

Exclusion Policy

Pareto ESG Global Corporate Bond

Exclusion criteria applied by Pareto ESG Global Corporate Bond's

The fund's investment strategy applies several binding elements to better assess the risks and opportunities for each issuer.

One substantial element is to exclude issuers from sectors which are not aligned with:

- Pareto Asset Management's guidelines for responsible investments based on Norges Bank Investment Management ("NBIM") exclusion criteria; and
- The Nordic Swan Ecolabel exclusion criteria.

Further, the fund applies additional exclusion criteria based on the fund managers' belief of unsustainable investments.¹

Pareto ESG Global Corporate Bond's exclusion criteria at fund level distinguishes from Pareto Asset Management's exclusion criteria at entity level as described in the table:

Pareto ESG Global Corporate Bond	
Exclusions	Threshold
Controversial weapons ²	0%
Conventional weapons ³ that in normal use do violate basic humanitarian principles	0%
Extracting and refining fossil fuels	<5%
Generating power	<5%
Tobacco	Production: 0% Distribution ≤5%
Produce Pornography	0%
Alcohol	Production: 0% Distribution: ≤5
Gambling	<5%
Genetically modified organism	Excluded according to NBIM exclusion list. Additional screening for any investments not excluded according to NBIM exclusion list: ≤5%
Breach of International norms and conventions: • ILO's fundamental principles • UN Global Principles • Severe environmental damage • Gross corruption	Excluded from investment universe

¹ Such exclusion criteria are related but not limited to GMO, alcohol, and gambling

² Reference is made to Section "Controversial weapons" for definition of such.

³ Reference is made to Section "Conventional weapons" for definition of such.

Any other repeated or significant violations of basic ethical norms	
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Pareto Asset Management	
Pareto Asset Management shall not be invested in companies which themselves or through entities they control:	
Exclusions	Threshold
Produce weapons that, in normal use, violate basic humanitarian principles	0%
Produce tobacco	0%
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 (mandate for the management of the SPU section 3-1 second paragraph letter c)	0%
Mining companies and power producers that themselves or consolidated with controlled entities receive 30 percent or more of their revenues from thermal coal, or base 30 percent or more of their operations on thermal coal activity	0%
Produce pornography	0%
Prior to including a company within the investment universe, it shall be considered whether there is an unacceptable risk that the company contributes or is responsible for:	
Exclusions	Threshold
Human rights violations, such as killing, torture, deprivation of liberty, forced labour and exploitation of children, including child labour	Unacceptable risk
Violations of individuals' rights in war or conflict situations	Unacceptable risk
Breach of basic employee rights	Unacceptable risk
Severe environmental damage	Unacceptable risk
Actions or omissions that lead to greenhouse gas	Unacceptable risk
Emissions at an aggregated company level	Unacceptable risk
Corruption	Unacceptable risk
Other repeated or significant violations of basic ethical norms	Unacceptable risk
Pareto Asset Management shall exercise a precautionary principle in connection with investments in:	
Possible exclusions	Threshold
Biotechnology companies	N/A
Gambling	N/A
Alcohol	N/A

Extracting and refining fossil fuels and uranium

The fund may not invest in companies which themselves or through entities they control derive 5% or more of their revenue from exploration, drilling, extraction and/or refining (for fuel) of:

- coal (all sorts of thermal coal, e.g. lignite or anthracite);
- natural gas (conventional and unconventional);
- crude oil (conventional and unconventional); and
- uranium.

In theory, and in accordance with the Nordic Swan Ecolabel criteria companies that fulfil all of the following criteria are exempt and may be included in the fund:

- At least 90% of the company's energy sector CapEx in new capacity, on average for the three consecutive years including the last financial year, are in the renewable energy sector.
- Revenue from renewable energy comprises at least 50% of the company's total revenue. This ratio may be calculated on average over the course of 1, 2 or 3 of the last financial years.
- The company has no revenue from tar sand, shale oil or shale gas, or other fracking activities and/or mining of oil shale and/or extraction in the Arctic region.

Reference is made to:

- The Nordic Swan Ecolabel's exclusion criteria O4. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

Generating power

The fund may not invest in energy companies which themselves or through entities they control derive 5% or more of their revenue from generating power from:

- coal (all sorts of thermal coal, e.g., lignite or anthracite);
- natural gas (conventional and unconventional);
- crude oil (conventional and unconventional); and
- uranium.

In theory, and in accordance with the Nordic Swan Ecolabel criteria companies that fulfil all of the following criteria are exempt and may be included in the fund:

- At least 90% of the company's energy sector CapEx is in new capacity, on average for three consecutive years including the last financial year, are in the renewable energy sector.
- Revenue from renewable energy comprises at least 50% of the company's total revenue from power generation OR at least 50% of the company's energy production capacity is based on renewable sources. This ratio may be calculated on average over the course of 1, 2 or 3 of the last financial years.
- The company has no revenue from tar sand, shale oil or shale gas or other fracking activities and/or mining of oil shale and/or extraction in the Arctic region

Reference is made to:

- The Nordic Swan Ecolabel's exclusion criteria O5. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

Controversial weapons

The fund may not invest in companies which themselves or through entities that they control derive revenue from the production or sale of controversial weapons.

According to the Nordic Swan Ecolabel "controversial weapons" include:

- Biological and chemical weapons (Biological Weapons Convention, 1975, Chemical Weapons Convention, 1997);
- Cluster weapons (Oslo Convention, 2008);
- Nuclear weapons (Treaty on the Non-Proliferation of Nuclear Weapons, 1968);
- Anti-personnel mines (Ottawa Treaty, 1997);
- Depleted uranium weapons;
- White phosphorus; and
- Components solely intended for use in these weapons.

References are made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>
- The Nordic Swan Ecolabel's exclusion criteria O6. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

Conventional weapons

The fund may not invest in companies which themselves or through entities they control derive 5% or more of their revenue from the production or sale of conventional weapons. This also covers firearms for civilian use but does not include production or sale of weapons or ammunition for hunting and competition.

According to the Nordic Swan Ecolabel "conventional weapons" include:

- Small arms for private use;
- Weapons of warfare; and
- Other weapons-related products and systems that directly contribute to the lethality in combat and warfare. This includes handguns, bombs, shells, rockets, missiles, ammunition, tanks, warships, military aircraft, etc.

Any investment in companies that do not derive 5% or more of their revenue from such activities, must nevertheless comply with Pareto Asset Management's guidelines for responsible investment which prohibits the fund to invest in companies which:

- Produce weapons that in normal use does violate basic humanitarian principles
- 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

References are made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>
- The Nordic Swan Ecolabel's exclusion criteria O7. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

Tobacco

The fund may not invest in companies which themselves or through entities they control derive 5% or more of their revenue from the production of tobacco and tobacco products.

The fund may not invest in companies which themselves or through entities they control derive 5% or more of their revenue from sale/distribution of tobacco and tobacco products.

References are made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>
- The Nordic Swan Ecolabel's exclusion criteria O8. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

International norms and conventions

Pareto Asset Management has signed the UN Principles for Responsible Investment (“UN PRI”). The Pareto guidelines for responsible investment 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.

According to the Nordic Swan Ecolabel criteria, the fund may not invest in a company if there is an unacceptable risk that this company contributes to or is responsible for severe or systematic violations of one or more of the following:

ILO’s fundamental principles

The fund may not invest in company if there is an unacceptable risk or systematic violations of human rights such as murder, torture, deprivation of liberty, forced labour, the worst forms of child labour

UN Global Principles

The fund may not invest in company if there is an unacceptable risk or systematic violations of the ten principles which cover human rights, labour rights, environmental protection, and the fight against corruption

Exclusions specifically applied for government bonds

The Fund does not invest in government bonds.

In case of investment in government bonds, the Fund may not invest in such bonds issued by countries that are subject to EU Financial sanctions or UN Financial sanctions, or countries that have not ratified the Paris Agreement. Further, the Fund may not invest in government bonds issued by countries which achieve a score worse than 40 in the currently valid Transparency International’s Corruption Perceptions Index.

Severe environmental damage

According to Pareto Asset Management’s guidelines for responsible investments, the fund may decide to exclude a company if there is an unacceptable risk that the company contributes or is responsible for severe environmental damage.

Pareto ESG Global Corporate Bond applies stricter criteria at fund level and does not invest in companies if there is an unacceptable risk that the company contributes or is responsible for severe environmental damage including emissions of greenhouse gases that affect our climate.

Through the fund’s sustainable objective, Pareto ESG Global Corporate Bond aims to maintain a decarbonization trajectory. A specific approach is dedicated to mitigating exposure to climate risk by assessing companies’ capability to align their activities with the Paris Agreement

Gross corruption

According to Pareto Asset Management’s guidelines for responsible investments, the fund may decide to exclude a company if there is an unacceptable risk that the company contributes or is responsible for corruption.

Pareto ESG Global Corporate Bond applies stricter criteria at fund level and may not invest in company if there is an unacceptable risk or systematic violations of the UN Global Compact’s tenth principle on “business should work against corruption in all its forms, including extortion and bribery”.

Companies are analyzed and monitored as part of our controversy monitoring procedure. For further description of the fund's policy for engagement with non-conforming holdings reference is made to the Pareto ESG Global Corporate Bond's Engagement Policy ([link](#))

References are made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>
- The Nordic Swan Ecolabel's exclusion criteria O9. The criteria are publicly available at <https://www.nordic-ecolabel.org/investmentfunds>

Produce pornography

The fund may not invest in companies which themselves or through entities they control produce pornography.

Reference is made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>

Produce alcohol

According to Pareto Asset Management's guidelines for responsible investments, the fund shall exercise a precautionary principle in connection with investments in alcohol.

Pareto ESG Global Corporate applies a stricter criterion at fund level and may not invest in companies which themselves or through entities they control derive revenue from the production of alcohol.

Reference is made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>

Gambling

According to Pareto Asset Management's guidelines for responsible investments, the fund shall exercise a precautionary principle in connection with investments in gambling.

Pareto ESG Global Corporate Bond applies a stricter criterion at fund level and will not invest in companies which themselves or through entities they control derive 5% or more of their revenue from gambling.

Reference is made to:

- Pareto Asset Management guidelines for responsible investments. The guidelines are publicly available at <https://paretoam.com/en/other-important-documents/>

Genetically modified organism

Pareto ESG Global Corporate Bond applies a criterion at fund level and will not invest in companies which themselves or through entities they control derive 5% or more of their revenue from modified seeds, crops and genetically modified organisms for agricultural use of human consumption.

It has been proposed to add companies that produce genetically modified foods to the Norwegian Government Pension Fund's exclusion list. . The argument is mainly related to the potentially adverse environmental impacts on biodiversity and the health effects.

According to the Norwegian Government Pension fund, companies should include biodiversity and ecosystems in their impact assessments and apply the mitigation hierarchy to limit their impacts.

Such companies should adopt a precautionary approach where there is a risk of significant biodiversity and ecosystem impacts, including from pesticides, invasive species or products of genetic modification.

The fund excludes all companies according to the Norwegian Government Pension Fund exclusion list and applies exclusions related to modified organisms.

Government bonds – sanctions and Paris agreement

The fund may not invest in government bonds issued by:

- Countries that are subject to EU or UN financial sanctions
- Countries that have not ratified the Paris Agreement

Due to the nature of the fund (“corporate bond fund”) this requirement is not applicable as government bond are filtered out from the fund investment universe. If at any point in time an investment in government bonds will be considered, the ethics committee and the Nordic Ecolabelling will be notified.

Government bonds – corruption

The fund may not invest in government bonds issued by countries which achieve a score worse than 40 in the currently valid Transparency International's Corruption Perceptions Index

Due to the nature of the fund (“corporate bond fund”) this requirement is not applicable as government bond are filtered out from the fund investment universe. If at any point in time an investment in government bonds will be considered, the ethics committee and the Nordic Ecolabelling will be notified.

Screening process

At Pareto Asset Management, the screening is done according to the Norwegian Government Pension Fund and Norges Bank Investment Management.

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 ESG Global Corporate Bond needs to fulfil more stringent requirements as described in the fund's investment policy. Due to this, the screening process is further extended. The list of exclusion is updated every month after the team examines the fund investment universe. The team applies Bloomberg classification industry sectors (“BICS”) related to relevant exclusion criteria to identify companies not eligible for investment. Companies still within the Fund's investment universe after the Bloomberg screening are subject to further analysis conducted manually by the Fund's ESG analyst. The holdings' eligibility is assessed based on several available sources, including holdings' annual and

sustainability reports The revenue breakdown is a key element to assess at this stage. It enables the investment team to ensure that company which themselves or through entities it controls derive 5% or less of its revenue from excluded sectors.

It may occur cases where a company which themselves or through entities it controls derive 5% or less of its revenue from the controversial activities as provided under “Exclusion criteria applied by Pareto ESG Corporate Bond” without being identified by relevant BICS code. This happens when such activities are not primary. Nevertheless, these issues will be recognized in the screening process undertaken by the fund managers and the ESG analysis. Such investments are monitored to avoid investments in companies exceeding pre-defined thresholds.

The team has observed events where the screening of a holding company is based on its parent company and consequently the BICS code refers to the parent company’s activities. If the team is considering making an investment in such cases, the team has to make a note to justify and clearly demonstrate that the activities of the potential holding company differs from the parent company’s activities and are compliant with the fund’s exclusion criteria.

For information about the fund’s handling of potential and verified non-conformities, reference is made to Section “Controversy monitoring” in the fund’s investment policy.

References to other relevant files

Pareto Asset Management’s guidelines for responsible investments

Investment Policy PEGCB

Engagement Policy PEGCB