonomy-aligned activities are expressed as a share of:
 - **turnover** reflecting the share of revenue from green activities of investee companies
 - **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
 - **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments including sovereign bonds*



2. Taxonomy-alignment of investments excluding sovereign bonds*



This graph represents 100% of the total investments.**

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

** This percentage is purely indicative and may vary.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

● **What is the minimum share of investments in transitional and enabling activities?**

0%

The fund does not have a minimum share of investments in transitional and enabling activities, as it does not commit to a minimum proportion of environmentally sustainable investments aligned with the EU Taxonomy.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective is 10%. The sum of investments with a social and environmental objective will be at least 80%.

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with a social objective?

The minimum share of sustainable investments with a social objective is 20%. The sum of investments with a social and environmental objective will be at least 80%.



What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?

The fund’s “not sustainable” investments include:

- derivatives and cash positions

Where relevant, minimum environmental or social safeguards apply to the underlying securities.



Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

No reference index has been designated for the purpose of attaining the sustainable investment objective.

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**
Not applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
Not applicable
- **How does the designated index differ from a relevant broad market index?**
Not applicable
- **Where can the methodology used for the calculation of the designated index be found?**
Not applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://documents.am.pictet/?isin=LU0104884860&dla=en&cat=sfdr-permalink>

Pictet Asset Management’s Responsible Investment policy:

https://documents.am.pictet/library/en/other?documentTypes=RI_POLICY&businessLine=PAM