

SFDR FUND STATEMENT

Pareto Nordic Equity
Pareto Nordic Alpha
2021



Fund Statement

Summary

This document provides sustainability-related disclosures regarding Pareto Asset Management's equity products branded as Pareto Nordic Equity and Pareto Nordic Alpha, which is categorised as Article 8 funds 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 Equity and Pareto Nordic Alpha build on these guidelines.

The funds consist of an equity portfolio of approximately 25 companies. Some industries are excluded, following e.g., the exclusion list of the Norwegian Government Pension Fund Global. In our selection process we emphasise ESG qualities. We process quantitative data from various sources, but acknowledge that in the absence of audited information, these data may be inaccurate. Therefore, based on annual reports and sustainability reports from the companies, as well as discussion with management and employees, we assess to what extent the companies in question have products that promote environmental and social characteristics and whether the production process is improving accordingly.

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

We comply with the UN's Principles for Responsible Investments. In addition, environmental and social elements are part of the criteria we use in selecting companies in the fund. We source quantitative information from the companies and various analysts. Besides, we scrutinise the products of the holding companies, in order to assess whether the companies promote environmental and social characteristics.

Investment strategy

Our strategy is to select companies that exhibit certain financial and ESG qualities. We give each company a score on each individual parameter and sum these up in order to have an optimal portfolio at any time. We update the scores when new information occurs. We believe that good corporate governance is important for long-term value creation. That includes a judgement of who the main shareholders are, whether they are represented on the board of directors and whether the directors and management have interests aligned with shareholders. The remuneration report from the companies is part of that judgement.

Proportion of investments

Pareto Nordic Equity and Pareto Nordic Alpha are actively managed, meaning there are no pre-defined assets allocations, 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 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

We source data from various analysts but cannot verify these. We also receive information from annual reports and sustainability reports from the companies, newspapers and research analysts. These data and our judgement of how each company's products promote environmental and social progress are part of the company selection criteria.

Limitations to methodologies and data

We are aware that the mentioned sources may be incomplete or even inaccurate. However, in the absence of such information being audited, there is no alternative to a subjective judgment of the presented data.

Due diligence

We do 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.

Regular communication with management of the companies is a vital part of Pareto Nordic Equity's and Pareto Nordic Alpha's selection process. That includes any environmental and social issues which we may be aware of.

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