

SFDR FUND STATEMENT

**Pareto Nordic Alpha
2023**



Fund Statement

Summary

This document provides sustainability-related disclosures regarding Pareto Asset Management's equity product branded as Pareto Nordic Alpha, which is categorised as an Article 8 fund as provided in Article 32 of the Sustainable Finance Disclosure Regulation Level II text from the European Supervisory Authorities.

Overall, the Sub-Fund is subject to the requirements made at company level through Pareto Asset Management's guidelines for responsible investments. Furthermore, Pareto Asset Management 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 fund level, Pareto Nordic Alpha builds on these guidelines.

Pareto Nordic Alpha aims at promoting sustainable development of markets and long-term value creation by investing in companies that act ethically responsible. The fund managers believe that responsible investments are important for achieving the best possible risk-adjusted return for the investors. Responsible actions and sound corporate governance give companies competitive advantages and contribute to long-term value creation.

No sustainable investment objective

This financial product promotes environmental and/or social characteristics but does not have as its objective a sustainable investment.

Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by making responsible investments according to Pareto Asset Management's guidelines for responsible investments. When making such investments, the Sub-Fund promotes environmental and social standards by:

- Exclusions: excluding investments contributing to violation of human rights, labor rights, corruption, environmental damage and other unethical actions according to the Norwegian Government Pension Fund Global's exclusion list and Pareto Asset Management's guidelines for responsible investments' exclusion list.
- Corporate governance safeguards: see to that companies have features as described in Pareto Asset Management's guidelines for responsible investments.
- International principles: complying with UN's Principles for Responsible Investments.

Investment strategy

The Sub-Fund's investment strategy must be exercised in accordance with the following frameworks for all investments made by the Sub-Fund:

- UN's Principles for Responsible Investments; and
- Pareto Asset Management's guidelines for responsible investments.

Overall, as Pareto Asset Management AS is a signatory of the UN's Principles for Responsible Investments, the fund managers are committed to comply with the principles provided for the Sub-Fund's investment strategy. The Sub-Fund applies the following binding elements in its investment strategy to select investments to attain the environmental and social characteristics promoted by the Sub-Fund, as described in the previous section.

- The investment has to comply with the Sub-Fund's applied exclusion criteria;
- The investment has to demonstrate satisfying elements on the Sub-Fund's corporate governance safeguards; and
- The investment's principal adverse impacts on sustainability factors have to be aligned with Pareto Asset Management's guidelines for responsible investments, where such information is available.

The following elements are included in the standard checklist/policy to assess good governance practice of the Sub-Fund's investee companies:

- 1) board composition;
- 2) transparency; and
- 3) accountability and incentives.

Proportion of investments

All of the Sub-Fund's investments in equity will be aligned with All of the Sub-Fund's investments in equity will be aligned with the environmental and social characteristics promoted by the Sub-Fund, which is equivalent to 80% of the total net assets of the Sub-Fund.

The remaining share of the Sub-Fund is not considered to be aligned with the environmental and social characteristics promoted by the Sub-Fund and includes cash and derivatives. Cash may be held as ancillary liquidity or for risk balancing purposes. The Sub-Fund may use derivatives for the purposes described in the "Investment Objective and Policy" section in the Sub-Fund's Annex.

Where it is in the best interests of the investors and in response to market conditions, the Sub-Fund may temporarily deviate from the 80% threshold.

Monitoring of environmental or social characteristics

The sustainability indicators will be monitored on an annual basis.

Pareto Asset Management maintains an exclusion and observation list that is cross-checked against the Norwegian Government Pension fund exclusion list. The Head of Risk receives news from NBIM via email alerts. If a new company were to be excluded, the risk management would be notified immediately.

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. Twice a year, the Ethics Committee prepares a report on Pareto Asset Management's guidelines for responsible investments and the practice of these. The report reviews specific topics the company has worked with as well as relevant company assessments and dilemmas.

Such reports are made publicly available at: <https://paretoam.com/en/other-important-documents/>

Methodologies

The fund management is exercised in accordance with Pareto Asset Management's guidelines for responsible investments.

The Sub-Fund applies principal adverse impact indicators as sustainability indicators. The Sub-Fund uses the 14 mandatory principle adverse impact indicators, where such information is available, namely:

- GHG emissions;
- Carbon footprint;
- GHG intensity of investee companies;
- Exposure to companies in the fossil fuel sector;
- Share of non-renewable energy consumption and production;
- Energy consumption intensity per high impact climate sector;
- Activities negatively affecting biodiversity-sensitive areas;
- Emissions to water;
- Hazardous waste and radioactive waste ratio;
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises;
- Unadjusted gender pay gap;
- Board gender diversity; and
- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons).

In addition, the Sub-Fund has selected 2 additional principle adverse impact indicators, namely:

- Investment in companies without carbon emission reduction initiatives; and
- Insufficient whistle-blower protection.

Data sources and processing

Data sources used to attain the environmental and social characteristics of this product rely on publicly available information, such as annual and interim reports, investor presentations, or other relevant sources of information such as e.g., management discussions. The portfolio managers seek to verify all information used in the investment selection process by using multiple sources where such information is available. Further, Pareto Asset Management has designated third-party

to provide certain sustainability-related data, including the principal adverse impacts indicators on sustainability factors.

Limitations to methodologies and data

The availability and quality of data differs from case to case. In the event of limited publicly available information with respect to a potential new investment, the portfolio managers may ask the company to provide additional information before they make a final investment decision. The requirements for additional information will often be determined by the risk associated with the issuers business activities, where it operates and complexity of the legal corporate structure etc. In all cases, the fund managers must make sure that the investments are compliant with Pareto Asset Management's guidelines for responsible investments, including the exclusion criteria.

Due diligence

The fund management shall strive for a high level of diligence in the selection and on-going monitoring of investments. Consequently, the portfolio managers seek to verify all information used in the investment selection process by using multiple sources where such information is available. In the selection process the portfolio managers shall assess whether the investment is within Pareto Asset Management's guidelines for responsible investments.

Engagement policies

The Sub-Fund shall exercise active ownership in the portfolio companies in order to promote responsible business operations. This means that we will use our ownership rights and influence in the companies to help move the companies in a positive direction. When there is a specific reason to believe that a company violates our policy of responsible investments, the fund managers will consider addressing the issue with the company's management and encouraging the company to correct the circumstances. If necessary change is not implemented, the fund managers will normally sell all positions in the company.

Designated reference benchmark

No specific index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

Guidelines for responsible investments

For more information on our guidelines for responsible investments, please refer to our guidelines:

<https://paretoam.com/globalassets/rappporter-og-dokumenter/guidelines-for-responsible-investments.pdf>

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