

Sustainability-related disclosures for Private Suite - Pictet Health Innovation Trends

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

Date of Publication: 13 December 2023

Legal entity identifier 549300RVTIDCHWJOJ391

<p>Summary</p>	<p>This Sub-fund promotes environmental or social characteristics. The Investment Manager identifies the sustainable investments according to SFDR on the basis of UN SDGs as described in more detail below in the section "Methodologies". No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund. The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-fund are:</p> <ul style="list-style-type: none"> • the absence of investments in securities that are on the exclusion list as result of the application of the exclusion policy. The Investment Manager excludes investment in sectors which deems to be harmful from an SRI/ESG perspective or which do not follow good governance practices. The Sub-fund complies with an exclusions policy which refers to: i) the production, maintenance, sales and storage of weapons of mass destruction (WMD); and ii) the extractive activities, production and distribution of electricity connected with thermal coal, the energy source among fuels which represents the highest contributor in terms of carbon dioxide emissions; therefore, issuers deriving at least 25% of their revenues from these activities are excluded. The exclusion is extended to those issuers in breach of the Principles of the UN Global Compact which include principles relating to human rights, labour conditions, environmental issues and anti-corruption practices; • the ESG rating of the portfolio. <p>To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by external ESG research providers. The assessment of the good governance practices is a central pillar of the investment process adopted by the Investment Manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. The good governance assessment takes into account sound management structures, employee relations, remuneration of staff and tax compliance.</p> <p>In order to guarantee compliance with the strategies adopted to promote environmental and social characteristics, the Investment Manager relies on external info-providers. The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy. In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics).</p> <p>The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
<p>No sustainable investment objective</p>	<p>This Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investments.</p>
<p>Environmental or social characteristics of the financial product</p>	<p>The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager's ESG methodology are the following:</p> <ul style="list-style-type: none"> • Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy); • Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations). <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p>
<p>Investment strategy</p>	<p>The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing. These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p>

Proportion of investments	<p>In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics). The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available.
Monitoring of environmental or social characteristics	<p>The Investment Manager monitors on an ongoing basis the ESG scoring of the portfolio. The ongoing control of the other negative screening criteria, such as the restrictions to the investment in issuers characterised by:</p> <ul style="list-style-type: none"> • an ESG rating equal to “CCC”, classified according to the proprietary rating methodology of the external provider MSCI, which contemplates a range of values going from “AAA”, for the best rated issuers, to “CCC” for the riskiest issuers. • a severe and serious dispute equal to “Red”, classified according to the proprietary methodology of the external provider MSCI, that indicates an ongoing very severe ESG controversy (a controversy having a social and/or environmental impact) involving a company directly through its actions, products or operations (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions). <p>is guaranteed by the ex-ante limitations to the management activity of the fund managers.</p>
Methodologies	<p>Indicators the fund uses include:</p> <ul style="list-style-type: none"> - exposure to companies that derive a significant proportion of revenue, EBIT, enterprise value or similar metrics from economic activities that contribute to environmental or social objectives - exposure to revenues from economic activities that contribute to environmental and/ or social objectives 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 - percentage of eligible company meetings where voting rights were exercised
Data sources and processing	<p>Pictet Asset Management has selected a range of specialist providers for ESG data to support our firm-wide ESG integration and active ownership activities. Data received from external providers may be complemented by internal research and analysis provided by our Investment teams and ESG specialists.</p> <p>Main ESG data providers used by Pictet Asset Management:</p> <ul style="list-style-type: none"> - Bloomberg (use-of-proceed): Labelled debt - CFRA: Forensic accounting - FactSet Revere Business Industry Classification System (RBICS): Granular view of classification for companies using a bottom-up approach according to the products and services they provide - FTSE Russell: Green Revenues - Four Twenty Seven: Physical climate change risk - ISS: Corporate governance and proxy voting Ratings - Lucror: High yield companies ESG research and Ratings - Mitech: Asia’s ESG research and Ratings - SBTI Science-based targets initiative: Companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals - Sustainalytics: ESG Research and Ratings; ESG Controversies; Corporate Engagement; Activity-based Screening; Principal Adverse Impact - Verisk Maplecroft: Country Risk Analytics <p>What are the measures taken to ensure data quality?</p> <p>Proactive data quality controls are implemented in our data warehouse. The type of checks assesses gaps and volatility in the time series, and changes in coverage. Quality issues trigger automated alerts, which are followed by manual reviews from our data and ESG analysts/specialists, and where necessary, by engagements with third-party ESG data providers.</p> <p>› How is data processed?</p> <p>ESG data are updated daily in our internal data warehouse and are made available to our investments teams via different systems, such as our internal ESG Scorecard, Portfolio Management System, and Tableau dashboards.</p> <p>› What proportion of data is estimated?</p> <p>Although we prioritise reported data over estimated data, we do rely to some extent on estimations, where reported data are not available. Data reported by companies and regulatory authorities are prioritised over estimated data from external providers and ranked higher in terms of reliability for investment and active ownership activities.</p> <p>The proportion of estimated data varies depending on the ESG indicator. For example, for GHG emissions scope 1 and 2, around 80% of the data is reported, while the majority of scope 3 emissions are estimated.</p>
Limitations to methodologies and data	<p>› Any limitations to the methodologies</p> <p>Key limitations to our methodologies may include a lack of data coverage and/or quality. Our methodologies are informed by reliable sources gathered from diverse reputable third-party research providers that are experts in their areas.</p> <p>In instances where the information from third-party providers is deemed incorrect or incomplete, we retain the right to engage with them or to deviate, on a case-by-case basis.</p>

	<p>› How such limitations do not affect the objective of the fund ESG data availability is continually improving, and we are leveraging more and more on our data using information from different providers. However, certain data may not be available for all issuers in the fund or in the benchmark, implying that ESG indicators given at portfolio level may not be representative. It is therefore important to consider coverage ratios when interpreting the levels of the ESG indicators. A ESG indicator is considered significant at fund level if we have more than 50% coverage on eligible assets (in-scope instruments)</p> <p>› Actions taken to address such limitations We address such limitations on constantly monitoring potential new relevant data set from providers.</p>
Due diligence	<p>Service providers are subject to rigorous due diligence supervised by the Pictet Group ESG Data Committee and covering topics such as review of their business model, research process, technical expertise, data coverage, quality assurance mechanisms, and prevention of conflicts of interests. In addition to external ESG data, the Committee approves and oversees the development of in-house ESG data infrastructure and the annual ESG data budget.</p> <p>The existing list of ESG Data providers is subject on an ongoing revision for data quality, coverage and other attributes. As a consequence, if the outcomes of the due diligence are not satisfactory and we face repetitive data quality issues we can close the contract we have in place with them. More information about the external data sources used is available upon request.</p> <p>Our due diligence process of issuers covers the following points:</p> <ul style="list-style-type: none"> - The clarity and robustness of the issuer's long-term strategy - The functioning and caliber of governance structures and effective leadership - The financial strength and performance of issuers and the fair valuation of underlying securities. - Sustainability risks & opportunities and adverse impacts of potential investments on society and/or the environment.
Engagement policies	<p>With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers' behaviors towards specific sustainability issues, according to the times and methods formalized in its "Engagement Policy" and in the "Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management".</p> <p>In this case, the Company informs the issuer about the identified criticalities, directing its decisions towards their immediate reduction. If these actions are not addressed in an effective and timely manner by the issuer, the Company evaluates to initiate specific reduction or disposal initiatives, even of a progressive nature, of the investment in these issuers.</p> <p>The initiatives carried out and the decisions taken regarding these activities are reported and formalized in order to guarantee a thorough traceability of the decision-making processes and outcomes</p>
Designated reference benchmark	<p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund .</p>