

SFDR FUND STATEMENT

Pareto Nordic Cross Credit
2021



Fund Statement

Summary

This document provides sustainability-related disclosures regarding Pareto Asset Management's fixed income product branded as Pareto Nordic Cross Credit, 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 Nordic Cross Credit builds on these guidelines.

No sustainable investment objective

This financial product promotes environmental and social characteristics but does not have as its objective a sustainable investment. The financial product does not commit to make 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

Pareto Nordic Cross Credit promotes environmental and social characteristics through the integration of Pareto Asset Management's principles for responsible investments.

Investment strategy

ESG is an integrated part of the fund's investment selection process. Companies that generate more than five per cent of their total revenue from production of fossil fuel are excluded. Other issuers with potentially high ESG risk will be examined to assess whether adequate ESG risk management procedures and reporting are in place, and relevant transition plans are adequate to qualify for investment.

We seek to invest in companies with good quality in operations and management. A clear focus on ethical issues in attitudes and actions, as well as having a value base for the business that complies with Pareto Asset Management's *Guidelines for Responsible Investments*, are crucial. Companies must exert good corporate governance, comply with national legislation as well as international conventions, and show an open and complementary information policy. When considering a company, we emphasise social conditions, environment, sustainability, and good corporate governance.

Proportion of investments

Pareto Nordic Cross Credit 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. The ESG factors are monitored in-house by assessing publicly available company-specific information. The portfolio's carbon emissions are monitored.

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 of global norms including inter alia the UN Global Compact.

Data sources and processing

Our ESG risk assessment is reliant of and based on publicly available information, such as audited financial and sustainability reports, unaudited financial reports, and company presentations. Other relevant sources of information, such as third-party opinions, sector reports, and management input, are also considered.

Limitations to methodologies and data

Availability and quality of data can differ. In cases of limited publicly available information, a direct request for relevant information to be made available may be made before a final investment decision is taken. The requirements for additional information will among other things be determined by the risk associated with the issuers business, location of operation and the legal corporate structure complexity.

Due diligence

No internal or external due diligence process carried out on the underlying assets. Still, we seek to verify all information used in our investment selection process by using multiple sources where such information is available.

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.

Engagement policy is not part of Pareto Nordic Cross Credit's investment strategy as a fixed-income fund. However, if there is reason to believe that breaches of our responsible investment policy exist, addressing the issue with company management is natural and encouragement promoted for measures to be taken to rectify the circumstances. If necessary action is not implemented, Pareto Asset Management will normally exit the investment.

Pareto Asset Management AS
Org. nr.: 977 287 677

Dronning Mauds gate 3
0250 Oslo

P.O Box 1810, Vika
NO-0123 Oslo

t: +47 22 87 87 00
f: +47 22 01 58 50
e: post@paretoam.com

www.paretoam.com

