

Product name: **Pictet - Climate Government Bonds**

Legal entity identifier: **213800YGY2GACS3I3720**

Sustainable investment objective

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.

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.

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> Yes	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> No
<input checked="" type="checkbox"/> It will make a minimum of sustainable investments with an environmental objective: 20%	<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
<input checked="" type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective 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"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of sustainable investments with a social objective: 0%	<input type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but will not make any sustainable investments

Note: Sustainable investment figures are calculated by counting fully issuers that have a significant exposure to economic activities that contribute to environmental or social objectives and, where relevant to the asset class, exposure to environmental or social labelled bonds. Labelled bonds are fully counted as sustainable investments.



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 impact by investing in countries that have a of low carbon emission exposure in view of supporting the long-term global warming objectives of the Paris Agreement (and adopted under the United Nations Framework Convention on Climate Change seeking to limit global warming).

The fund invests mainly in bonds and other debt securities:

- issued or guaranteed by governments or by regional or local governments having a minimum credit rating at the time of acquisition, equivalent to "B-" as defined by Standard & Poor's or an equivalent credit rating from other recognized rating agencies. When there is no official rating system, the Managers will decide on acquiring transferable securities with identical quality criteria;
- of countries which are reducing their greenhouse gas emissions and carbon intensity (net of land and forestry management); or
- of countries which are, in the opinion of the manager, in the process of implementing policies that may lead to a meaningful improvement in reducing CO2 emissions, for example, a country legislating on their carbon policies which not yet represented in the data

The above-mentioned investments include ESG Labelled Bonds, for example but not limited to, Green Bonds (minimum expected investments of 15%) and Social Bonds (expected investments up to 5%).

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

Taxonomy aligned

- climate change mitigation or adaptation

Other environmental

- climate change mitigation or adaptation
- sustainable use and protection of water and marine resources

- transition to a circular economy
- pollution prevention and control, or
- protection and restoration of biodiversity and ecosystems

Eligible securities include:

(i) securities issued by countries which are reducing their greenhouse gas emissions and carbon intensity (net of land and forestry management) or are in the process of implementing such policies

(ii) where relevant, green and/or social labelled bonds issued by companies or countries whose use of proceeds are financing such economic activities

(iii) securities issued by companies with a significant proportion of activities (as measured by revenue, EBIT, enterprise value or similar metrics) derived from such economic activities

- Inclusion:

The fund seeks to partially invest in environmental and/or social labelled bonds.

- 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 may engage with the management of companies on material ESG issues and may discontinue investment if progress proves unsatisfactory.

- ▶ See also: “What investment strategy does this financial product follow?” and “Does this financial product consider principal adverse impacts on sustainability factors?”.

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

Indicators the fund uses include:

- exposure to green and/or social labelled bond
- average carbon footprint at the portfolio level, both in terms of total carbon emissions and carbon emissions by GDP, incorporating Land Management (LULUCF) contribution in our measurement of emissions
- 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

- **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 using a combination of quantitative and qualitative assessments at issuer level. The assessments draw on both general and industry-relevant indicators, and include exposure to material sustainability risks. Periodic reviews and risk controls are in place to monitor implementation.

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

The fund considers and, where possible mitigates adverse impacts of its investments on society and the environment through a combination of portfolio management decisions, active ownership activities, and exclusion of issuers associated with controversial conduct or activities.

- *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 severe controversies in areas such as human rights, labour standards, environmental protection and anti-corruption.

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

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, anticorruption and antibribery matters.



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

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

Please refer to Pictet Asset Management's Responsible Investment policy for the list of PAIs.

- ▶ See also detailed information on exclusions in Pictet Asset Management's Responsible Investment policy.
- ☐ No



What investment strategy does this financial product follow?

Objective:

To increase the value of your investment, through income and investment growth. A sustainable strategy of low carbon emission exposure in view of achieving the objectives of the Paris Agreement is also applied.

Reference index:

FTSE WBI All Maturities Hedged to USD, an index that does not take into account environmental, social and governance (ESG) criteria. Used for risk monitoring, performance objective and performance measurement.

Portfolio assets:

The fund mainly invests in government bonds issued by countries that are reducing their greenhouse gas emissions and carbon intensity (net of land and forestry management) or in the opinion of the investment manager are in the process of implementing policies that may lead to a meaningful improvement. The fund may invest worldwide, including in emerging markets and Mainland China, and can invest across any currency. These may include Sharia-compliant bonds. Some of these investments may be below investment grade.

Derivatives and structured products:

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

Investment process:

In actively managing the fund, the investment manager selects countries based on their carbon emissions reduction and uses a combination of macroeconomic, market and issuer analysis to build a diversified portfolio of securities it believes offer the best risk-adjusted returns. The fund's management approach uses strict risk controls. There may be engagement with

countries to positively influence climate related matters. For further information, please refer to our exclusion framework in the Responsible Investment policy, SFDR product category Article 9. The performance of the fund is likely to be significantly different from that of the benchmark, because the Investment Manager has significant discretion to deviate from its securities and weightings.

Fund currency:

USD

- ▶ See also: "What is the sustainable investment objective of this financial product?" and "Investment Policy" in the fund's prospectus.

● 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:

- investments in bonds and other debt securities:
 - of countries which are reducing their greenhouse gas emissions and carbon intensity (net of land and forestry management); or
 - of countries which are, in the opinion of the manager, in the process of implementing policies that may lead to a meaningful improvement in reducing CO2 emissions, for example, a country legislating on their carbon policies which is not yet represented in the data.
- exclusion of issuers that:
 - are involved with nuclear weapons from countries that are not signatories to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and other controversial weapons

- 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 production, conventional oil and gas production, nuclear power generation, conventional weapons and small arms, military contracting weapons and weapon-related products and services, tobacco production, adult entertainment production, gambling operations, genetically modified organisms development/growth, pesticides product/retail. Please refer to Pictet Asset Management's Responsible Investment policy for further details on exclusion thresholds applicable to the above activities.
- severely violate international norms including the UN Global Compact principles on human rights, labour standards, environmental protection and anti-corruption
- exclusions of countries subject to international sanctions see also detailed information on exclusions in Pictet Asset Management's responsible investment policy
- 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.

See also: "What investment strategy does this financial product follow?" and "Does this financial product consider principal adverse impacts on sustainability factors?".

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

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

This fund mainly invests in government bonds.

However, in case of investments in corporate bonds, the fund assesses company decision-making processes and controls, as well as how management balances the interests of shareholders, employees, suppliers, customers, the community and other stakeholders. Assessed areas may include:

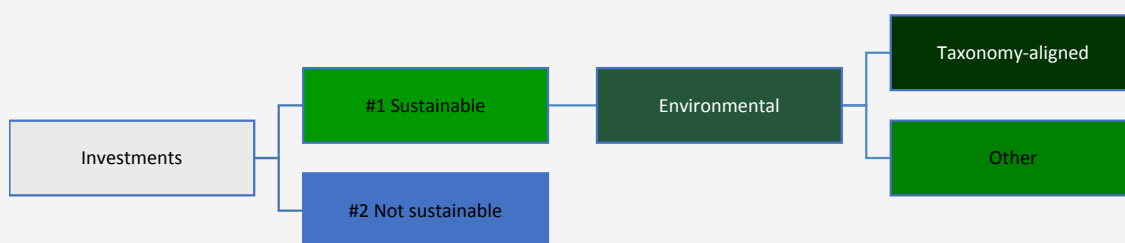
- the composition of the executive team and board of directors, including the experience, diversity and distribution of roles, along with succession planning and board evaluation
- executive remuneration, including short term and long term incentives and their alignment with investor interests
- risk control and reporting, including auditor independence and tenure
- shareholder rights, including one-share-one-vote and related-party transactions



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 20% of its assets is allocated to environmental objectives.



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

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

- Sustainable investment figures are calculated by counting fully issuers that have a significant exposure to economic activities that contribute to environmental or social objectives and, where relevant to the asset class, exposure to environmental or social labelled bonds. Labelled bonds are fully counted as sustainable investments.
- In the absence of an EU social taxonomy, Pictet has developed a proprietary social taxonomy framework based on the objectives suggested in the Report on Social Taxonomy published by the EU Platform on Sustainable Finance; eligible activities are defined as economic activities that provide socially beneficial goods and services that enable one of the following three categories: (1) inclusive and sustainable communities, (2) adequate living standards and well-being for end users and (3) decent work.

● 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.

- ▶ See also: "What investment strategy does this financial product follow?"

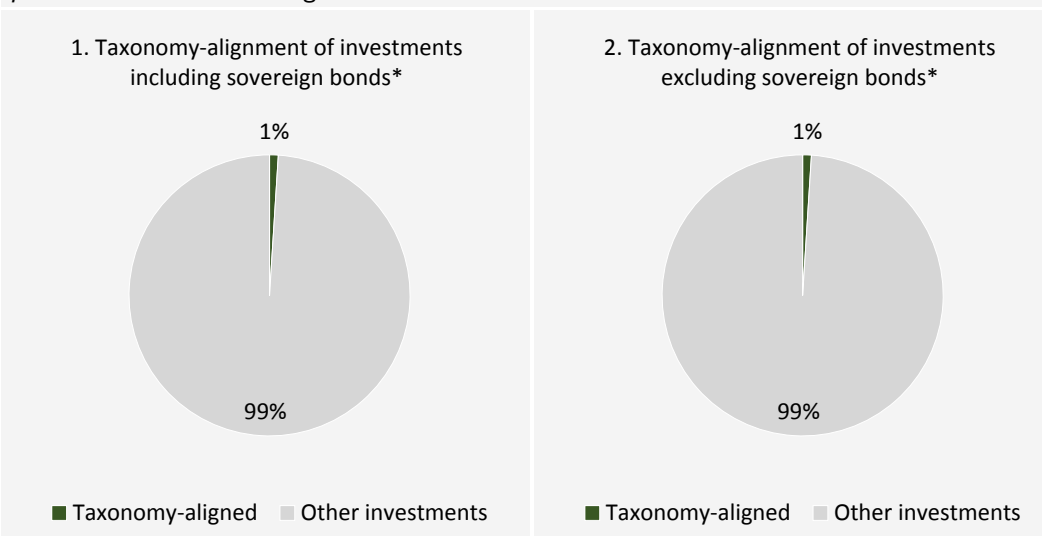


To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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 blue 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.



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

Note: Taxonomy alignment figures are calculated using a revenue-weighted approach which considers the proportion of issuers' revenues associated with eligible economic activities and, where relevant to the asset class, the exposure to environmental or social labelled bonds. Labelled bonds are fully counted as sustainable investments.

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

The minimum commitment of investments in transitional and enabling activities is 0% due to the lack of feasibility to make binding commitments.

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

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



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

environmental objective that are not aligned with the EU Taxonomy?

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



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

The minimum share of sustainable investments with a social objective is 0%. While the fund does not explicitly target a minimum investment in social objectives, the fund may invest in issuers with a social objective. 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.

- See also: “What investment strategy does this financial product follow?”.



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

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

No specific ESG index has been designated.

- **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://am.pictet/en/luxembourg/individual/funds/pictet-climate-government-bonds/LU2468125351#esgDisclosures>

Pictet Asset Management’s Responsible Investment policy:

<https://am.pictet/-/media/pam/pam-common-gallery/pictet-asset-management/responsible-investment-policy.pdf>