

# Template pre-contractual disclosure for financial products referred to in Article 8 of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** Pareto Likviditet

**Legal entity identifier:** 254900N4GSWCR5Y41577

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?

☒ ☐ Yes

☐ ☒ No

☐ It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_\_%

☐ **It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_\_% of sustainable investments

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☐ It will make a minimum of **sustainable investments with a social objective**: \_\_\_\_%

☒ It promotes E/S characteristics, but **will not make any sustainable investments**

### What environmental and/or social characteristics are promoted by this financial product?

The 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 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

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The fund is actively managed, and no specific index has been designated as a reference benchmark for the purpose of attaining the environmental or social characteristics promoted by the fund.

• ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

As the fund promotes both environmental and social standards, it applies the principal adverse impact indicators on sustainability factors as its sustainability indicators to measure the attainment of the environmental and social characteristics promoted by the fund. The fund uses the 14 mandatory principle adverse impact indicators, 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 fund has selected 2 additional principle adverse impact indicators, namely:

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

• ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The fund does not commit to make sustainable investments.

• ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

N/A

- ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

N/A

- ***How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

N/A

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

The principal adverse impacts on sustainability factors are integrated in the fund's decision-making process when such information is available. Issuers with principal adverse impacts not aligned with Pareto Asset Management's guidelines for responsible investments are excluded from the fund's investment universe unless there is a clear path to bring the respective indicator(s) in line with the fund's investment strategy within a reasonable time frame.

Information pursuant to Article 11 (2) of Regulation (EU) 2019/2088 will be disclosed in the fund's annual report in accordance with Annex IV of Regulation (EU) 2022/1288.

☐ No



## What investment strategy does this financial product follow?

### Overall about the fund's investment strategy

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

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

The fund applies exclusion criteria, corporate governance safeguards and reactive engagement as elements in its investment strategy to ensure that all investments meet the fund's investment criteria.

### Exclusions

First, the fund managers exclude all investments not within the fund's investment universe, as such investments may contribute to / enable violation of human rights, labor rights, corruption, environmental damage and other unethical actions.

The fund applies the following binding exclusion criteria:

Prior to including a company within the investment universe, the fund managers shall consider whether there is an unacceptable risk that the company contributes or is responsible for:

- Human rights violations, such as killing, torture, deprivation of liberty, forced labour and exploitation of children, including child labour
- Violations of individuals' rights in war or conflict situations
- Breach of basic employee rights
- Severe environmental damage
- Actions or omissions that lead to greenhouse gas emissions at an aggregated company level
- Corruption
- Other repeated or significant violations of basic ethical norms

The fund shall not invest, on behalf of our customers, in companies which themselves or through entities they control which:

- Produce weapons that, in normal use, violate basic humanitarian principles
- Produce tobacco
- Sell weapons or military equipment to states subject to sanctions from the UN Security Council or other international measures directed at a particular country that Norway has supported
- Mining companies and power producers that themselves or consolidated with controlled entities receive 30 per cent or more of their revenues from thermal coal, or base 30 per cent or more of their operations on thermal coal activity

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- Produce pornography

The fund managers shall exercise a precautionary principle in connection with investments in biotechnology companies, gambling, and alcohol.

The screening is done according to the Norges Bank Investment Management (hereinafter "NBIM") exclusion list with the associated guidelines provided in guidelines Norwegian Government Pension Fund Global. The Head of Risk maintains an exclusion and observation list that is cross-checked against the exclusions list on a monthly basis. In addition, the Head of Risk receives news from NBIM via email alerts and will get a notification if a new company were to be excluded.

### **Corporate governance safeguards**

Prior to an investment decision, the fund managers shall consider the following:

- The company should have good quality of operations and management. The companies should act responsible, as well as having a value base for the business that complies with Pareto Asset Management's guidelines for responsible investments.
- The company should exert good corporate governance:
- The company complies with national legislation as well as international conventions; and
- The company shows an open and complementary information policy.

Such consideration is based on publicly available information, including reports published by the companies.

### **Engagement**

The fund is a fixed income fund. Bonds do not have affiliated voting rights and the fund managers' power of influence in terms of active ownership is consequently limited. However, the fund applies a reactive engagement approach when there is a specific reason to believe that a company violates the fund's investment criteria. In such cases, the fund managers will consider addressing the issue with the company's management and encouraging the company to correct the circumstances. If the necessary change is not implemented, the fund managers will normally sell all positions in the company.

### **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

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 fund's investment strategy. The fund applies the following binding elements in its investment strategy to select investments to attain the environmental and social characteristics promoted by the fund, as described in the previous section.

- The investment has to comply with the fund's applied exclusion criteria;
  - The investment has to demonstrate satisfying elements on the 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.
- What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?  
N/A
  - **What is the policy to assess good governance practices of the investee companies?**

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

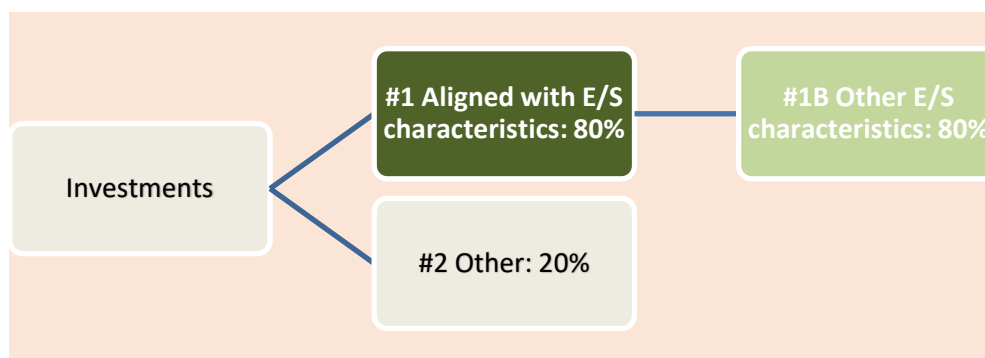
- 1) board composition;
- 2) transparency; and
- 3) accountability and incentives.

### What is the asset allocation planned for this financial product?

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

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

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



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category #1A Sustainable covers sustainable investments with environmental or social objectives.
- The sub-category #1B Other E/S characteristics covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.
- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

Derivatives are not used to attain the environmental or social characteristics promoted by this fund.



### To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

0%. As the fund does not commit to making sustainable investments with an environmental objective aligned with the EU Taxonomy, this section is not relevant.

*The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph*


**Asset allocation** describes the share of investments in specific assets.


Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

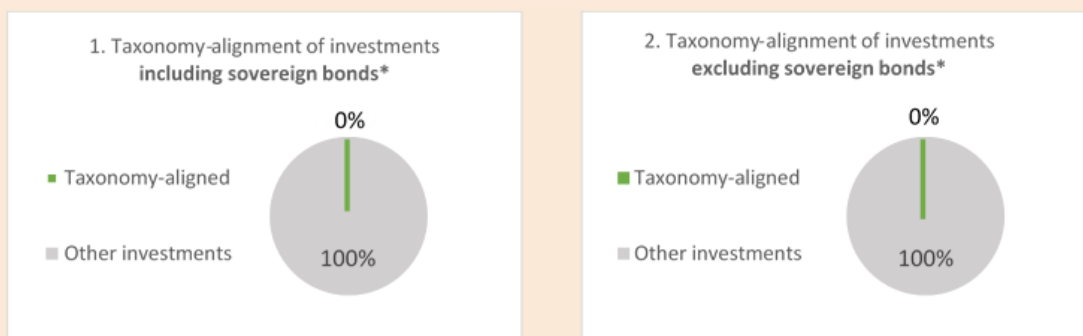
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

 Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote

shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

- **What is the minimum share of investments in transitional and enabling activities?** 0%



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**  
0%



**What is the minimum share of socially sustainable investments?**  
0%



**What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?**

The fund's investments included under “#2 Other” include the use of cash and derivatives. Cash may be held as ancillary liquidity or for risk purposes. The fund may use derivatives for the purposes described in the “Objective and investment strategy” section in the fund's prospectus.

**Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

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

- **How the reference benchmark is continuously aligned with each of the environmental or social characteristics promoted by the financial product?**  
N/A
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**  
N/A
- **How does the designated index differ from a relevant broad market index?**  
N/A
- **Where can the methodology used for the calculation of the designated index be found?**  
N/A



**Where can I find more product specific information online?**  
**More product-specific information can be found on the website:**  
<https://paretoam.com/en/our-funds/>