

SFDR FUND STATEMENT

**Pareto Investment Fund
2021**



Fund Statement

Summary

This document provides sustainability-related disclosures regarding Pareto Asset Management's equity product branded as Pareto Investment Fund, which is categorised as an Article 8 fund as provided in Article 32 of the Sustainable Finance Disclosure Regulation Level II proposal text from the European Supervisory Authorities. The information presented in this document does not disclose all the elements of the Level II proposal, as this part of the framework has not yet entered into force.

Overall, the Fund is subject to the requirements made at the company level (Pareto Asset Management, henceforth PAM) through the *Guidelines for Responsible Investments*. Furthermore, PAM has signed the UN Principles for Responsible Investment (PRI). These guidelines are based on UN PRI, the UN Global Compact, the guidelines for the Norwegian Government Pension Fund Global, the Principles for the exercise of ownership rights in investment companies from the Norwegian Fund and Asset Management association, as well as internationally recognised principles and conventions. At the fund level, Pareto Investment Fund builds on these guidelines.

Pareto Investment Fund's (the Fund) objective is to achieve the highest possible return, relative to the risk profile. The fund managers employ an active management process, where investment decisions are taken based on internal analysis of economic conditions, industry specific factors and individual companies and considerations about ESG factors. The active management strategy involves carrying a high active share relative to the Fund's benchmark. The active share may stem from a higher share of investments from segments of the investment universe within small and medium-sized companies.

No sustainable investment objective

This financial product promotes environmental and/or social characteristics but does not have as its objective a sustainable investment. The financial product does not commit to making one or more sustainable investments and does not commit to making investments aligned with the EU Taxonomy.

Environmental or social characteristics of the financial product

The fund invests in assets the investment team has deemed to be sufficiently environmentally and socially sustainable. Preferably, but not limited to:

Companies which will work to reduce their negative impact and have relevant goals to positively impact the environment above their industry's average. Companies which commit to reducing environmental and climate risks in their value chain, promoting responsibility and encouraging environmentally friendly technology. Companies supporting and promoting both human rights and labour rights in their business practices. Guidelines must be publicly available on how the company handles these conventions both within its business as well as through its entities.

Investment strategy

The investment strategy will be bottom-up where ESG considerations are combined with the financial and non-financial analysis for each company in the portfolio.

On an absolute basis and relative within the Fund's investment universe this will include: 1) To invest in companies that have good quality of operations and management. The companies should have a clear focus on ethical issues in their attitudes and actions, as well as having a strong corporate value base. The companies must exert good corporate governance, comply with national legislation as well as international conventions, and show a transparent information policy. 2) To emphasise social conditions, the environmental impact, sustainability and good corporate governance when considering a company. Strong sustainability efforts and emphasis often provide companies with competitive advantages and contribute to long-term value creation. 3) Favour investments that contribute to a viable transition towards reduced carbon emissions, not least as a means to reduce climate-related risk.

The Fund may elect to exclude any investments in companies failing to provide the necessary reporting for such analysis preventing the Fund from being in compliance with the Regulatory Technical Standards (the RTS) within effectuation.

Furthermore, The Fund does not seek to exclude investments in any sectors or industries, other than the prevailing exclusion list set by Pareto Asset Management for investments on behalf of our funds and customers.

Proportion of investments

Pareto Investment Fund is actively managed, meaning there is no pre-defined asset allocation, other than healthy diversification.

Monitoring of environmental or social characteristics

The active investment universe of the fund is monitored by the portfolio management team on developments affecting ESG controversies where the companies may be involved. To monitor the characteristics the fund utilises its own research in addition to third-party ESG databases for this process.

The fund will not have a separate reference benchmark for measuring ESG impact.

Methodologies

The fund follows the exclusion guidelines of Pareto Asset Management and the Norwegian Government Pension Fund Global, in addition to excluding companies that obtain more than a certain threshold of their total revenue from activities or products deemed unethical. The fund also excludes companies that are in breach with global norms including inter alia the UN Global Compact.

Data sources and processing

The investment team uses available public information, internal and external research, and dialogue with the investment candidate's management team to assess current and potential new holdings.

Data sources will include company disclosures, third party data aggregators and ESG analytics available from third party research providers obtained by the Pareto Asset Management. To the extent no data for a given parameter or company are

available, estimates or proxies can be employed while awaiting necessary company data from an available source if such estimates are deemed satisfactory by the investment team.

Limitations to methodologies and data

All data sourcing is limited by the quality of the data and accountability of the source. The investment team will use available data from an available source as long it is deemed trustworthy. In case discrepancies arise between data sources, the investment team will try to assess the reason for any difference, which source is more accountable and to what extent any erroneous source is no longer systematically trustworthy. Third party providers may not be able to provide accurate data for the complete investment universe of the Fund, in particular relating to segments of the investment universe within small and medium-sized companies.

Due diligence

The fund does not have access to due diligence data.

Disclaimer

This Fund Statement is subject to amendments in order to comply with requirements set out in the Regulation (EU) 2019/2088 of the European Parliament and the council of 27 November 2019 on sustainability-related disclosures in the financial services sector and, when entering into force, the Final Regulatory Technical Standards.

Engagement Policy

Pareto Asset Management (PAM) shall exercise active ownership in the portfolio companies to promote responsible business operations. In 2014, we formalised our commitment by signing the UNPRI (United Nations Principles for Responsible Investment). Through our signature, we committed ourselves to respond to the six principles:

1. We will implement ESG issues in our investment analysis and decision-making processes
2. We will practice active ownership and implement ESG in our ownership policy and its exercise
3. We will work for satisfactory reporting on ESG topics from our portfolio companies
4. We will promote acceptance and implementation of the principles in the financial industry
5. We will work with other signatories to strengthen the effect of the principles and their implementation
6. We will report on our activities and our progress in implementing the principles

The exercise of active ownership is subject to PAM's Policies on Exercise of ownership.

PAM's *Guideline on Exercise of ownership* applies on product level. All of PAM's funds must engage with their portfolio companies to be compliant with the guidelines.

Pareto Asset Management has established an ethics committee entrusted with the responsibility to ensure that the company's *Guidelines for Responsible Investments* are up to date and appropriate, as well as assess and decide exclusion of companies in accordance with the guidelines. The Compliance Manager shall supervise compliance with our *Guidelines for Responsible Investments*, including the necessary exclusion of companies.

The investment team of Pareto Investment Fund promotes dialogue with management in the portfolio companies under the experience and belief that strong engagement dialogue is one of the keys to successful long-term value creation. The investment team would expect companies to exhibit openness and strong governance as they are convinced that this improves the transparency and accountability of the firm's governance-related issues.

Any issues arising relating to a portfolio company may be complex and may need to be evaluated over time. In such cases involvement means gathering and processing incremental information and adapting to every situation. Any action plan will differ by case while the process of engagement has similarities.

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